

Water accounting, the next frontier

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WATER ACCOUNTING THE NEXT FRONTIER

The winds of political change, water the bargaining chip

On 15 September 2015 the ABC reported that the Nationals had secured responsibility for water as part of changes in portfolio control concurrent with the appointment of Prime Minister Malcolm Turnbull. This significant shift in the control of water will influence the



Dead cattle due to drought

impact of water use by farmers and that permitted for healthy river systems. To what extent there is accountability for water use and the provision of information will remain to be seen.

Not all water is the same

When we think of water we often “see” only what we use in our daily lives. However, the reality is far from this - every kilogram of steak, every tonne of steel, every consumption decision we make includes embedded water. Water is imported and exported around the world every day, and when a country that is water poor (such as Australia) is exporting water individuals have a right to know the impact of such net water loss.



Stark impact of salinity on the Avon River at Yenyenning Lakes, south-west Western Australia

Samuel Taylor Coleridge in his poem *The Rime of the Ancient Mariner* penned the words “*Water, water, every where, Nor any drop to drink.*” His reflections echo the critical problem with water; not all water is the same and not all is drinkable. Water is demanded by all, and impacted by all. In Australia, we have brutal droughts with their social, environmental and economic impact. Animals and crops die, rivers dry up and bushfires rage across the land. Water is critically essential for all life, yet taken for granted and treated as a “free good” to be used by corporations with scant regard to its true value.

Social Environmental Accounting – the rise of the environmental accountant

But this may be about to change - accountants are increasingly engaging in Social and Environmental Accounting (SEA). The Global Reporting Initiative (GRI) and other forms of environmental accounting are testimony to the importance of economic, social and environmental sustainability, largely driven by society seeking accountability. Many major public corporations are engaging in triple bottom line reporting often known as the Three “P’s”, of People, Planet and Profit.





It is indeed the necessity to properly account for water that motivates James Hazleton in his article "*Accounting as a human right: the case of water information*" as published in 2013's Volume 26 (2) *Accounting, Auditing and Accountability Journal*. While some may view the role of accountants to be simply impartial scribes of prior financial events our rightful role is in ensuring accountability including that of the provision of information on water, particularly water usage by corporations. As accountants with training in information collection and reporting we are ideally placed to take the initiative and become experts in water accounting.

The right to water information

Drawing inspiration from the basic concept that human rights have moral power Hazelton traces the development of rights from United Nations *Universal Declaration of Human Rights* in 1948 to the subsequent recognition of the right to water. A human right it is one that is intrinsic to life and not simply a want or a desire and one such right is to be able to engage in political participation. Hazelton argues that this right gives rise to the right to know about corporations' use of water, a right which is realised in some jurisdictions via freedom of information legislation because of the importance of water to all stakeholders. No longer is it a need to know but a **right** to know.

Water accounting an emerging field

Corporations range from small businesses to the multi-nationals that transcend mere country boundaries and operate globally. All use water in some stage of their business, be it as an input or as a by-product. From the food manufacturing companies to the steel mills to the chemical manufacturers all have multiple impacts on the water eco-system. How then to effectively report for such water use?



Water pollution by chemical plants

Hazelton identifies three approaches to such reporting:

1. Organisational – this considers the specific use of water within the boundaries of the corporation. The GRI includes very limited water reporting.
2. Product – this considers the water implications of a product such as water labelling on an appliance. An extension of this concept is the idea of the water footprint that is similar to the ecological footprint.
3. Catchment – where a corporation's impact on a particular water catchment is considered. For example, a river system with water being taken out and industrial wastes being discharged. The great advantage of this type of reporting is the data collection is separated from water reporting.

There are considerable problems with water measurement due to the range of different types of water use, the impacts and variations due to water scarcity. In a dry country like Australia cotton production uses huge volumes of water while in another where water is more plentiful such use may be advantageous in reducing flooding in a catchment. Thus water is in itself not strictly comparable and this complicates reporting.

A further problem with water reporting is that it is an emerging field; standards and measurement tools are still being formulated. It is difficult to provide independent assurance of the water information. Corporations object to what they see as more green tape and in most cases water has little financial impact on their profits. Water pricing is inefficient reflecting the delivery rather than the resource cost. Corporations also claim a right to privacy, which has to be moderated within the context of societies right to know about water use. Clearly, a corporation has the right to privacy over intellectual property but not over a common good such as water that is of critical interest to all.

Water accounting a career opportunity

Water is the currency of life. We use our skills to prepare accounts using the currency of money so that they convey a “true and fair view” of the company’s financial affairs. We should claim the ground in water accounting and develop reporting frameworks that allow comparability, transparency and accountability by corporate users of water for the benefit of stakeholders. As accountants we are able to correlate and report such information as rational actors. It is my hope that accountants will become specialists in water accounting and apply our acumen and accumulated knowledge to develop reliable and consistent frameworks for the provision of water information.