

## **A CRITICAL REVIEW OF ENVIRONMENTAL ACCOUNTING AND REPORTING PRACTICES IN OIL AND GAS COMPANIES (WITH REFERENCE TO RELIANCE PETROLEUM LIMITED)**

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### **ABSTRACT**

*The business is now not only confined to reporting its financial performance but also recognizing its accountability and responsibility towards environment from which it takes lot of benefits and in return provide lot of hazards. In the past decade there has been a huge demand on financial and economic data about environmental and natural resources. However there has an inconsistency in adopting environmental accounting practices in companies. The after effects of business practices call for accountability of corporations in the direction of natural environment. In the recent years environmental degradation has been acute and the shareholders are realizing that the company should follow environmental accounting. However approach towards environmental accounting is not generalized one. Legal authorities, standard setting bodies have not come into consensus regarding conceptual framework of environmental accounting and disclosure. In this paper an attempt has been made to find out the level of environmental disclosures present in the company. A proper study has been conducted to find out whether company is serious in environmental compliances or it is just statutorily required disclosures. A content analysis is done across the reports filed by the companies to examination is done to ascertain the quality and level of disclosures.*

**KEYWORDS:** *Environmental Disclosures, Standards, Compliances, Accountability, Accounting Practices.*

### **Introduction**

In the fast developing and dynamic business environment, it is necessary that companies should focus on their non financial indicators. The environment has traditionally been seen as a public good available in almost an unlimited supply and free for use by all who desire it to use it. It from the earliest days of modern accounting systems economists have emphasized the limitations of using monetary transactions to measure total economic activity. With the environment issues attaining worldwide prominence the notion that environment resources should be viewed as capital is certainly gaining importance. Therefore is an asset to be carefully allocated among users. The environment offers both natural resources and non utilitarian resources. But the natural environment has been largely ignored in conventional accounts of economic processes and the earth has been commonly regarded as a free reservoir and a bottomless rubbish dump.

### **Environmental Accounting**

Environmental accounting is a method of recording environmental elements in the books of accounts. In the broad sense environmental accounting includes valuation of natural resources measuring income there from keeping records of cost relating to them estimating them and providing depreciation on them. A comprehensive definition can be as follows: environmental accounting is a

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method of keeping accounts of natural resources and environmental elements by which efforts are made to get an idea of nation's economic activity, social welfare and maintenance of natural resources. Environmental accounting is a method of improving business decisions making in recognition of the increasing environmental challenges and opportunities that business is facing today. Environmental accounting employs cost and benefit analysis to ensure efficient management of limited resources for well being of mankind.

**Need for the Study**

In view of tragic incidents that took place in recent past the society has started questioning the businesses regarding their accountability towards environment. It has also been observed that the concept of environmental accounting does not find an adequate place in the annual report of companies. The disclosures made are limited and it is not reflected in the financial statements. Thus to aware among the industry and public impact of companies activities on environment and suggest measures to correct them. The present disclosures are voluntary and not mandatory. Although India has developed a comprehensive legislations for environmental protection through environmental accounting but legislations remain on paper.

**Research Methodology**

The research is preliminarily based on primary data collected from the questionnaire formed and from the sustainability report and annual report of Reliance Industries Ltd. The period covered under study is 2016-17.

**Analysis of Environmental Accounting in Reliance Petroleum**

- The reliance petroleum limited has defined certain principles in its business responsibility report *i.e.* Business should conduct and govern themselves with ethics transparency and accountability and the business should respect protect and make efforts to restore the environment.
- The company has made disclosures in the report with regard to environmental accounting.
- Company's policies and practices for environmental protection including use of clean technologies resource conservation and climate change adoption and mitigation.

**Company has formed five policies that focus on five major areas**

	<b>Clean air</b>	<b>Preventing soil contamination</b>	<b>Clean water</b>	<b>Preserving flora and fauna</b>	<b>Diligent use of scarce resources</b>
Impact	Emissions from operations	Waste generation leading to land fill and incineration	Extraction of fresh water and return of effluent	Deforestation and habitat loss	Extraction of non renewable resources
Policy for minimising impact	Emission reduction and recovery	Maximise waste recycling value from waster	Enhanced reuse and recycling water conservation	Greenbelt development AND habitat restoration	Bottom of the barrel upgrading refinery efficiency

- The company is also ensuring compliance to environmental regulations
- Total rain water harvesting capacities of over 5 crore cubic meters created since inception
- Total saplings planted over 1.50 crores.
- Increase in material recycled initiatives for deployment of renewable energy
- Environmental commitment beyond compliance
- The company's intent is to ensure minimisation of environmental impact through mitigation and offset initiatives. While positive impacts like enhanced renewable portfolio and enhanced water and waste recycling help RIL offset negative impacts, mitigation of unavoidable impacts is carried out through advanced technological interventions such as clean technologies and investment in pollution control equipment.
- The company in the recent past did not face any major case of oil spills except few minors which they have not reported.
- The company has HSEF Department manned with competent people e policies and procedures are well framed and part of all standard operating procedure, standard maintenance procedures where line manager is himself responsible for HSEF incidences. Company is OSHAS 18000 certified and ISO 14000 certified. All environmental incidences wherever occurred are recorded, analyzed and mitigation steps are implemented through risk registers maintained by the company.

- The company maintains record about the generation and disposal of hazardous waste and disposes the hazardous waste in area within the company as approved by pollution control board.
- The company does not maintain separate accounts for environmental expenditure incurred. The company does not consider environmental protection as expense or loss as all these finally conserve natural resources and results in benefit. All such benefits reflect in lower energy cost, improved and sustainable green fields, orchards of fruits and better rainwater harvesting.
- The company has been awarded for energy and water conservation in 2016 by Bureau of energy efficiency. The products of company are mostly in liquid form which directly goes in tanks or by pipelines. Some solid products are packed in containers which are recycled after every use.
- The company has always given utmost attention on compliance of environmental legislation. The company has exceeded the green belt more than the required minimum area.
- The company regularly monitors its own environmental performance in annual report and got it benchmarked with other parameters in the sustainability reports with other companies in India
- The environmental audit is carried out by the certifying agencies like OSHAS and ISO 14000. Besides these government pollution control board officers, committee set up by MOEF also monitors the progress on various conditions subject to which MOEF clearance is given.
- All observations and non performances identified during audit are followed up until they are resolved to satisfaction
- Company has got environmental policy issued by chairman of the company. It is followed in letter and spirit by making procedures and manuals in this regard and assurance on that is given by regular audits

### Conclusion

The present study reveals the status of environmental accounting in India and especially Reliance petroleum limited. The company has maintained a system of environmental compliances as mandatorily required but does not maintain proper books of account. The company has won awards in environmental compliance which shows that it is serious with regard to environmental accounting. The company have proper system to determine the environmental costs, benefits, assets and liabilities. On the whole the status of voluntary environmental disclosures in the annual reports of companies is not good. The main reason is lack of awareness and commitment on the part of management of companies. Poor enforcement of environmental protection act is also responsible for freeing the companies from the disclosures. Without any strict accounting pronouncements by ICAI and guidelines by regulatory authorities, companies only provide statutorily required qualitative and positive information on environment. Thus there is a need of furthered development parallel with the improvement of corporate governance and the increasing public awareness. A proper accountability is to be infused in the businesses for which a defined environmental policy and proper environmental accounting procedure is the most.

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