

Institute for European Environmental Policy, London
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Institute for European Environmental Policy, London
Trustees' Report for the 18 Months ended 30th June 2015

The Institute for European Environmental Policy, London (trading as the Institute for European Environmental Policy or IEEP) is a registered charity and not-for-profit company limited by guarantee and, as such, is governed by its Memorandum of Association and Articles of Association. Directors, who are also the charitable Trustees, present their report together with the audited financial statements for the 18 month period ended 30th June 2015, which have been prepared in accordance with current statutory requirements, the Memorandum and Articles of Association and the Charity Statement of Recommended Practice issued in 2005.

Objects and Policies of the Charity

The Institute is a leading centre for the analysis and development of environmental and related policies in Europe. The objects are to advance the education of the public in the protection of the environment in the continent of Europe and in all forms of national and international policy relating thereto, and to carry out research and enquiry into all aspects of the environment and environmental policy.

These objects are achieved by all appropriate means, including research, the provision of advisory services and preparation of commissioned reports, the organisation of conferences and training courses, and the publication of manuals and other books, reports, articles and newsletters, utilising both digital and paper media. Offices are maintained in London and Brussels, and there is also a full time staff member in Canada. The Institute has associate colleagues and functional links with similar institutions across Europe.

Aims and Activities

The Institute's aims are both educational and to contribute to a better environment through improved policy initiatives and interventions, particularly within the European Union (EU). These two goals are pursued mainly through projects which address many different aspects of European policy-making and implementation. We look for practical and robust solutions in a complex policy environment based on our knowledge of European and related national and international policies, developed over more than thirty years.

Policies developed at the EU level have widespread influence on decision making and outcomes on the ground throughout Europe. However, they are often formulated in terms which are bureaucratic and opaque to the non-specialist and this can be a major barrier to understanding and to participation in the policy making process. There is an enduring role for independent and well informed organisations to explain and interpret both the policy making process and the policy measures themselves to improve their transparency and accessibility to the non-specialist citizen and voluntary organisations. This is an important strand in the Institute's work. It is pursued through the preparation of policy papers, briefings, newsletters, a general and more specialist public websites, presentations to conferences and university students, published reports and other means. We seek to broaden the understanding of European and related policies affecting the environment and improve access to decisions which set standards and goals at a European and sometimes global level.

A second major strand of our work is the analysis of the issues confronting the environment and the most appropriate means of addressing them. This includes policy development, design and implementation. We cover not only 'traditional' environmental policies, such as pollution control, climate change, waste management, the regulation of chemicals and nature conservation, but also

many of the sectors with the greatest environmental impacts, such as transport, agriculture, fisheries and regional policy. Our objective is to contribute to the deployment of effective policies, in particular at the European and national levels.

Many of the most important environmental issues, such as climate change, nature conservation and excessive natural resource use, cannot effectively be tackled by national policy alone. A more concerted European effort is required, generally involving the formulation and practical application of well-designed and appropriate measures addressing the variety of conditions within the continent.

Work by the Institute considers inter alia:

- Which are the most important and pressing concerns for the environment;
- The evidence base available on which to consider and construct policy options;
- How effective existing measures have been in addressing the issues they were designed to tackle – taking account of the highly variable conditions to be found within Europe;
- Improvements in policy that are necessary or desirable; and
- Where policy needs to develop in the future.

By engaging actively with decision makers and the wider policy and stakeholder community, we aim to present information, analysis and arguments that will lead to better policy and a more sustainable Europe, increasingly attuned to environmental concerns. The right policy commitments in Europe are essential, not only to meet challenges in this continent, but also those arising in the quest for a more sustainable planet.

Review of the Period

Objectives and priorities for 2014/15

Exceptionally, this has been an eighteen month rather than twelve month financial reporting period. This arises from a decision to change our year end from December 31st to June 30th as from 2014. The change should lead to greater operational efficiency in terms of the scheduling of the preparation of accounts and conduct of the audit. It also aligns our financial year with that of our new partnership initiative "RURANET" which began operations in July 2014.

Our underlying goals remain to undertake analysis designed to improve policies affecting the environment, advance understanding of relevant EU policy and facilitate the engagement of civil society in the policy debate.

Our more specific aim in 2014/15 was to make further progress in delivering the objectives set out in our development plans, initially for the 2009-14 period and then for 2015-2017. These plans highlight the importance of long term and consistent work on issues such as the building of a robust climate policy, a more environmentally focussed CAP, effective mechanisms to halt the decline of biodiversity and the promotion of greater resource efficiency across the board. At the same time, the Institute is tackling new and often challenging issues, such as the creation of a sustainable bioeconomy alongside a more circular economy and the management of marine litter and other pollutants of the ocean.

From 2015 onwards, in recognition of the need to see EU experience in more of a global context, we have increased our commitment to international policy work. This is now a major priority for our growing Green Economy team. At the same time, we are fully engaged with the debate about whether there is too much reliance on regulation in environmental policy, whether it is too burdensome and

what are the alternatives. Greater scrutiny of environmental policy is widely anticipated and we hope to bring strong arguments and clear evidence to the issues now receiving increasing attention.

Our primary thematic objectives for 2014/15 were:

- Thinking strategically about the future direction of environmental policy in Europe and the specific role of regulation and other measures within it.
- Examining longer term options for agricultural and land management policy in Europe with a view to informing policies above and beyond the current CAP and forestry policies in Europe.
- Contributing to the development of an appropriate set of EU policies addressing the main climate and energy challenges in the period to 2030, including significant emission reductions.
- Contributing to the improved use of natural resources in Europe through a stronger focus on the “circular economy” and the policies that can be employed to achieve this.
- Providing more analysis of the difficult issues surrounding the growing use of bioenergy, including biofuels, in Europe with a view to evolving a more robust and appropriate policy framework fostering the sustainable use of bioresources in Europe.
- Contributing a strong evidence base and clear analysis to the debate over the future of nature conservation legislation in Europe, and the wider implementation of the Biodiversity Action Programme.
- Delivering greater environmental benefits from EU expenditure, following up political commitments made in 2013.

Achievements and performance 2014/15

The Institute combined a focus on larger strategic issues and a variety of specific topics, helping to advance policy in several areas, set out in more detail below.

Our projects covered topics over a considerable range including agricultural and rural policy, water pollution, mitigating climate change, biofuels, wastes and residues, marine litter, the green economy, environmental taxation, and the protection of biodiversity, as well as issues of governance, such as “better regulation”. We engaged actively with policy makers, a range of stakeholders and the wider public through our regularly updated websites, the publication of a range of papers, reports and books, the circulation of briefings, participation in high level events, organising seminars and conferences, engaging in capacity building and training. We have also increased our activity on Twitter.

Key achievements during the period included:

- Playing a key role in the long running debate over the future of biofuels in the EU, leading up to agreement on a significant new EU policy framework in 2014.
- Helping to put into operation the commitment to earmark 20 per cent of the EU budget for climate mitigation and adaptation and developing a similar approach for biodiversity.
- The coming into force of a crucial measure to protect native plants and animals in Europe from invasive alien species, which built on extensive analysis by the Institute over many years.
- Helping to make the case for a new approach to the large scale use of environmental payments for farmers, with much more emphasis on the results achieved rather than simply compliance with general rules.

- Giving substance to several strands of the “green economy” debate with detailed work on the extent of some environmentally damaging subsidies and documenting ways in which ecological tax reform can be put into practice.
- Contributing to the major European debate on the “Circular Economy”, with studies on the policy measures which could be deployed to bring it into operation and work on the crucial links to the bioeconomy.
- Working closely with national and European authorities to examine how the concept of “Better Regulation” might be applied to EU environmental policy, influencing future thinking and applied policy in this area.

There was also a significant new initiative during the period:

Our long term commitment to supporting rural polices that pursue environmentally and socially sustainable forms of development and land management in Europe was taken a stage further during 2014. We joined with like-minded partners to create RURANET (a European Economic Interest Group) based in Brussels. From July 2014, this group has been responsible for running the European Network for Rural Development “Contact Point”, under a contract from the European Commission. It has the role of providing in depth, authoritative information on how rural development policy is unfolding in all parts of the EU and providing help and support to the key actors both in civil society and in the relevant public authorities. There is a programme of communication, workshops and meetings, in depth analysis and a comprehensive website. There is strong emphasis on building partnerships, fostering communication and working with communities as well as economic actors. Our particular role is in relation to policy development and implementation as well as the management of RURANET as a dynamic new organisation. We hope this initiative will continue for seven years. A successful first year of operation was completed in early July and the financial results are included within these accounts.

Outlined below are some of our most notable projects and contributions during the year, presented in relation to core objectives.

A. Greening expenditure from the EU budget and ecological tax reform

Thematic goal:

Delivering greater environmental benefits from EU expenditure, following up political commitments made by governments and EU institutions in 2013.

The EU Budget for 2014-20 governs all EU expenditure for seven years and is therefore crucial in supporting the implementation of EU policies, including those with environmental impacts. IEEP has played an active role in initiatives trying to ensure that the specific commitments made in the 2013 budget reform – to devote 20 per cent of expenditure to climate action – will in fact be met in practice.

Throughout the past year and a half, we have continued developing the pioneering work that we initiated in 2013 on establishing mechanisms for tracking and monitoring expenditure within the budget, with a focus on climate. A system is now in operation and progressive improvements are envisaged. Subsequently, we have built on this work to develop a methodology for tracking biodiversity-related expenditure in the EU budget. A major study on this theme and a related workshop was undertaken for the Environment Directorate-General of the European Commission (DG Environment) and was very well received. In parallel, we have worked with the World Wide Fund for Nature (WWF) to support the European Commission in their endeavours to ensure the integration of Natura 2000 – the cornerstone of Europe's nature conservation policy – into the 2014-2020 EU

budget. This work resulted in a new guidance handbook for practitioners and a series of national workshops aiming to build capacity amongst national stakeholders and to support the uptake of EU funds for Natura 2000-dedicated projects.

In addition to our work on EU-wide expenditure, we set out to provide research and analysis on the environmental commitments made by European governments. As part of this focus, we have conducted a study on environmental tax reform in a range of European countries, initially for the Dutch Ministry of Environment and Infrastructure. The approach and guidance that we proposed to governments as a result of this study were met by enthusiasm when presented at the Global Conference on Environmental Taxation in Copenhagen in September 2014. Our guidance documents, published by the Commission, have contributed concrete ideas into a highly topical debate. Following this, a recent study for DG Environment assessing the potential economic benefits of environmental fiscal reform throughout Europe, compares country practice with 'best in class' examples. Our results suggest that shifting taxes from labour to pollution in 14 EU Member States could generate around €38 billion of revenue in 2017 and €111 billion in 2025. These results again generated quite some interest among Member States, as well as from the media and a wider audience. Follow up will include a book chapter in Critical Issues in Environmental Taxation and new links with the UNEP Green Growth Knowledge Platform.

An important but often difficult part of environmental fiscal reform is to address and change those subsidies which ultimately contribute to the generation of negative environmental impacts, such as tax credits for fossil fuel-based energy generation. Recognising this, during the year we completed a study for DG Environment on estimating the scale of fossil fuel subsidies throughout Europe, finding that the most significant subsidy relates to rates of excise taxes, which we estimated as €28 billion EU-wide.

Looking ahead, there will be a mid-term review of the EU budget in 2016, in which progress in "greening" expenditure will be under scrutiny, not least in relation to agriculture policy (see below). It is essential to have transparent data in order to assess progress and we have helped to bring about a framework where this can be achieved.

B. Strengthening the European responses to the climate and energy challenge

Thematic goal:

Contributing to the development of an appropriate set of EU policies addressing the main climate and energy challenges in the period to 2030, including targets for reducing emissions, especially in the fields of energy efficiency, renewables and LULUCF.

Given the continued sombre outlook for combating dangerous changes in the global climate triggered by human activities, we anticipate and welcome a substantive climate focus in European policy in the coming years. A key element of this relates to European climate and energy policy now being put in place for the period to 2030, with the level of ambition potentially increased by the upcoming United Nations climate change conference in Paris later in 2015.

The Institute has continued our strong focus on the European responses to the climate and energy challenge, including presenting a short series of seminars on climate and energy issues for the new MEPs on the Environment and Industry/research/energy committees in 2014. The governance aspects of the 2030 Climate and Energy package are important, especially as there are fewer mandatory targets for EU Member States than have been in place to 2020. We have been active in the debate on this, organising a seminar, preparing a discussion paper and participating in initiatives such as the Task Force initiated by the European Climate Foundation (ECF).

A number of other IEEP projects of relevance to this thematic goal are mentioned in more detail under other headings in this report, e.g. our successful guidelines for Member States on implementing the requirements for reporting and accounting for greenhouse gas (GHG) emissions under the EU decision on Land Use, Land Use Change and Forestry (LULUCF) (see section G on Agriculture).

A second strand of our work focuses on renewable energy, including a range of projects on bioenergy and related policies (see section D on bioenergy). As well as considering the design of policy, we have examined some of the biodiversity impacts of different renewable technologies and possible ways of mitigating damage. With the rapid and essential increase in investment in renewables, this is a key topic and is expected to remain so, creating considerable challenges for policy.

In an ongoing study for RSPB and Birdlife, we have investigated how Europe's future policy framework for renewable energy should be conceived to simultaneously deliver expanded renewable energy supply and protect biodiversity. At the EU level, the report recommends the development of an improved framework for bioenergy in Europe, differentiated from support for wider renewables. The report will hopefully be used to feed into discussions about energy strategies in the EU to 2030 and expected reviews of the current Renewable Energy Directive and Energy Efficiency Directive.

One of the key issues in the current climate and energy challenge is to achieve an increased degree of energy efficiency throughout society. The EU has therefore included a substantive focus on energy efficiency gains in both the 2020 Climate and energy policy package – a set of binding legislation aimed to ensure that the EU meets its climate and energy targets for 2020 – and in the forward-looking 2030 Framework for climate and energy. This aims to pursue a cost-efficient European decarbonisation plan leading towards 2050. One of our priorities is to contribute research and analysis to this important policy field. In the past year, we have been leading parts of an evaluation for the European Commission's Regional and Urban Policy DG (DG REGIO) of investments made from the European Regional Development Fund and the Cohesion Fund towards energy efficiency interventions in public and residential buildings from 2007-2013. This included looking at national funding in this area, providing us with a valuable background on energy efficiency policy and practice across a range of countries. Work is still ongoing, but our initial results illustrate that countries have a variety of approaches to energy efficiency, with generally limited attention paid to the detailed rationale for, and design of, interventions. Programmes in the newer EU Member States frequently focussed on investment in public buildings, rather than in residential buildings, and were often excessively generous in the level of grant funding provided; and generally, there was limited reporting of useful data on programme results. There are therefore significant challenges to address in this sphere, some addressed at a workshop in June 2015 with national government representatives, where we explained our results.

Another prominent aspect of current EU climate policy is binding emissions targets for Member States (in addition to the EU Emissions Trading System). These targets, currently for 2020, are formulated under the so-called Effort Sharing Decision. The Institute is now halfway through a study for the European Commission, assessing the environmental impacts of the flexibility options provided to Member States (including borrowing, auctioning, and project mechanisms) when seeking to meet their respective targets. One important challenge we have identified so far is to ensure that these flexibility mechanisms create incentives for Member States to bring forward genuinely *new* mitigation measures, in order to generate practical value towards the overall EU-wide emissions reduction targets.

We are also working on number of other areas where the EU policy is likely to advance in 2016. Some of these include transport policy, on which we have recently published a report on options for post 2020, sustainability standards for renewables, the role of forestry (contributing to a paper for Paris) and LULUCF, (Land Use, Land Use Change and Forestry) an important sector now being brought into EU climate policy for the first time.

C. Steps towards a more circular economy

Thematic goal:

Contributing to the improved use of natural resources in Europe through a stronger focus on the "circular economy" and the policies that can be employed to achieve this.

The concept of a 'greener economy', where human well-being and social equity is improved while significantly reducing environmental risks and ecological scarcities, is well established. Now, however, it is increasingly recognised that to attain this requires systematic steps towards the pursuit of the 'circular economy'. The concept refers to an economic model that produces virtually no waste, with raw materials being kept at a high utility and value, and re-used and recycled continually within a closed loop. This is now recognised as an important concept in European policy, bringing together already established measures on waste management and recycling, taking them to a further stage. In 2014, the European Commission adopted this concept of resource efficiency, stressing the potential for new growth and job opportunities. After some controversy and the withdrawal of a first proposal, it has set out to present an ambitious circular economy strategy in December 2015.

The Institute has been active in the build-up of thinking and ambition in the EU towards a circular economy. We have contributed to reviews of established waste policy, for example, and have a key role in a cutting edge project on the "cascading" use of wood and other resources, extracting the maximum use of the material in different forms, entering the energy sector only at the end of the chain.

One of the key questions that we have been trying to help to answer is what policy measures are required to move the Circular Economy from aspiration to reality. We led part of a study for the Commission where we looked precisely at policy options potentially required for action in this area. The results of our work, discussed at a workshop in Brussels in May 2014, found that the transition requires systemic, not only incremental, change as well as a more holistic approach, a mix of complementary instruments and approaches taken forward by actors at different levels. Policy initiatives need to take into account the value chain structure, the business case for circularity and the diverse needs for policy intervention amongst different firms, sectors, products and value chains.

This work has since then fed into the policy proposals to be presented in the December strategy. In a subsequent project in 2015, also focussed on the development of the forthcoming EU circular economy proposals, we are supporting the Dutch Government in the organisation of a workshop on the circular economy for governmental representatives from a range of European countries, helping to build more of a consensus on what is required. The meeting, which we prepared and are to facilitate, is to provide assistance in the preparations for the upcoming Dutch presidency in the first half of 2016, during which the Netherlands intends to make the circular economy a central focus.

The ambition of a circular economy largely involves working towards both a relative and absolute decoupling of resource use (and negative environmental impacts) from economic growth. During the year, we contributed to fresh thinking and knowledge on this topic by continuing our lead of the DYNAMIX research project, bringing together universities and other institutions from all over Europe. We developed two of the policy mixes assembled in the project in working towards decoupling – one on land policy and one that integrates issues of the circular economy, resource efficiency and fiscal reform tools. DYNAMIX places considerable importance on engaging with policy actors to disseminate the lessons learned and our work therefore has included ongoing contact with national governments, the European Commission, industry, parliamentarians, NGOs and academics.

During the past 18 months, we have also been able to contribute to specific policy impacts in this field. For example, our two major waste-related projects for DG Environment have been successfully

translated into visible, concrete outcomes by the Commission. Our report with partners on the evaluation of five EU waste Directives was developed into a Commission Staff Working Document (SWD(2014)209) which accompanied the legislative proposal to review recycling and other waste-related targets in the EU (COM(2014)397). In our study on developing Guidance on extended producer responsibility schemes, we suggested a set of 'guiding principles' intended to assist with the design of optimal schemes. The Commission included many of these principles in Annex VII to the legislative proposal, under the title of 'Minimum requirements for extended producer responsibility' that Member States are required to follow. Both final reports have been published in their entirety on the DG Environment website.

The role of waste as a resource in the 'bioeconomy' has received particular interest. We believe that there is scope to expand it considerably. In 2014, the Institute gave evidence on the topic to a House of Lords Select Committee whose recommendations lead directly to research, for the UK Department of Business, Innovation and Skills on international approaches to developing bioeconomies. The latter resulted in a set of recommendations on how the UK should proceed in this area, using waste as a feedstock, which are under consideration. The role of leading countries and regions in this field was highlighted with Flanders a clear example.

The circular economy will not be built in a day and we foresee that the work to develop innovative and workable policy options in this field will remain a strong focus for IEEP in the coming years. We expect to focus on policies aiming to support sustainable production and to explore how the emerging bioeconomy can be integrated into this policy field, including the appropriate role for bioenergy.

D. A robust set of policies governing bioenergy and biofuels

Thematic goal:

Providing more analysis of the difficult problems surrounding the growing use of bioenergy, including biofuels, in Europe with a view to the emergence of a more robust and appropriate policy framework over a period of years.

Transformation of the way that we produce and make use of energy in our societies is required both to build a circular and a low carbon economy. This intersection offers real opportunities but has also created serious challenges for policymaking. Climate policy has led to an increasing exploration of possibilities to increase the share of energy generated from organic matter, or biomass, such as woody materials, algae, sugar cane and manure. Most of these resources are already grown and exploited for other purposes, such as food provision, and the land on which some of them are cultivated is subject to limitations in supply and frequently has value for a range of other purposes. For several years, the Institute has been active in the debate seeking to ensure that existing and further exploration of bioenergy, including biofuels for transport, is pursued in a sustainable manner.

Helping to identify and develop a new approach to biofuels policy has been a priority for the Institute, for several years. A key goal has been the phasing out of incentives for unsustainable forms of supply, particularly from certain food crops, and increasing incentives for sustainable supplies, including a group of advanced fuels derived from wastes and residues. EU policy in this area, dating back more than ten years, had inadvertently resulted in incentives being focussed too much on unsustainable supplies. We have been active in the reform debate producing analysis, research, summaries of evidence and briefings as well as contributing to hearings and meetings. An important part of this effort was funded by the Esmée Fairbairn Foundation, concluding with a 2014 discussion paper on the issues raised by a Commission proposal for new EU legislation. Our paper, like the Commission proposal, particularly addressed both the use of food crops for biofuel and the need to account for Indirect Land Use Change (ILUC) arising from feedstocks for biofuels grown on agricultural land.

Our work has been widely quoted and utilised in this debate and we have brought some of the key environmental arguments into focus on many occasions. In 2015 a new EU Directive on biofuels was agreed and has greatly helped to address some key sustainability issues although the political compromises involved inevitably mean that there are drawbacks to the new policy frame as well. We hope that we have contributed in a real way to significant progress in this area.

We have continued to work on different aspects of biofuels policy both at the European and more national levels. One stream of work has been focused on the use of wastes and residues as feedstocks for producing advanced biofuels. We have produced several reports on the potential availability, scale of supply and sustainability of a variety of different feedstocks now seen as having commercial prospects and have been active players in debates inside and outside government about how to frame policy to encourage investment in the most sustainable and efficient options, particularly those utilising wastes and residues.

We have been facilitators or key actors in a number of roundtable meetings of industry and environmental interests meeting in Brussels, including one convened by the European Climate Foundation (ECF). We are currently examining the question of how to establish meaningful and workable sustainability standards for wastes and residues in a project funded by ECF and involving close collaboration with both NGOs and industry.

Another potential feedstock for bioenergy is crops grown for the purpose. We have conducted a study for BirdLife, the EEB and the NGO "Transport and Environment" on the amount of land that might be available in the EU for sustainable bioenergy production, particularly on "marginal" land not in use for food production. We concluded that there is a clear need for better information to guide the selection of appropriate energy crops, avoid detrimental land use change and take into account local and site-specific conditions. Our report stressed that, without such guidance, or binding measures, incentives for additional energy crop cultivation at the EU level should be approached with care. The report attracted press attention, not least because the figures that we presented are considerably lower than those generally used by the Commission and the industry. We are currently following up with a study on the availability of land use data in different European countries to establish how far "marginal land" can be identified in practice.

At a broader scale we have also assessed potential policy options and best practice for incentivising low carbon transport fuels post 2020 as requirements to decarbonise the sector become tougher. This work was commissioned by European NGOs and has informed their thinking, in the policy community about the best means of re-shaping policy to promote low carbon transport fuels in the future.

Governments are now in the process of adapting their national policies to meet the conditions laid out in the 2015 EU legislation. In the UK, we were invited to join a "Transport Energy Taskforce" to advise the Minister of Transport on how to proceed with re-focussing national policy in this area and chaired one of the main Taskforce working groups, looking at policy both in the next three years and moving ahead to 2030.

The exercise aimed to seek consensus amongst a range of key stakeholders on the way forward, given the UK target of 10% renewable energy for the transport sector by 2020, which could prove difficult to meet. The issue of sustainability was recognised as central. The Minister is now considering whether to adopt the recommendations and has established a more specialist group on sustainability issues which we are also participating in.

Important though they are in environmental terms, biofuels are only one part of a wider issue about the role of bioenergy including the use of wood residues and other forestry products, which are being

exploited on an increasing scale in Europe for heat and electricity supply. This is in direct response to EU legislation on renewable energy which has encouraged growing combustion of woodchips in power plants for example. While there is a clear role for bioenergy there are major concerns about the conditions under which it is sustainable and the quantities of biomass which should be devoted to energy supply rather than other uses in a low carbon economy.

Our work in this area is building up, looking at issues of principle, at the right methods to account for greenhouse gas emissions in bioenergy supply chains, sustainability criteria and other related policy issues. For example, we are partners in a study providing an assessment to DG Environment on the current availability of a range of biomass materials from forestry, agriculture and wastes for use in bioenergy in Europe, including anticipated future trends, taking into account alternative uses of these materials. Alongside this we recently played a part in drafting and signing the first joint industry/ NGO statement accepting that there is a need to take account of carbon debt when calculating the emissions savings relating to the use of biomass for energy. Being part of the European Climate Foundation's (ECF) roundtable on bioenergy gives us an interesting opportunity to engage with and learn from a growing range of industry representatives who are key players in this area.

A current field of interest is the cascading use of woody biomass. In two ongoing studies we are seeking to define what is meant by cascading, improve the understanding of the barriers to cascading and identify future policy options to overcome particular challenges. A series of case studies are looking at national policy landscapes and their relationship with the cascading concept. We hope this work will prove relevant to ongoing discussions on the circular economy and a future EU policy on biomass in energy (anticipated to be developed in 2016).

As the bioenergy sector continues to develop, there remain major divisions in view about its role, value and the need for a more vigorous sustainability policy. There is a clear need to assess the long-term environmental and socioeconomic impacts of different bioenergy supply chains, to inform both policy design and private investments and this remains a priority for the Institute.

E. Measures to protect biodiversity in Europe

Thematic goal:

Contributing a strong evidence base and clear analysis to the debate over the future of nature conservation legislation in Europe, and the wider implementation of the Biodiversity Action Programme

The Commission's mid-term review of progress has shown that halfway to the EU target date of halting the loss of biodiversity and ecosystem services by 2020, biological diversity in Europe is still generally declining. Meanwhile, the EU Birds and Habitats Directives – a cornerstone of Europe's nature conservation policy – are currently being reviewed as part of a process of ensuring the effectiveness of EU regulation and avoiding unwarranted burdens on Member States. Much of the Institute's biodiversity-related work in the last year and a half has been focused on related aspects of EU biodiversity policy and current topics, such as the best means of attaining the goal of no net loss of biodiversity in Europe.

We have undertaken some detailed work on aspects of the nature directives including an examination of how different countries and administrations define the goal of "favourable conservation status" which revealed some significant differences of more than technical interest, sparking further research in Europe.

We also have completed guidance on using different sources of European funding for nature conservation on the ground of the type needed to achieve the goals that are set out in the nature directives (comprising both the birds and the habitats directives). This is a practical means of helping to achieve the right level of investment in practical conservation at a time of restricted public expenditure.

The European Commission launched the "Fitness Check" exercise for the two EU nature directives in 2014. This involves detailed scrutiny and analysis of the relevance, effectiveness, coherence and efficiency as well as the level of EU added value of the directives and the views of stakeholders, including reported problems. The Commission engaged a set of experts, led by Milieu and including IEEP to help them with this substantial exercise. Taking forward this work has been one of our key priorities throughout 2015. The detailed analysis and evaluation of the collated information is still under way and has drawn on evidence from many sources including the literature, many submissions and workshops and visits to ten or more countries. Results will start to emerge at the high-level conference on the Fitness Check on the 20th November.

Another important stream of work in the last year and a half has focused on policy mechanisms that could be deployed to meet the goal of halting the decline of biodiversity in Europe by 2020. Achieving a "no net loss" of biodiversity, and ecosystem services by this date is extremely challenging and requires initiatives going beyond the effective implementation of the existing birds and habitats Directives. It raises questions about the capacity and willingness to target relevant measures in the CAP and CFP on this goal for example. We have been involved in several projects which explore the role of mechanisms to offset the negative impacts of developments, such as urbanisation, on biodiversity by compensatory efforts elsewhere. This can include creation of new habitats on land currently of little conservation value for example. We have proposed that an appropriate offsetting scheme might be valuable but would not substitute for thorough application of existing conservation legislation. This continues to be a live issue and we are currently working on a Commission funded project where we are looking at the costs and benefits of individual measures which can contribute to no net loss of biodiversity.

The requirements of the nature Directives have also been an important influence in precipitating the establishment of a larger network of marine protected areas (MPAs), which had been few in number until recently. This is a welcome development, but it is proving increasingly essential to present strong economic arguments for measures which, where necessary, restrict the activities of important economic sectors at sea. The Institute has worked for the Commission in the past year on the socio-economic benefits of EU's existing marine protected areas. The initial stage of this project has been to develop a step-wise methodology for assessing the socio-economic benefits of marine Natura 2000 sites in the EU, including for example their value for food provisioning, ecotourism and climate regulatory services. This work has received significant interest; both within the Commission and beyond, and we have been asked to follow up with a consultative report on the topic. We are currently drafting more detailed recommendations on the value of these goods and services.

As part of our aim to bridge the gap between ecosystem science and its practical application, we have continued our work to assess the policy landscape affecting the demand for and uptake of ecosystem services instruments. This effort falls within a major European research project named "Ecosystem Science and Policy in Practice (OPERAs)". One of the priorities has been to develop a conceptual approach for assessing the current level of sectoral policy integration, to support ecosystem service mainstreaming and integration in the future. We are currently working to develop a common framework that policy and decision makers could use to assess the current level of, and future opportunities for, the integration of ecosystem services and natural capital into sectoral policies at different levels of governance. Publication should follow next year.

One benefit of nature and therefore nature conservation for humanity is in the area of health, both physical and mental. Concrete evidence of this is starting to become more available; we are gathering it together and considering the implications in a new project for DG Environment on the public health and social inclusion benefits of Natura 2000. Early results were presented at the EU Green Week in June 2015 and attracted significant press interest and a trail of coverage in social media. This is one of several areas which we would like to explore further.

Finally, we were pleased to see that EU Regulation 1143/2014 on Invasive Alien Species (IAS) was adopted in 2014. This Directive is an important policy development, intended to address the increasing (accidental and deliberate) introduction of animals and plants which are not native to the EU flora and fauna. Some of these species thrive in their new environment in the absence of competition or natural enemies and can therefore cause substantial harm to local species and ecosystems. The new EU IAS Regulation builds significantly on work that the Institute has undertaken over a decade or more.

F. Setting new directions in European environmental policy

Thematic goal:

Thinking strategically about the future direction of environmental policy in Europe, and the specific role of regulation and other measures within it.

The Institute continues to follow the evolution of EU environmental policy as a whole, assessing the direction of change and offering commentary on key developments and emerging debates. Our long established and authoritative Manual of European Environmental Policy is now available free to download on our website. It is no longer regularly updated but remains a valuable resource covering nearly all the environmental measures now in place.

Our work on the respective roles of European and national policy in 2013 has been followed by the preparation of a book by Nigel Haigh to be published by Routledge in late 2015 under the title "EU environmental policy: Its journey to centre stage". The book gives a detailed account of the rise of European environmental policy in different spheres, particularly in the period to 2004, including pollution control, chemicals and climate and shows how the environment moved from relative obscurity to become such a central part of the EU's agenda. It also includes a forward looking chapter on what may come next by David Baldock.

In the last year we have also made a number of presentations on the changes in approach to EU regulation introduced by the new Commission in late 2014 and the new era in environmental policy making. In a number of newsletter articles we have underlined the importance of raising the level of ambition to meet the scale of challenges on the horizon, both in Europe and on the world stage.

Binding regulations form a central part of EU policy on the environment and this is an important reason why they have been effective in achieving the desired results and raising standards across the continent. However, there are legitimate questions about whether regulations are always the best policy tool available and whether they cause unnecessary rigidities and administrative burdens for example. There is an ideological element to this debate, as we have pointed out on a number of occasions. At the same time there are a number of pertinent and concrete questions that need to be answered, drawing on an objective evidence base, which has to be built up.

For this reason we have become increasingly engaged in projects and debates which explore the impacts of a regulatory approach and the scope for advancing "Better Regulation" so that it is more

than a catchphrase. Work has included a recent examination for the Commission of the differences in (administrative) costs of implementing the same EU environmental law between countries. This has shown significant variations and the key role of national institutional situations in shaping costs.

Since 2013, we have worked on several key strands of the “Better Regulation” issue as it applies to environmental policy in Europe. Most of our work has been commissioned by a group of national environmental ministries, starting with the Ministry of Infrastructure and Environment in the Netherlands, subsequently joined by DEFRA in the UK and the Federal Ministry of Environment, Nature Conservation, Building and Nuclear Safety in Germany. Beginning with a study of what issues were most pertinent to a genuinely “smarter” body of environmental law, this inter-governmental initiative has gathered considerable momentum and now has been formalised as the “Make It Work” initiative. The initiative aims to deliver environmental outcomes more efficiently and effectively without lowering existing protection standards. Specific issues have included: the publishing of draft guidance on how to set out compliance assurance requirements in EU environmental law and a recent focus on examining reporting obligations under EU environmental legislation. The Make it Work project has close interaction with a growing group of environmental ministries from different parts of Europe and with DG Environment and is having considerable policy influence. As a result of the attention generated by the project, we have developed a dedicated mini-site on the IEEP website to help communicate its results (see the section on Communication).

Looking at future policy there is a different but equally sensitive question about whether the EU will come under greater influence from the US and from corporate interests if it signs a transatlantic trade agreement of the kind now under negotiation. This is the Transatlantic Trade and Investment Partnership (TTIP) between the EU and the US which has sparked an intense debate with parts of civil society. We have contributed with a short study for the European Parliament on the environmental implications of TTIP, particularly those resulting from the differences in EU and US legislation, focusing on raw materials and energy (particularly fracking and fuel quality) and motor vehicles. The study found that in some cases, the differences between EU and US legislation are so significant that they seem unlikely to be bridged, in particular where the EU has a binding system in place whilst the US has a partially binding or voluntary system. This is the case for example in relation to cosmetics and cloning. In other areas, the main differences are a result of diverging approaches to risk analysis which may also be difficult to bridge. We continue to contribute to this debate for example with recent evidence to a Select Committee of the House of Commons.

In the course of 2015 it has become clear that there will be referendum on the UK’s continued membership of the EU in the coming years. The environmental record and prospects for the future are relevant to this decision and we have some of the necessary experience and expertise to engage in the debate in an informative but dispassionate way. We are currently considering one or more publications on the topic. This will build on a considerable body of work in 2013 on the respective roles of EU and national jurisdictions in the environmental domain, which has been widely circulated.

G. Policies for agriculture and land management in flux

Thematic goal:

Examining longer term options for agricultural and land management policy in Europe with a view to informing policies above and beyond the current CAP and forestry policies in Europe.

The reform of the CAP in 2013 included a new element of “greening”. Thirty percent of the main direct payments to farmers, now much less closely connected to production of crops and livestock than previously, is to be devoted to participation in three “green” measures, or their equivalents. The CAP rules covering the period to 2020 are not entirely simple but they do allow national authorities

considerable scope to utilise the options available to introduce new broad brush environmental requirements for farmers. So there are questions about how these options will be used and what environmental consequences will follow.

Two of our projects published in 2014 examined how it might be possible to best utilise these options from an environmental viewpoint in quite different parts of Europe. One considered options in Scotland and was fed in to the government's formal consultation exercise, with funding from Scottish Natural Heritage. Another looked at the challenges in Croatia, a new member of the EU with areas of farmland of high environmental interest but considerable adaptations to make in order to best use the CAP policy framework.

As measures subsequently were put into place by governments in 2014/15 we began the process of reviewing how this large scale CAP implementation exercise was proceeding, particularly in environmental terms. In a series of studies for the European Environmental Bureau, BirdLife, RSPB and the UK statutory agencies' Land Use Policy Group, we have been examining the environmental implications of various aspects of the new CAP's implementation in a selection of Member States. The initial findings of the work on 'green' direct payments suggest they are unlikely to deliver as much additional environmental benefit as had first been hoped. Member States seem to have used the flexibility open to them more to maintain the status quo, than to drive changes requiring farmers to manage their land very differently. It may, however, lead to more nitrogen fixing crops being planted, as these can count towards the green payments and can also access additional support in most countries.

This is an important set of conclusions and ahead of work elsewhere in Europe. Consequently, it is having some impact amongst the policy community in Brussels. There is already discussion about where the CAP goes next; amongst other initiatives we have organised an off the record round table on this topic and begun exchanges with different partners. We posted the first of what is likely to be a series of think pieces on the future of the policy on our CAP 2020 website which received a lot of interest.

Bringing a sharper focus on climate change within agricultural policy is now a priority. We have taken work in this area forward in two major projects with partners for the European Commission (DG Climate Action). One involved assisting with the operationalisation of some important policy changes regarding carbon sequestration and release in the land sector. It included the preparation of guidance for Member States on how to implement the requirements for reporting and accounting for greenhouse gas emissions from cropland and grazing land management in relation to Land Use, Land Use Change and Forestry (LULUCF). Member States are required to submit implementation plans to the European Commission, setting out the actions they propose to take to reduce GHG emissions from activities related to forest and agricultural land use by 2020. Our guidelines were well received by Member States and seem to have had an impact. By mid-April 2015, 23 Member States had delivered their estimates to the Commission. As a follow-up to this project, we have also begun a separate study for DG Climate Action on the most effective measures to reduce GHG emissions from agricultural land in different parts of the EU and how these might be supported through policy, particularly the CAP. This is underway at present.

IEEP has a history of close involvement in both the concepts and practice of agri-environment policy, whereby farmers enter voluntary agreements to manage their land in ways more sympathetic to biodiversity, reduced water pollution, improved soil structure, organic production and other goals. One of our largest projects in 2014/15 focussed on taking forward the concept of "results based" payment schemes, with a particular focus on biodiversity. On this model farmers are paid partly or wholly on the basis of environmental outcomes, such as the number of rare plants present on their land. These replace payments simply for following an agreed practice, like the late cutting of

meadows. This can be more effective in environmental terms and can help change farmers' attitudes to the environment, but hitherto has been used on a limited scale. Our project was to develop this approach and lift it into the mainstream of European policies.

Coordinating partners from several different countries and disciplines we completed the project in 2015, providing an overview of experience with these schemes, the lessons learned and the key issues to address in building their role in future. We have developed a manual for developing schemes and a project-specific website. Our external communication events on the project have been well received and the European Commission, which managed the project on behalf of the European Parliament, invited us to conduct training exercises (inside DG Agri and with national authorities). It has shown enthusiasm for giving this approach more priority in future. We are providing advice to a practical pilot scheme being introduced in Romania.

Other contributions to the spectrum of rural policies in Europe include reviews of a number of the new generation of rural development plans now being put into place in Europe and our active role in the Rural Development Contact Point, an important initiative for us this year (see page 4).

Finally, we were very pleased to have been successful in winning funding for a major European research project PEGASUS (Public Ecosystem Goods and Services from land management – unlocking the synergies), which we are coordinating. This looks at innovative ways of delivering environmental benefits in rural parts of Europe drawing on 30 or more case studies pursuing an action research approach. We hosted the PEGASUS kick-off in London at the end of April 2015, with 14 partners from 10 EU countries attending. Research is now well underway, and progress can be tracked on a newly developed project website.

Outside agriculture we have maintained an interest in food policy and how it might be taken forward at the EU level. We have prepared a paper on this topic which has been used in the policy debate including by the Commission and WWF. We presented ideas at WWF's major conference on the "Live Well" diet in Brussels, which considers low carbon and lower meat diets. We are also members of the Food Research Collaboration Steering Group, bridging academics and civil society in the UK.

H. Other areas

- One of our specific goals for 2015 is to *Help to strengthen the focus of EU policy on the marine environment, notably with respect to reducing marine litter*. During the year, we have contributed to an open access book on marine litter, authoring a chapter on its economic impacts. We have also commenced work on a major study for UNEP looking at the socio-economic impacts of marine litter on a global scale, to conclude in early 2016. The topic is of growing importance internationally and has recently been on the G7 agenda.
- We have also been active in broadening the international reach of our work beyond Europe over the year. The international aspects of our work cover several topics but will be particularly developed in the expanded Green Economy Programme. This included global biodiversity and climate issues. For example we made a presentation at a workshop in Pretoria (South Africa) on the External dimension of the EU's environmental policy, and summarised our work on ecosystem services at the high-level International Symposium on Northern Development in Québec City. During this period we have had a colleague relocate to Canada and transatlantic issues will be part of her remit.
- The Institute has conducted interesting research on different aspects of environmental crime during this period. As part of the multi partner EFFACE research project, we recently published a study on the magnitude and health implications of illegal electronic waste (e-waste) shipments to China. The case study analyses the effectiveness of enforcement

actions in the EU to counter illegal e-waste trade and examines various aspects of the illegal activity. IEEP staff have also given a series of presentations on the topic.

- We have continued to play a part in the debate on ways of measuring human welfare other than GDP and have been delivering DG Environment's Beyond GDP Newsletter since early 2014.
- We have led a consortium (which also includes BIO, Ecologic, IVM, SYKE, Cambridge Econometrics and Denkstatt) which was awarded first place on the list of consortia for a framework contract with the European Parliament to provide briefings and studies on environmental policies. This is a four-year framework contract which could generate some interesting studies for this audience in the next few years.

Objectives, aims and plans for future periods

The principal aims of the Institute, to contribute to improved understanding, stronger analysis and better policy decisions relating to the environment in Europe, will remain highly relevant in 2015/16. By helping to shape policies that are sustainable and to engage a wider range of people in the process, we will continue to focus on contributing to the wider public benefit. We have identified a number of European policy challenges and debates that are likely to be of particular environmental significance in 2014/15 and these will be priorities for our work in the coming year.

These priorities are:

- Contribute to the case for the continuation of an ambitious and effective set of environmental policies in Europe engaging actively in the "smart regulation" debate.
- Contribute to a full appreciation of the role of and need for the EU nature conservation directives.
- Contribute to the development of appropriate EU measures to implement the 2030 climate and energy targets, especially in the fields of energy efficiency, renewables and LULUCF.
- Help to build a stronger case for the sustainable use of bioresources in Europe, with particular reference to policies on bioenergy and the circular economy.
- Contribute to a stronger understanding of the role of policy in fostering a "green economy".
- Help to strengthen the focus of EU policy on the marine environment, notably with respect to reducing marine litter.
- Contribute to new thinking on the future of agricultural policy in Europe based on a strong analysis of the implementation of the 2013 CAP reform.

Communication

Over the past 18 months, we have improved the layout and structure of most of our external communications material, including new report templates. More recently, we have commenced a revamp of our website including an update of the site background code, structure and layout. IEEP staff as well as management are partaking in this development process to ensure that the new site portrays IEEP and our work in an effective and complementary manner. A central theme of the website revamp is to increase the ease of functionality, usability and internal control over the website content. It is also to make the website more user-friendly and adaptable to the current technological landscape and inevitable advances. It will also allow us to start collecting statistics about how many visitors we have, how they interact with the website and what is the most popular page or article. In

late 2014, we published the IEEP Manual of European Environmental Policy on our website (a well-established and comprehensive reference for EU environmental acquis) available to all as a free online resource.

Our digital *quarterly newsletter* now appeals to a broad audience. Ever since it has presented our findings in non-technical language, the newsletter has continued to attract an increasing number of subscribers, now totalling 2,874. This is up by 250 since the 2015 spring edition. A summary of relevant figures: 32 per cent of recipients opened the summer newsletter; this is the same as the previous six editions. 40 per cent interacted with the content (by clicking on any of the links); this is also the same rate as the previous six editions. Subscribers display the tendency of moving away from reading about conferences and events, to showing an interest in the content of articles which cover a range of current topics and interests.

In this period we have continued to establish our presence on *social media*, most notably on Twitter. We actively launched an appearance on Twitter three years ago. Twitter provides a fast-moving and direct media interaction which complements and supports the dissemination of IEEP's work through other communication channels, such as reports and newsletters. Some of our tweets have received significant and worthy attention. For example, a recent tweet highlighted our scoping report for the Commission on marine protected areas. This report was 'retweeted' by both the DG Environment and the Maritime Affairs and Fisheries DG within 24 hours. We have maintained our level of Twitter presence over time thanks to a group of dedicated staff. We have also established a formal platform on LinkedIn, which we now intend to update regularly. LinkedIn will be used to update followers with our latest work as well as to use it as a medium for reaching a broader audience.

The development of *project-specific websites and mini-sites* has been an increasing focus this year. For the three-year Horizon 2020 PEGASUS project, which IEEP is currently leading, we have designed and developed a separate website which has already received positive feedback from project partners and stakeholders. Recently, we have also developed a new mini-site under the IEEP site for the Make it Work project which is now attracting the attention of policy makers in Brussels and elsewhere. Similarly, our existing mini-site www.cap2020.ieep.eu is still receiving interest and is used as a source of information, namely regarding the future development of European agriculture and rural development policy. We update the interactive part of the site on a regular basis.

We have enjoyed significant coverage in the past 18 months in traditional press, for example following our publications on waste-based biofuels and the health and social benefits of the Natura 2000 network. Coverage included amongst others: the Guardian, Reuters, Der Spiegel, The Financial Times, Telegraph, the Washington Post Europe, Bloomberg View, and the European Parliament Magazine.

In general, there is an energetic and positive atmosphere in the new IEEP communications team, which hopefully is also felt across the Institute, encouraging ongoing positive engagement with communications activities.

In view of the Institute's approaching 40th anniversary, Nigel Haigh (former director) has looked back at the history of EU environmental policy resulting in a book which is due to be launched at the year end. Providing a review of previous events in different environmental policy sectors in Europe, the book also includes a chapter, written by our current Director, looking ahead at what is to come. The content is of increasing relevance, not least in light of the current Brexit debate in the UK about future EU membership, to which we have contributed in various ways throughout the period.

Public Benefit

The Trustees confirm that they have complied with section 36 of the Charities Act 2011 and have due regard to the Charity Commission general guidance on public benefit. The Institute believes that its independent work helps to inform those developing and implementing European policy in such a way that the results are to the benefit of the public as a whole as well as the environment. A large and growing number of our reports are freely available on our website, the accessibility of which we seek to improve progressively over time.

Resources and thanks to staff

During the 18 month period, the number of staff who worked for IEEP for all or part of the year, was forty including the Director (Average annual 2014/15 Full Time Equivalents FTE: 25, 2013 FTE: 26). Associates and an honorary fellow also contributed to the Institute's work throughout the year, working closely with research staff on a number of projects. Whilst the Institute is not dependent on unpaid volunteers, we welcomed a number of volunteer "interns" throughout 2014/15 who assisted us on a variety of projects and tasks in both London and Brussels.

The Trustees would like to thank all the staff and volunteer interns who have worked so hard and so ably to deliver the work of the Institute over the past year.

The Institute continued to have offices in central London and Brussels which are also used for conferences and a series of workshops and seminars. In addition, we now have a staff member based in Canada and our work is supported by a network of partners and consultants in other European countries.

Financial Review

The Institute's funds have been applied in furtherance of the company's objects, as detailed above and to a small extent for governance of the charity. In addition, some surplus office space was rented out and the accounts reflect this income and associated costs. Its assets are held for the efficient operation of the company.

As the accounts are prepared for an 18 month period direct comparisons with prior year figures are not quite as meaningful as usual. Total gross income in the 18 months to 30 June 2015 was £2,553,909 (2013: £2,146,097). In addition the accounts reflect a share of the RURANET income £542,202 (2013: nil). Total expenditure on activities in the period was £2,567,377 (2013: £2,130,167). Before taking into account losses on foreign currency exchange and IEEP's share of the contribution from the Joint Venture (RURANET), the Institute made a deficit in 2014/15 of £33,468 (2013: surplus £15,930). The loss on exchange was £80,768 (2013: Gain £8,570) as the value of the Euro fell markedly in the period against Sterling. Many IEEP projects were denominated in Euros and so the consequent impact on Sterling results was considerable.

The share of the RURANET surplus was £21,752 (2013: nil). The net movement in funds for the period, after taking in gains and losses on foreign exchange and the share of Joint Venture net income, was a loss of £92,484 (2013: surplus £24,500).

Although it was disappointing to record a deficit, the period saw the change of the European Commission, new European Parliament and the end of one EU budget period and start of the next. These factors together with the on-going recession in the Eurozone meant that fewer tenders for research studies of the kind or on topics suitable for the institute were announced and there was

more competition for these projects. At the same time we became more cautious about applying for more Horizon 2020 research projects because of the limited recovery of overheads that these allow.

It is expected that the volatility in exchange rates will continue and the Trustees have therefore put mechanisms in place to try to limit IEEP from the most serious effects of this volatility. Exchange movements are regularly monitored by the Finance Committee. In addition, the Trustees decided to continue to designate an exchange reserve fund, which, after 2014/15 losses, stands at £20,000. At 30 June 2015, after deducting foreign exchange losses, unrestricted funds stood at £664,512 (31 December 2013: £756,996). Further details of the financial performance for the period and reserves are included in note 13 to the Financial Statements.

The Trustees are of the opinion that the assets of the charity at the accounting date are available and adequate, within the normal commercial meaning attributed to those words, to fulfil the obligations of the charity. Other than unfinished projects allowed for in the accounts, the Institute's only significant outstanding commitment is the lease on its London office which runs until a break clause in 2017.

Assets were held on behalf of one group of organisations as lead partner of a new Horizon 2020 project, at 30 June £43,435 (31 December 2013: nil). No assets were held on behalf of any other charity or Trustee at 30 June 2015 (31 December 2013 nil). There have been no significant changes in accounting policy in the period. However the accounts now incorporate the relevant share of the new Joint Venture, RURANET which has been included using the gross equity method. Notes providing further information are included elsewhere in the Financial Statements.

Due to the nature of the charity's work, it obtains the majority of its incoming resources from public sector organisations within the European Union.

Reserves policy

The Trustees consider that it is appropriate for the Institute to hold reserves in order to fund work in progress and as a guard against the risk of an uneven flow of income. The need to fund work in progress is particularly important as the Institute is subject to fluctuations in cash flow arising from the payment arrangements under certain contracts with the European Commission. The Trustees believe that an unrestricted reserve level of £720,000, excluding designated reserves and net fixed assets, would be a reasonable target appropriate to the current scale of the Institute's activities. £720,000 represents approximately six months cover for forecast operating costs, excluding direct project costs, based on the 2015/16 budget.

At 30 June 2015, total unrestricted funds were £664,512 (31 December 2013: £756,996). Of this £20,000 were designated as a currency exchange movement reserve, £10,000 were designated for the costs which may arise on termination of the London and Brussels leases and £39,416 (2013: £53,609) were committed to fixed assets, leaving £595,096, broadly equivalent to 5 months expenditure cover based on 2015/16 budget, (2013: £619,548 and 4.8 months based on the budget at that time). These reserves are effectively the charity's working capital and the Trustees consider the level to be adequate at present. However, further increases in future are necessary to reach the target reserve level of six months operating costs. The Trustees and staff are committed to increasing the reserves to the target level and are actively pursuing policies to achieve this goal, in particular through close financial monitoring and management by the Finance Committee.

Treasury management policy

IEEP operates principally in Sterling and Euros and has a policy of minimising the risk of adverse exchange rate fluctuations and the cost of transfer by retaining balances in either Sterling or Euros in their original currency for use in paying expenses in that currency to the extent required. Where possible any surplus balances are placed in interest bearing bank deposit accounts.

IEEP seeks to minimise exposure to currency risks in contracts by having sub-contract payments denominated in the currency of the main contract wherever possible and by taking other measures to secure exchange rates in advance where this is felt to be prudent.

Risk management

A risk assessment and management exercise encompassing the strategic direction, operations, finances and staffing of the Institute has been carried out and reviewed by the Trustees. They are satisfied that the major risks to which the charity is exposed have been identified and reviewed and that systems are in place to mitigate the Institute's exposure to the major risks it faces. The Trustees review risks annually as part of an on-going process.

As part of their review in 2015, the Trustees considered that the major risks that IEEP might face were in the areas of potential loss of major funders, competition for funds, longer payment terms imposed by some funders, potentially reduced payment or claw-back of income by certain funders, liquidity, recruitment and retention of suitably qualified staff, currency risks and loss of influence. In respect of all of these matters, the Trustees consider that IEEP has adopted policies to minimise any such risks.

Structure, governance and management

The Institute for European Environmental Policy, London ("IEEP") is a Company Limited by Guarantee and not having a share capital, and a registered charity. The charity's principal office is in London and there is also an office in Brussels.

In accordance with the Articles of Association and provisions of the Companies Act 2006, Trustees/Directors are appointed by applying in writing to become members of the company, and are proposed for election, by the members, as a Director and a member either by ordinary resolution at a general meeting or by written resolution and appointed, if the resolution is agreed by a simple majority of those eligible to vote. Board Directors automatically become the charity's Trustees on appointment. Trustees/Directors generally serve for 4 to 6 years, and are eligible for re-appointment.

The Trustees maintain responsibility for the charity's strategy, governance and risk management. The Board meets quarterly and there is in addition a Finance Committee which also meets quarterly. The Finance Committee of the Board has a remit to maintain an overview of the financial operations and management of the Institute. It also provides help and advice for the Director, and has a duty to ensure the Institute's compliance with the relevant Charity Accounting obligations.

The Trustees appoint the Director of the Institute and delegate to him responsibility for selecting other staff and for the day to day management of the charity. The Trustees also appoint the Company Secretary. Details of the Trustees and officers are shown below.

Trustees are recruited as individuals who bring relevant skills and experience to the Board. Recruitment takes place via contacts in organisations that have environmental interests and expertise or more widely when a particular type of more general management experience is sought.

Induction of Trustees includes being provided with relevant information about the charity and briefings from the Chair of Trustees, the Director of the Institute and meetings with staff and other Trustees as appropriate. Trustee training is made available to those new to trusteeship and where new issues arise.

Details of the charity's wider networks are given elsewhere in the Trustees' report.

Reference and administrative information:

Directors/Trustees

The Directors of the company are also the Trustees of the charity.

Trustees who served during the year and since the year-end were:

- Domingo Jimenez Beltran
- Ralph Hallo *
- Sir John Harman (Chair)
- Patricia Henton *
- Dr Christian Hey Appointed 11 March 2014
- Dr Caroline Jackson Retired 10 December 2015
- Paul Meins *
- Derek Osborn CB
- Sir Graham Wynne

* Finance Committee Member. Finance Committee Chair was Paul Meins.

Officers

Director of the Institute	David Baldock
Secretary	Claire Froomberg

Registration details

The Institute for European Environmental Policy, London is a Company Limited by Guarantee and not having a share capital with Company number 2458951.

It is also a registered charity with Charity number 802956.

VAT number GB 648 7001 33

Registered Office and Principal office

11 Belgrave Road, IEEP Offices, Floor 3, London, SW1V 1RB, UK

Bankers

National Westminster Bank, Tavistock House, Tavistock Square, London WC1H 9XA

Solicitors

Bates Wells and Braithwaite LLP, 10 Queen Street Place, London, EC4R 1BE

Auditor

Buzzacott LLP, 130 Wood Street, London EC2V 6DL

Relationships with Others

In the year, IEEP London had one significant associate institution – in Berlin (Ecologic, Institute for International and European Environmental Policy).

We continue to have a joint venture – “Alliance Environment”, owned jointly with a French partner, Oréade-Brèche.

We entered into a new joint venture “RURANET EEIG”, owned jointly with three other partners.

Further information relating to the joint ventures can be found in Note 18 to the financial statements.

Much of our work is sponsored by other charities, and we are particularly grateful to the following for their support of our work during 2014/15:

Esmée Fairbairn Foundation

European Climate Foundation

Callouste Gulbenkian Foundation

Many projects were funded by the European Commission, the European Environment Agency, the Organisation for Economic Cooperation and Development, the United Nations, the UK Department for the Environment, Food and Rural Affairs, the Environment Agency, the UK statutory countryside agencies, the environment ministry in Belgium, and the Dutch Ministry of the Environment and other European ministries and Environmental Agencies. Their continued support is appreciated.

Statement of Trustees' Responsibilities

The Trustees (who are also the Directors of Institute for European Environmental Policy for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Standards).

Company law require Trustees to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the charity and of the incoming resources and application of resources, including the income and expenditure, of the charity for that period. Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Statement of Recommended Practice (Accounting and Reporting by Charities) (the Charities' SORP);
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

The Trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the Trustees confirms that:

- so far as the Trustee is aware, there is no relevant audit information of which the charity's auditor is unaware; and
- the Trustee has taken all steps that he/she ought to have taken as a Trustee in order to make himself/herself aware of any relevant audit information and to establish that the charity's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

The Trustees are responsible for the maintenance and integrity of the financial information included on the charity's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of Directors' Responsibilities (continued)

Auditor

Buzzacott LLP was appointed as auditor from 4 November 2009. As auditor in office, Buzzacott LLP will automatically be deemed to be re-appointed under the provisions of the Companies Act 2006 until further notice.

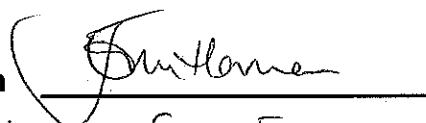
Small Companies Exemption

The above report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

On behalf of the Board:

Sir John Harman

Chair Institute



for European Environmental Policy, London

Date: 20-01-2016

Independent Auditor's Report To the Members of Institute for European Environmental Policy, London

We have audited the financial statements of the Institute for European Environmental Policy, London for the 18 month period ended 30th June 2015 which comprise the Statement of Financial Activities; the Balance Sheet; the principal accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Trustees and Auditor

The trustees are also the directors of the Institute for European Environmental Policy, London for the purposes of company law. As explained more fully in the Statement of Trustees' Responsibilities set out in the Trustees' Report, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 30 June 2015 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006;

**Independent Auditor's Report
To the Members of
Institute for European Environmental Policy, London**

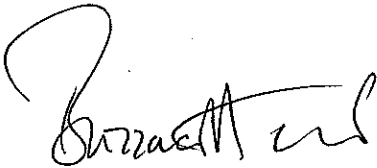
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us;
- the financial statements are not in agreement with the accounting records and returns;
- certain disclosures of trustees' remuneration specified by law are not made;
- we have not received all the information and explanations we require for our audit; or
- the trustees were not entitled to prepare the financial statements in accordance with the small companies regime or take advantage of the small companies exemption in preparing the Trustees' Annual Report and take advantage of the small companies exemption from the requirement to prepare a strategic report.



Edward Finch, Senior Statutory Auditor
for and on behalf of Buzzacott LLP, Statutory Auditor
130 Wood Street
London EC2V 6DL

Date: 11/2/16

Institute for European Environmental Policy, London
Statement of Financial Activities
(Incorporating the Summary Income and Expenditure Accounts)
For the 18 month period ended 30th June 2015

	Note	Unrestricted Funds £	Restricted Funds £	Total 18 months to 30.06.2015 £	Total 12 months to 31.12.2013 £
Incoming Resources					
<i>Incoming resources from generated funds:</i>					
		1,175	-	1,175	477
		48,776	-	48,776	47,178
<i>Incoming resources from Charitable Activities:</i>					
	2	-	440,282	440,282	264,592
		2,569,741	-	2,569,741	1,826,392
		16,137	-	16,137	7,458
		2,635,829	440,282	3,076,111	2,146,097
	18	(542,202)	-	(542,202)	-
		<u>2,093,627</u>	<u>440,282</u>	<u>2,533,909</u>	<u>2,146,097</u>
Total Incoming Resources					
Resources Expended					
<i>Costs of Generating Funds:</i>					
		48,776	-	48,776	47,178
<i>Charitable Activities:</i>					
		1,980,046	440,282	2,420,328	2,010,764
		98,273	-	98,273	72,225
		<u>2,127,095</u>	<u>440,282</u>	<u>2,567,377</u>	<u>2,130,167</u>
	3				
Total Resources Expended					
		(33,468)	-	(33,468)	15,930
	18	21,752	-	21,752	-
Net Incoming Resources before other recognised gains					
		(80,768)	-	(80,768)	8,570
	3				
Net movement in funds for the year					
		756,996	-	756,996	732,496
		<u>664,512</u>	<u>-</u>	<u>664,512</u>	<u>756,996</u>
	13,14				
Fund Balances Brought Forward					
Fund Balances Carried Forward					

All gains and losses arising in the year have been recognised above and arise from continuing operations.

The notes on pages 29 to 38 form part of these Financial Statements.

Institute for European Environmental Policy, London

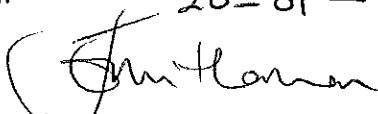
Balance Sheet as at 30 June 2015

	Note	As at 30.06.2015 £	As at 30.06.2015 £	As at 31.12.2013 £	As at 31.12.2013 £
Tangible Fixed Assets	7		39,416		53,609
Current Assets					
Debtors	8	799,572		774,138	
Cash at bank	9	<u>449,183</u>		<u>765,779</u>	
		1,248,755		1,539,917	
Creditors: Amounts falling due within one year	10	<u>(592,904)</u>		<u>(718,530)</u>	
Net Current Assets			<u>655,851</u>		<u>821,387</u>
Provision for liabilities and charges					
Provisions for amounts that may result in present obligations as a result of past events	11		(30,755)		(118,000)
			<u> </u>		<u> </u>
Total net assets			<u><u>664,512</u></u>		<u><u>756,996</u></u>
Represented by:					
Unrestricted Funds	13		664,512		756,996
Restricted Funds	14		<u> </u>		<u> </u>
			<u><u>664,512</u></u>		<u><u>756,996</u></u>

The accounts have been prepared under the special provisions of Part 15 of the Companies Act 2006 relating to small companies and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

The financial statements were approved by the Board and authorised for distribution

on 20-01-2016 and signed on its behalf by:


Sir John Harman
 Chair

The notes on pages 29 to 38 form part of these Financial Statements.

Institute for European Environmental Policy, London
 Company registration number : 2458951 (England and Wales)

Institute for European Environmental Policy, London
Notes to the Accounts
For the 18 month period ended 30 June 2015

1 Accounting Policies

Basis of Accounting

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008), the Companies Act 2006 and follow the recommendations in Accounting and Reporting by Charities: Statement of Recommended Practice issued in March 2005 (SORP 2005).

The charity has taken advantage of the provisions of Paragraph 3 (3) of Schedule 4 of the Companies Act and adapted the Companies Act formats to reflect the special nature of the charity's activities.

The following principal accounting policies have been consistently applied in preparing these financial statements.

Income Classification

Grants are considered to be restricted where the donor attaches conditions to the use of funds and where the outcome will remain in the public domain. Research project income is where the funder is the principal recipient of the project findings and income is considered to be part of the core activities.

Income Recognition

Incoming resources are recognised when the Institute becomes entitled to the income and the amount can be measured with reasonable certainty.

Grant income is recognised in full when the Institute becomes entitled to the income unless it either relates to a grant for a specific future period or is a performance related grant.

Incoming resources receivable under performance related grants and contracts for services provided are recognised to the extent that the relevant work has been performed. Income received in advance of work performed is deferred.

Expenditure

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. Wherever possible costs are directly attributed to these headings. Costs common to more than one area are apportioned on the basis described in Note 3.

Indirect costs are those costs incurred in support of the charitable objectives. These have been allocated to the resources expended on a basis that fairly reflects the true use of those resources within the organisation.

Governance costs are those incurred in the governance of the charity and are primarily associated with constitutional and statutory requirements.

Foreign Currencies

Transactions during the year in foreign currencies have been translated into sterling at an average rate for the period and closing balance sheet year end balances have been revalued at the exchange rate ruling at that date where applicable. All differences on exchange are reflected in the Statement of Financial Activities. A designated reserve has been set up as part of the unrestricted funds to recognise the possibility that exchange gains may be reversed in future periods.

Pension Scheme Arrangements

The company makes contributions to personal money purchase pension schemes for each eligible employee, the assets of the schemes being held separately from the assets of the company. The pension cost charge represents contributions payable to the schemes. Where employees prefer to make contributions to their own schemes additional remuneration is paid to enable them to be treated on an equal basis. These additional payments are included in gross pay in note 4.

Institute for European Environmental Policy, London
Notes to the Accounts
For the 18 month period ended 30 June 2015

Tangible fixed assets

Tangible fixed assets costing more than £500 are capitalised at cost.

Depreciation is provided on a basis which will write off the cost of fixed assets over their estimated useful lives by equal annual instalments. The estimated life of the fixed assets is four years.

Stocks

No value has been ascribed to the stocks of publications on the basis that the majority of these are given away and it is therefore considered prudent to account for all production costs in the period they were incurred.

Fund Accounting

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by the donor.

Unrestricted funds are funds which are available for use at the discretion of the trustees in furtherance of the general objectives of the charity. Designated funds are those where the Trustees have set funds aside for particular purposes.

Provisions

Provisions are recognised when the charitable company has a legal or constructive present obligation as a result of a past event, it is likely that a transfer of economic benefits will be required to settle the obligation, and the value of the obligation can be reliably estimated.

Accounting for Joint Venture

The Charity's investment in Ruranet EEIG has been accounted for as a joint venture and the gross equity method has been adopted in the period. The charity does not have control of the entity, as the agreement dictates that the key decisions require the consent of all partners. Ruranet's profit is recharged to the four partners equally.

Institute for European Environmental Policy, London
Notes to the Accounts (continued)
For the 18 month period ended 30 June 2015

2 Grants and Donations Receivable

	Donations Unrestricted £	Grants Restricted £	18 months to 30.06.2015 £	Year to 31.12.2013 £
European Commission various Grants	-	409,928	409,928	241,289
Esmée Fairbairn Foundation	-	28,671	28,671	46,839
Villum Foundation	-	-	-	5,950
European Climate Foundation	-	19,655	19,655	19,901
Executive Agency for Competitiveness and Innovation	-	-	-	641
Callouste Gulbenkian	-	8,000	8,000	-
Others	-	-	-	150
	-	466,254	466,254	314,770
Movement in deferred income (or provision)	-	(25,972)	(25,972)	(50,178)
	-	440,282	440,282	264,592

3 Total Resources Expended

	Direct Project Costs £	Staff Costs £	Other Costs £	18 months to 30.06.2015 Total £	Year to 31.12.2013 Total £
Costs of generating funds: in respect of property income	-	-	48,776	48,776	47,178
Costs of charitable activities in furtherance of the objects:					
Grants	26,238	338,848	75,196	440,282	264,442
Projects	452,599	1,297,228	230,219	1,980,046	1,746,322
Sub Total Research projects	478,837	1,636,076	305,415	2,420,328	2,010,764
Governance	-	73,155	25,118	98,273	72,225
	478,837	1,709,231	379,309	2,567,377	2,130,167

(note 4)

Institute for European Environmental Policy, London
Notes to the Accounts (continued)
For the 18 month period ended 30 June 2015

3 Total Resources Expended (continued)

Other Costs include	Costs of generating funds	Projects	Governance	18 months to 30.06.2015 Total	Year to 31.12.2013 Total
	£	£	£	£	£
Property occupancy costs:					
- operating leases	34,525	73,099	4,812	112,436	123,261
- other	14,796	48,616	3,192	66,604	80,509
Staff planning days	-	-	-	-	37
Telephone, postage, copying and stationery:					
- operating leases	-	534	-	534	2,214
- other	(545)	56,764	-	56,219	38,450
Auditors remuneration:					
- current year	-	-	8,000	8,000	7,000
- in respect of prior year	-	-	200	200	(1,000)
- accountancy and other assurance services	-	(3,700)	-	(3,700)	11,200
Payroll services	-	4,385	-	4,385	5,860
Legal and professional	-	1,804	-	1,804	12,126
Depreciation	-	37,099	1,659	38,758	31,499
Loss on disposal of fixed assets	-	2,844	127	2,971	2,536
IT and computer support	-	34,980	1,564	36,544	23,489
Irrecoverable VAT	-	10,605	-	10,605	3,334
Other costs	-	38,385	5,564	43,949	30,663
Total other costs	48,776	305,415	25,118	379,309	371,178

Institute for European Environmental Policy, London
Notes to the Accounts (continued)
For the 18 month period ended 30 June 2015

3 Total Resources Expended (continued)

Basis of allocation of staff and other costs

<u>Costs of generating funds: costs and basis of allocation</u>		18 months to 30.06.2015 Total £	Year to 31.12.2013 Total £
Nature of cost	Allocation basis		
Staff salaries and pensions	Estimate of staff time	-	7,265
Property occupancy costs	Pro rata to staff cost allocation	49,321	36,547
Services and other operating expenses	Actual and estimated use	(545)	3,366
Total		48,776	47,178

<u>Grant and Project costs and basis of allocation</u>		18 months to 30.06.2015 Total £	Year to 31.12.2013 Total £
Nature of cost	Allocation basis		
Staff salaries and pensions	Estimate of staff time	1,636,076	1,220,235
Property occupancy costs	Pro rata to staff cost allocation	121,715	158,892
Services and other operating expenses	Actual and estimated use	141,268	90,083
Professional fees	Actual and estimated use	2,489	29,186
Depreciation and loss on disposal	Pro rata to staff cost allocation	39,943	32,650
Total costs allocated		1,941,491	1,531,046
Direct project costs		478,837	479,718
Total resources expended on research projects		2,420,328	2,010,764

<u>Governance costs and basis of allocation</u>		18 months to 30.06.2015 Total £	Year to 31.12.2013 Total £
Nature of cost	Allocation basis		
Staff salaries and pensions	Estimate of staff time	73,155	51,771
Property occupancy costs	Pro rata to staff cost allocation	8,004	8,331
Services and other operating expenses	Actual and estimated use	7,128	4,738
Professional fees	Actual cost main audit and governance	8,200	6,000
Depreciation and loss on disposal	Pro rata to staff cost allocation	1,786	1,385
Total		98,273	72,225

<u>Other recognised gains and losses</u>		18 months to 30.06.2015 Total £	Year to 31.12.2013 Total £
(Losses) / gains on foreign exchange		(80,768)	8,570

Institute for European Environmental Policy, London
Notes to the Accounts (continued)
For the 18 month period ended 30 June 2015

4 Employee Information	18 months to 30.06.2015 No.	Year to 31.12.2013 No.
The average number of employees (Full time equivalents) during the period was:		
Director, management, research and writing	20	21
Finance and administration	<u>5</u>	<u>5</u>
	<u>25</u>	<u>26</u>
The total costs of these employees were:		
Wages and salaries	1,412,675	1,048,088
Social Security costs	211,797	173,071
Pension	<u>75,046</u>	<u>57,251</u>
	1,699,518	1,278,410
Other staff costs	<u>9,713</u>	<u>861</u>
Total staff costs	<u>1,709,231</u>	<u>1,279,271</u>

	18 months to 30.06.2015 No.	Year to 31.12.2013 No.
Number of employees who received annualised emoluments in the ranges between :		
£60,001 and £70,000	1	1
£70,001 and £80,000	1	-
£80,001 and £90,000	-	1

The figures for the period of 18 months to 30.6.2015 has been adjusted to reflect the annualised emoluments of the staff rather than showing the totals for 18 months

Pension contributions of £12,539 (year 2013: £8,282) were made during the 18 month period in relation to one of the higher paid employees

5 Transactions with Directors

The Directors, who are also the Trustees for the charitable activities of the Institute, received no remuneration for services rendered during the year. Properly approved expenses were incurred relating to 9 Directors in respect of their duties as trustees of the charity in the 18 month period totalling £4,380 (year 2013 - expenses relating to 7 Directors £2,336). These expenses covered travel, accommodation and subsistence associated with attending Board meetings and Finance Committee meetings and other meetings associated with Governance in London and Brussels. Some of these expenses were incurred directly by IEEP, others were reimbursed to the Directors.

6 Taxation

The company is taking advantage of the reliefs available for registered charities from tax charges and, therefore, no provision for taxation has been made.

7 Tangible Fixed Assets

	Furniture & Equipment £
Cost	
Brought forward at 1 January 2014	149,244
Additions	27,536
Disposals	<u>(20,793)</u>
Carried forward at 30 June 2015	<u>155,987</u>
Depreciation	
Brought forward at 1 January 2014	95,635
Charge for the year	38,758
Eliminated on Disposal	<u>(17,822)</u>
Carried forward at 30 June 2015	<u>116,571</u>
Net Book Value	
At 30 June 2015	<u>39,416</u>
At 31 December 2013	<u>53,609</u>

All assets are in use for charitable purposes.

Institute for European Environmental Policy, London
Notes to the Accounts (continued)
For the 18 month period ended 30 June 2015

8 Debtors	As at 30.06.2015	As at 31.12.2013
	£	£
Trade debtors	64,146	249,220
Prepayments and accrued income	644,389	497,886
Cash advance to joint venture	70,960	-
Other debtors	20,077	27,032
	<u>799,572</u>	<u>774,138</u>

All amounts fall due within one year.

9 Cash at Bank	As at 30.06.2015	As at 31.12.2013
	£	£
Bank	449,183	765,779
	<u>449,183</u>	<u>765,779</u>

10 Creditors: Amounts falling due within one year	As at 30.06.2015	As at 31.12.2013
	£	£
Trade creditors	153,336	50,728
Taxation and Social Security	25,496	39,358
Amounts held for Third Parties (see note 16)	43,435	-
Rent deposits	3,809	10,687
Deferred income (see below)	325,583	350,854
Accruals	41,245	266,903
	<u>592,904</u>	<u>718,530</u>

<u>Deferred income</u>	As at 30.06.2015	As at 31.12.2013
	£	£
Balance brought forward:		
Research projects	78,321	195,170
Grants and donations	272,533	222,355
Released in the year	(350,854)	(417,525)
Deferred in the year:		
Research projects	1,236	78,321
Grants and donations	324,347	272,533
Balance carried forward	<u>325,583</u>	<u>350,854</u>

11 Provision for liabilities and charges

	As at 30.06.2015	As at 31.12.2013
	£	£
Provisions brought forward at 1.1.2014	118,000	-
(Decrease) /increase in provision during the period	(87,245)	118,000
Provisions carried forward at 30.06.2015	<u>30,755</u>	<u>118,000</u>

The provision relates to the potential recovery of income on certain projects where there exists some uncertainty in what the final figure recoverable might be. This may arise because of the findings of project audits by funders or where estimated amounts have been used in calculating revenue which can only be confirmed when project accounts are finalised or where guidelines have been clarified during the period of a project by funders on what may be recoverable under certain funding schemes. There are also certain matters which are still to be clarified by funders.

Institute for European Environmental Policy, London
Notes to the Accounts (continued)
For the year 18 month period ended 30 June 2015

12 Financial Commitments

The company is committed to making the following operating lease payments within the next twelve months.

	As at 30.06.2015	As at 31.12.2013	As at 30.06.2015	As at 31.12.2013
Property and equipment leases due to end in:	Property	Property	Equipment	Equipment
	£	£	£	£
Up to one year	23,821	53,600	450	450
One to five years	<u>47,875</u>	<u>47,875</u>	<u>-</u>	<u>-</u>

13 Unrestricted Funds

	Balance at 01.01.2014	Income & other gains	Expenditure	Funds transfers	Balance at 30.06.2015
	£	£	£	£	£
Unrestricted Reserves	673,157	2,115,379	(2,127,095)	(26,929)	634,512
Designated Foreign Exchange Fund	58,839	(80,768)	-	41,929	20,000
Designated Premises Fund	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>(15,000)</u>	<u>10,000</u>
Total Unrestricted Funds	<u>756,996</u>	<u>2,034,611</u>	<u>(2,127,095)</u>	<u>-</u>	<u>664,512</u>

Designated Foreign Exchange Fund

The Institute reports in Sterling but conducts its operations in Euros, Sterling, US Dollars and other currencies and accounts for foreign exchange gains and losses which may arise on those transactions during the year. In addition the Institute re-values its bank, creditor and debtor balances denominated in currency at 31 December each year at the year end conversion rate to Sterling. In the 18 month period to 30.06.2015 the exchange losses were £80,768 (2013 - gains £8,570) and these reduced the previous balance of the designated fund. The Trustees have decided that, given the continuing volatility in currency values, the Institute should set aside a designated reserve fund of £20,000 against the possibility of future exchange losses. The designation of unrestricted reserves required was £41,929. The Trustees consider the resulting balance of £20,000 to be adequate.

Designated Premises Fund

The obligations that may arise under the Brussels lease have been agreed to be nil following the exercise of the break clause at 31.12.2014. The premises continue to be available but with a new lease that allows 3 months' notice to be given by either party. The London office lease has a break clause in 2017. The designation has been reduced to £10,000 for both premises. This sum is for future obligations which may arise on concluding its current office leases in both London and Brussels (dilapidations, etc).

14 Restricted Funds

The restricted funds all relate to projects carried out as part of the core work. No amounts remained unspent at 30 June 2015 (31 December 2013: £nil).

Institute for European Environmental Policy, London
Notes to the Accounts (continued)
For the year 18 month period ended 30 June 2015

15 Legal status

Institute for European Environmental Policy, London is a company limited by guarantee, and not having a share capital, governed by its Memorandum and Articles of Association. Every member undertakes to contribute to the assets of the company, if it is wound up, a sum not exceeding £1. At the 30 June 2015 company had 9 members (31 December 2013: 8). The company is a registered charity number 802956.

16 Amounts held for Third Parties

During the period the charity has worked with the European Commission Directorate-General Research and has been administering funds on their behalf. IEEP has no powers to make payments from these funds except as directed by the European Commission. The balance held at 30 June 2015 was £ 43,435 (31.12.2013: £nil)

	£
Balance held at 1 January 2014	-
Funds received in the period	908,099
Disbursements made	(856,061)
Revaluation to year end exchange rate for balance held in Euros	<u>(8,603)</u>
Balance held at 30 June 2015 (included in bank and in other creditors)	<u><u>43,435</u></u>

17 Accounting for retirement benefits

The charity makes contributions to individual money purchase schemes on behalf of its staff as described in note 1. Contributions in the 18 month period to these schemes were £75,046 (year 2013: £ 57,251).

18 Investments in Joint Ventures
a Alliance Environnement GEIE

During 2006 the Institute established a joint venture, Alliance Environnement GEIE, a company incorporated in Belgium. The cost of this to the Institute was £3,400 which consisted only of the acquisition of 50% of the ordinary share capital of the joint venture. The joint venture was incorporated to act as a collection agent for its shareholders. The costs of establishing the venture have been treated as expenditure in 2006 as there is no expectation of recovering the initial outlay. The Institute's share of the loss for the period is £532 (2013: £550) and, due to the fact that it is immaterial, it has not been consolidated into these accounts.

Institute for European Environmental Policy, London

Notes to the Accounts (continued)

For the year 18 month period ended 30 June 2015

18 Investments in Joint Ventures (continued)

b Ruranet EEIG

Investment in joint venture

The charity has 25% of the voting rights in Ruranet EEIG. The other 75% of voting rights are held in equal shares by three other members. No member has control of the company and on this basis it has been accounted for as a joint

Ruranet EEIG is a company registered in Belgium, number 0547.717.824. The company was incorporated on 24 February 2014 and its stated business is the operation of the Rural Development Contact Point under a contract with the European Commission

The results of Ruranet EEIG for the period ended 30 June 2015 are as follows:

Profit and loss account

	Total Period ended 30 June 2015 £	IEEP's share for Period 25% £
Turnover	2,168,808	542,202
Cost of sales	<u>(1,969,623)</u>	<u>(492,406)</u>
Gross profit	199,185	49,796
Administration expenses	<u>(112,176)</u>	<u>(28,044)</u>
Profit on ordinary activities before tax	87,009	21,752
Taxation	-	-
Profit on ordinary activities after tax	<u><u>87,009</u></u>	<u><u>21,752</u></u>

Balance sheet

	Total Period ended 30 June 2015 £	IEEP's share for Period 25% £
Fixed assets	46,569	11,642
Current assets	1,156,993	289,248
Creditors falling due within one year	<u>(1,203,562)</u>	<u>(300,890)</u>
Net assets	<u><u>-</u></u>	<u><u>-</u></u>

19 Contingent Liability

The Institute enters into a variety of funding arrangements under which it is accountable to the funders for the application of resources provided. Where these are subject to audit, this may occur in a period subsequent to that in which the project was delivered and income recognised. There is an ongoing risk that funder audits may disallow income previously claimed.