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Institute for European Environmental Policy, London
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Institute for
European
Environmental
Policy

(COMPANY LIMITED BY GUARANTEE
AND NOT HAVING A SHARE CAPITAL)

Company No. 2458951

Charity No. 802956

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31ST DECEMBER 2008

Institute for European Environmental Policy, London Trustees' Report for 2008

The Institute for European Environmental Policy, London (trading as Institute for European Environmental Policy or IEEP) is a charity and a registered 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 annual report together with the audited financial statements for the year ended 31 December 2008, 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, organising conferences and training courses, and by publishing manuals and other books, reports, articles and newsletters, utilising both digital and paper media. Offices are maintained in London and Brussels, and 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 interventions, particularly within the European Union. These two goals are pursued mainly through projects which address many different aspects of European policy making and implementation. We look for practical and reliable solutions in a complex legislative environment based on knowledge of European policy developed over thirty years.

Policies developed at the EU level have enormous 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 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 make them more transparent and to improve their accessibility to the non-specialist citizen. This is an important strand in the Institute's work. It is pursued through the preparation of briefing notes, newsletters, items on our website, presentations to conferences and university students, production of our *Manual of Environmental Policy*, published reports and other means. These seek to broaden the understanding of European 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 policy design, implementation and longer term evolution to meet future needs. We aim to cover not only environmental policy, concerned with pollution control, climate change, waste disposal, the regulation of chemicals and nature conservation but also many of the sectors with the greatest environmental impacts –

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such as transport, agriculture, fisheries and regional policy. Our objective is to contribute to the deployment of effective and relevant policies at the European and national levels in particular.

Many of the key environmental issues, such as climate change and water pollution cannot be tackled by national policy alone. A concerted European effort is required, involving the formulation of appropriate measures addressing the variety of conditions within the continent and their respect and enforcement in practice. Work by the Institute considers inter alia:

- How far European policy is confronting the issues of the day;
- How effective existing measures have been in addressing the issues which they were designed to tackle – taking account of the highly variable conditions to be found within Europe;
- Improvements in policy that are required or could be made;
- Where policy needs to develop in future as agendas change.

By engaging actively with decision makers and the wider policy community we aim to present information, analysis and arguments that will lead to better policy and a more sustainable Europe 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 Year

Objectives and priorities for 2008

During 2008 we remained committed to the broad goals of undertaking analysis designed to improve policies affecting the environment, advancing understanding of EU policy and facilitating the engagement of civil society in the policy debate. Work on concrete, specific issues was balanced by an overview of the development, of strategic policies in Europe. Climate and energy policy were of increasing importance during the year, with a major package of EU legislation being prepared for political agreement in December. However, there were many other items on a crowded environmental agenda. During the year our priorities included:

- Contributing to the adoption of an environmentally coherent and sufficiently ambitious EU climate and energy policy based on a long term perspective – and to a sustainable EU bioenergy policy;
- Helping to build a greater commitment to address the loss of biodiversity in Europe;
- To present the case for a more environmentally balanced set of outcomes from the “Health Check” of the Common Agricultural Policy;
- Following up on our work on CO₂ emissions from passenger cars to the point of legislation;
- Contributing to the debate on implementation and enforcement of EU environmental law which was anticipated to arise from the European Commission’s planned communication in 2008;
- To build up a stronger environmental voice in the EU budget debate.

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Achievements and performance 2008

The Institute carried out about one hundred and twenty projects during the year; these and the accompanying analysis and close study of European policy formed the cornerstone of the wider public policy work that we conducted. Projects covered topics as varied as pollution control, a transatlantic dialogue on climate change, chemicals policy, high nature value farming and marine protected areas. The major focus was on EU policy but there were studies in a variety of national contexts, including Belgium, the UK and Turkey. Many of the projects consisted of policy research and analysis and the preparation of written reports. However, there were also newsletters, briefings, participation in high level events, the organisation of seminars and conferences, capacity building and the provision of training. Relationships with the European Parliament strengthened during the year and we prepared a variety of research reports and briefings for MEPs. The London and Brussels offices work closely together in pursuing our aims, broadening the Institute's perspective and increasing our contribution in the policy making community.

The most important development during the year consisted of agreement on a group of new measures addressing most aspects of climate policy in Europe, including mandatory standards for vehicle CO₂ emissions. This is an area where we have worked intensively over the last two years and we are pleased to have contributed to a historic step forward. Other highlights of the year included a major input into the TEEB review (see below), substantive work on the IPPC Directive, the development of agenda setting ideas on the CAP and the production of a substantial new Handbook of EU environmental standards to be applied by the European bank.

Considering the priorities that we set for the year in more detail, the notable projects and initiatives included:

a.) Climate Change

The EU was in the process of developing and debating climate and energy policies during 2008, with a main focus on the means of meeting an array of targets for the year 2020. These targets covered energy conservation, the reduction of greenhouse gas emissions, emissions trading, conversion to renewable energy, biofuels in the transport sector, as well as carbon capture and storage.

The Institute worked on most of these topics during the year and contributed to the final outcome – legislation agreed in December by the European Council, Parliament and the Commission. This was regarded by many as an historic event because of the scope and ambition of the package relative to anything that has been agreed previously. However, from an environmental perspective it is probably insufficient to meet the target of keeping the global mean temperature rise below 2°Centigrade.

Our main activities included:

- A series of workshops for the European Parliament in the summer on critical parts of the policy package, covering emissions trading, carbon capture and storage, effort sharing between EU Member States in reducing greenhouse gas emissions by 20 per cent, and a workshop on how far the production and import

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of biofuels, particularly from African nations, could be sustainable. The workshop on emissions trading attracted more than 500 participants;

- Research studies on the role of biofuels, looking at their merits or otherwise as a means of reducing emissions, especially in the transport sector. The sustainability of biofuel crop production in Europe and the developing world was a hotly contested topic during the year and one of our projects contributed to the influential "Gallagher report" in the UK which changed the perceptions of many people. Other projects included detailed analysis of the draft legislation being developed in the European Parliament and active participation in a major lifecycle analysis of the use of bioenergy in the UK;
- Detailed work on the potential, the drawbacks and the policy framework needed for the development of carbon capture and storage technologies. These seem likely to be required to reduce the impact of the practically unavoidable future use of fossil fuels, particularly in Asia, but are controversial since they introduce new hazards and could divert effort away from cutting fossil fuel use. With aid from the Oak Foundation we organised a workshop for leading environmental NGOs which had adopted varying positions on the topic;
- Organisation of a transatlantic dialogue on climate change for policy makers and NGOs with a US partner, NRDC. This included meetings in Washington and Brussels;
- There was also a range of more technical and detailed work, including assistance for government officials in developing reliable methodologies for assessing likely future emissions of greenhouse gasses.

b.) Pollution from cars

During 2007 the Institute played a significant role in the preparation of a draft EU Regulation requiring car manufacturers to meet a future standard of 130 grammes per kilometre for CO₂ emissions. The resulting report was published in 2008 and the project leader, Malcolm Fergusson, spent much of the year working on further studies and analysis of policy options as the Commission's proposal passed through the legislative process. Support and analysis were provided for a number of stakeholders, including the Committee on Climate Change, the UK Department for Transport and the transport and environment NGO, T and E. The Institute remained active in the debate throughout the year, until its conclusion when new legislation was adopted setting mandatory standards for the first time.

The Institute was also involved in the European debate on the future of the car industry with David Baldock represented on the CARS 21 High Level Group which became active again in the summer. Amongst the Institute's other contributions was a paper on the electrification of the road transport sector.

c.) Biodiversity

The loss of biodiversity on a global and European scale has much greater implications for society and the economy than are generally recognised. Conservation efforts are more likely to be successful if there is an economic dimension to the debate. This is the rationale for the Commission-led Review of the Economics of Ecosystems and Biodiversity (the TEEB Review, also referred to as the 'Stern-like / Sukhdev review on biodiversity'). IEEP was involved in all three ongoing Commission studies contributing to the first phase of this review in 2008, including the Cost of Policy Inaction (COPI) study, Scoping the Science study and the Economic Analysis and Synthesis study. In addition, Patrick ten Brink was a

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member of the core group established by the Commission to support the development of the Review, the first phase of which was published at the 9th Conference of the Parties to the Convention on Biological Diversity in Bonn in May. The results of the review were also discussed in the COP9 high-level ministerial segment organised by the German Federal Environment Ministry. The TEEB Review represents one of the most important developments in recent EU (and global) biodiversity policy and IEEP was pleased to play a major role in this initiative, which we will follow up in the next stage of the Review, which will run until the end of 2009.

d.) Agricultural Policy

The main event of the year was the conclusion of a review of the Common Agricultural Policy (CAP) known as the "Health Check" and the resulting set of revisions to policy. Several studies which we had undertaken for the European Commission contributed to this process, including evaluations of the environmental impact of the beef and dairy farming support regimes and the milk quota systems in place in every Member State. One key proposal was to shift part of the substantial CAP budget from measures providing general rather untargeted support for farmers to much more targeted rural development and agri-environment measures, widely seen as the future of the CAP and a better means of achieving sustainable land management. This is known as "modulation". With partners from the Agricultural Economics Institute in the Netherlands we undertook a major study of the economic, social and environmental impacts of further such shifts taking place in future, combining modelling and case study approaches.

In many respects we informed, occasionally moderated and influenced the debate on CAP reform, looking beyond the Health Check to future changes in policy. In April we sought to pump prime more strategic thinking with a workshop for senior government, Commission and independent experts held in partnership with the German Marshall Fund in Brussels. This considered the rationale for a future CAP and the type of measures required to meet new objectives. It was followed by the launch of our new website to promote debate on "CAP 2020", which includes a range of specially commissioned articles and think pieces from specialists from different European countries on the future of the European agricultural policy.

A number of more detailed and specific policy issues also were given priority during the year. These included work on set-aside and the environmental consequences of removing it, guidance on the concept of High Nature Value agriculture and ways of identifying and monitoring it at national level and a study for RSPB making use of new data to map the relationship between spending under the CAP and priority biodiversity areas in Europe.

e.) The EU budget and the environment

The EU budget debate has considerable environmental significance because spending under the various different funds already has a substantial impact at ground level and there is a historic opportunity to harness more of the budget to environmental goals, including measures to halt further global warming. The Institute contributed to several strands of this debate during 2008. We prepared a report on "Turning the EU Budget into an Instrument to fight against Climate Change", with funding from Sweden. We presented this at conferences and meetings in six EU countries, including a seminar for a range of government departments in Stockholm. We made a formal submission to the consultation on the future of the Budget and participated actively in the debate that followed, both with respect to climate needs and the opportunities for using CAP on a large scale for the

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procurement of environmental benefits. More theoretical work on the role of budgetary and legal mechanisms in advancing environmental objectives was completed during the year and a study with Notre Europe in Paris began on "European Added Value" in agriculture and regional policy. This will feed into further work on the budget in 2009/2010.

f.) Implementation and Enforcement of European Environmental Law

Effective implementation of environmental law is often neglected but continues to be an important priority for the Institute. It is one of the themes of our comprehensive "Manual of Environmental Policy" which examines implementation in the UK in detail and is updated every six months. This was complemented during the year by work on specific items of EU legislation, some addressing the current debate on "better regulation" which raises issues of clarity and precision in the drafting of legislation and the real or alleged burdens on those affected.

Implementation depends on a thorough understanding of EU standards and these are not easily found together in one place. We were pleased to be asked to prepare a consolidated Handbook of EU environmental standards for the European Investment Bank and other European banks subscribing to the "European Principles for the Environment", containing 40 chapters on European environmental legislation principles and standards. This should contribute to better compliance amongst the many projects benefitting from finance from these public institutions. The Handbook will be published in 2009.

g.) Other Issues

Many other topics were addressed during the year including:

- A range of work on better management of fisheries in Europe and beyond. One project, funded by the Esmée Fairbairn Foundation, involved the production of a policy "toolkit" to help the relevant authorities to establish Marine Protected Areas, urgently needed to allow the recovery of fish stocks as well as to protect other marine organisms. Other projects included the production of an unofficial "Health Check" of the Common Fisheries Policy and a study for the Pew Environmental Group on EU Member States' progress in achieving a better balance between fishing capacity and the available fish resources;
- We contributed to proposals to amend the Integrated Pollution Prevention and Control Directive, which is the pivotal EU measure in the control of pollution from manufacturing plants, intensive livestock farms and other installations;
- Work on water policy included a briefing for the European Parliament on potential water scarcity and droughts in Europe, looking at the potential solutions, including water pricing, institutional issues and research priorities;
- A major project on soil conservation on agricultural land in Europe was organised by the European Commission in an attempt to improve understanding of the substantial threats to soil and the range of solutions available, stretching from research and advice, through conservation agriculture and organic farming to the conversion of arable land to grassland. We had a sizeable role in the study including case study research, the organisation of stakeholder meetings in Spain, Germany and the UK and a major input into the conclusions;
- Most waste and recycling policy is based on EU legislation which therefore has a major impact at the local level. We undertook a number of studies of waste policy during the year, including one on the coherence of the different EU Directives concerned with recycling. We made practical recommendations on reducing gaps and overlaps in law and promoting good practice;

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- A major three year academically funded project on Environmental Policy Integration reached its final stages in 2008. This looked at ways of embedding environmental priorities in other sectoral policies such as industrial, transport or regional policy. Although this is central to “greening” the economy it has proved difficult to achieve in practice. Our contributions included a paper on the role of the EU in attempting to green civil aviation policy where some progress has been made.

Communication

We published a broad range of reports during the year, principally on our website as well as reports, studies and briefings prepared by others. Our Manual of Environmental Policy was updated and our principal website improved with more material added. In addition we started a new website dedicated to debate on the future of the CAP, with active participation from different parts of Europe. This went live towards the end of the year and was well received. Our series of joint policy seminars with the Free University of Brussels continued and was well attended during the year and we held a number of events in the new Brussels office.

We received regular and positive feedback that our analysis and views reach key players and are taken seriously. As in previous years, several of our reports during the year fed directly into EU policy decisions.

Plans for the future

The principal aims of the Institute to contribute to improved understanding, stronger analysis and better policy decisions in Europe will remain highly relevant in 2009. By helping to shape policies that are sustainable and to engage a wider range of people in the process we will contribute to the wider public benefit..

Climate and energy policy will be critical to the European agenda as targets agreed in recent years need to be translated into practical action at the national level and Europe needs to play a leading role in the crafting of a new international regime to contain climate change. Work on meeting renewable energy policy targets will be one of our priorities, as will continued studies of the carbon capture and storage option. In biodiversity we will contribute to the next stage of the “TEEB” exercise described above, with a particular focus on actions for policy makers. In agriculture the priority will be the generation of ideas for the overhaul of the CAP while in fisheries there are opportunities to contribute to the debate on major changes to the Common Fisheries Policy (CFP). This is time critical since a potentially fundamental review of the policy will be launched during the year.

Public Benefit

The trustees confirm that they intend to comply with section 4 of the Charities Act 2006 and have due regard to the Charity Commission general guidance on public benefit and will report fully on their compliance in the Trustees' report for the year to 31 December 2009.

The Objects of IEEP 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. Further detail of the aims and activities of the Institute and the way we have pursued them this year are given in earlier sections of this report. In 2008 the objects and aims were satisfied by the work of the Institute on a range of activities as outlined in the review

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and for 2009 will be fulfilled by the aims and activities noted in the plans for the future outlined above.

In the review of the year, the work of the Institute in providing policy research and analysis, written reports, briefings, seminars and other activities is outlined and the contribution to the development of legislation and informing decision makers and the wider public are noted. By providing independent, well informed, expert research and analysis the Institute believes that its work helps to inform those developing European environmental policy in such a way that the resulting policies are to the benefit of the public as well as the environment.

IEEP strives to disseminate its work such that it is widely available and to encourage participation by the wider public in the debate on European policy. We aim to increase the accessibility of European policy questions and decision making processes to the wider community beyond those immediately involved. This is done by interpreting and explaining issues that are often debated in arcane and specialist language, by the publication of reports, the preparation of briefing notes, frequent presentations at seminars and conferences, our free newsletter on fisheries issues – El Anzuelo, and other pro bono activities. We aim to publish, disseminate or make available the results of our work and our website is frequently updated to include additional publications and reports. A regular newsletter provides a non-technical summary of key research findings and we aim to further increase our outreach over time with an active programme of publications and presentations at conferences.

Resources and thanks to staff

During 2008, the number of research staff, including the Director, was twenty-four (2007: twenty-four) and they were supported by seven administrative staff (2007: six). 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 interns throughout 2008 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 interns who have worked so hard and so ably to deliver the work of the Institute over the past year.

The Institute continued to benefit from the convenience of its strategic London location, adjacent to Whitehall, Westminster and the heart of the policy community following a move to an office in the same area in 2008 when the previous lease expired. The Brussels office, now in its sixth full year of operation, continues to go from strength to strength, growing in numbers and influence. Contributions from the Brussels office included a number of well received reports, as well as conferences and a series of workshops and seminars. The Brussels offices offer modern working space for the team and meeting rooms.

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. Its assets are held for the efficient operation of the company.

Activities continued to expand during the year. Total income increased from £2,143,790 in 2007 to £2,547,051 in 2008. The increase in income was accompanied by a significant increase in sums paid to project partners who aided us in the delivery of the higher level of research that we contracted. With total expenditure on activities increasing from £2,137,514 to £2,448,440

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and before gains on foreign currency exchange, the Institute made a surplus in 2008 of £98,611 (2007: £6,276). The higher surplus reflects the cyclical nature of certain project work undertaken by the Institute. During 2008 the research activity continued strongly from 2007 while at the same time new research and project ideas were developed. The Institute has been notified of the success of several proposals and tenders which will be undertaken in 2009 and beyond. IEEP contracts and grants are mainly denominated in Euros with some in Sterling and a small number in US Dollars or other currencies. Project costs are generally denominated in the currency of the contract while the majority of core costs are in Sterling. 2008 proved to be an exceptional year in terms of the gains resulting from the steep rise in the value of the Euro and the US Dollar against the Pound and from the revaluation of bank, debtor and creditor year end balances denominated in currency to Sterling at the exceptionally high year end rate. The resulting net foreign exchange gains for the year, not all of which were realised, were £135,993 (2007: £3,743). It is expected that there will be a reversal of some of these gains in 2009 and the Trustees have decided that it would be prudent to designate the 2009 exchange gains of £135,993 as a designated reserve to cover the risk of future adverse currency movements. At 31 December 2008, after adding foreign exchange gains, unrestricted reserves stood at £714,102 (2007: £479,498). Further details of the financial performance for the year and reserves are included elsewhere in 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 commitments are the lease on its London office which runs until 2013, and the lease on its office in Brussels which runs until a break clause in 2013.

No assets are held on behalf of any other charity or trustee. There have been no significant changes in accounting policy in the year.

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, and is not financially dependent on the support of any particular individuals or organisations.

Reserves policy

The Trustees considered that a free reserve level of £800,000 (approximately six months operating costs, excluding direct project costs, based on £1,585,361 for the twelve months of 2008) would be a reasonable target appropriate to the current scale of the Institute's activities. The Trustees believe that this level of reserves is necessary to fund work in progress in particular, as the Institute is subject to fluctuations in cash flow arising from the payment arrangements under certain contracts with the European Commission and as a guard against the risk of an uneven flow of income.

At 31 December 2008 total unrestricted reserves were £714,102 (2007: £479,498). Of this £135,993 were designated as a currency exchange movement reserve, £20,000 were designated for the costs which may arise on termination of the London and Brussels leases and £24,026 (2007: £36,005) were committed to fixed assets, leaving £534,083 (2007: £423,493) of free reserves, as defined by the Charity Commission. 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 free reserve level and the Trustees are actively pursuing policies to achieve this goal, in particular through close financial monitoring and management by the Finance Committee.

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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 instant access 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.

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, Trustees/Directors are appointed by applying in writing to become members of the company, and an ordinary resolution is submitted to the Board to appoint them as Director, both of which proposals are voted upon by simple majority at the next meeting of the Board. Board Directors automatically become the charity's Trustees on appointment. Trustees/Directors serve for 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.

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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, who 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 ongoing process. As part of their review in 2008 the Trustees considered the risks that IEEP might face in respect of fraud and money laundering and adopted policies to minimise any such risks.

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:

- Gareth Bendon * (retired 19 March 2009)
- Graham Dalton *
- Nicholas Gay * (appointed 11 September 2008)
- Ralph Hallo
- Sir John Harman (appointed 11 September 2008)
- Dr Caroline Jackson, MEP (Chair)
- Paul Meins *
- Derek Osborn CB
- Fiona Reynolds, DBE
- Judith Ward

* Finance Committee Member. Committee Chair was: Gareth Bendon to 19 March 2009
Graham Dalton from 19 March 2009

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.

Registered Office and Principal office

15 Queen Anne's Gate, London SW1H 9BU

Bankers

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

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Solicitors

Bates Wells and Braithwaite LLP, 2-5 Cannon Street, London, EC4M 6YH

Auditors

Kingston Smith LLP, Devonshire House, 60 Goswell Road, London EC1M 7AD

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 Environnement”, owned jointly with a French partner, Oreade Breche. Further information can be found in Note 17 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 2008:

The German Marshall Fund

Esmée Fairbairn Foundation

The Baltic Foundation

The Oak Foundation

Royal Society for the Protection of Birds

European Climate Foundation

Pew Environment Centre

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 as well as the Ministry of Agriculture, Nature Management and Fisheries. Their continued support is appreciated.

We are also grateful to Christofferson, Robb & Company (UK) LLP for a donation in 2008.

Statement of Directors' Responsibilities

The Trustees (who are also 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 requires Trustees to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the charitable company and of the incoming resources and the application of resources, including the income and expenditure, of the charitable company. 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 Charities SORP;

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- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company 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 charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Trustees are aware:

- there is no relevant audit information of which the charitable company's auditor is unaware; and
- the Trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Trustees are responsible for the maintenance and integrity of the corporate and 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.

Auditors

Kingston Smith LLP have acted as auditors to the company for the past year and, as auditors in office, are automatically deemed to be re-appointed under the provisions of the Companies Act 2006.

Small Companies Exemption

The above report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2007).

On behalf of the Board:

Caroline Jackson Caroline Jackson
Chair

Date 25 June 2009

Independent Auditors' 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 year ended 31st December 2008 which comprise the Statement of Financial Activities, the Balance Sheet and the related notes. These financial statements have been prepared in accordance with the accounting policies set out therein and the requirements of the Financial Reporting Standard for Smaller Entities (effective January 2007).

This report is made solely to the charitable company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken for no purpose other than to draw to the attention of the charitable company's members those matters which we are required to include in an auditor's report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party 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 Auditors

The responsibilities of trustees (who are also the directors of the Institute for European Environmental Policy, London for the purposes of company law) for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Trustees' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the Trustees' Report is consistent with the financial statements. In addition we report to you if, in our opinion, the charitable company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding trustees' remuneration and other transactions is not disclosed.

We read the Trustees' Annual Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable company's circumstances, consistently applied and adequately disclosed.

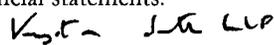
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with the United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, of the state of the charitable company's affairs as at 31st December 2008 and of its incoming resources and application of resources, including the income and expenditure of the charitable company for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985 and
- the information provided in the Trustees' Annual Report is consistent with the financial statements.

Devonshire House
60 Goswell Road
London EC1M 7AD
Date: 31/1/2009


Kingston Smith LLP
Chartered Accountants
and Registered Auditors

Institute for European Environmental Policy, London
Statement of Financial Activities
(Incorporating the Summary Income and Expenditure Accounts)
For the year ended 31st December 2008

	Note	Unrestricted Funds £	Restricted Funds £	Total 2008 £	Total 2007 £
Incoming Resources					
<i>Incoming resources from generated funds:</i>					
Investment income - interest received		4,242	-	4,242	2,108
<i>Incoming resources from Charitable Activities:</i>					
Grants and donations	2	50,000	296,470	346,470	84,601
Movement in Deferred Income		-	(92,901)	(92,901)	516
Research projects		2,255,285	-	2,255,285	2,138,286
Movement in Deferred Income		33,137	-	33,137	(82,248)
Other incoming resources		818	-	818	527
Total Incoming Resources		<u>2,343,482</u>	<u>203,569</u>	<u>2,547,051</u>	<u>2,143,790</u>
Resources Expended					
<i>Charitable Activities:</i>					
Grants		-	203,569	203,569	85,117
Research projects		2,187,590	-	2,187,590	1,990,643
<i>Governance costs</i>		57,281	-	57,281	61,754
Total Resources Expended	3	<u>2,244,871</u>	<u>203,569</u>	<u>2,448,440</u>	<u>2,137,514</u>
Net Incoming Resources before other recognised gains		98,611	-	98,611	6,276
Other recognised gains					
Net gains on foreign exchange	3	<u>135,993</u>	-	<u>135,993</u>	<u>3,743</u>
Net movement in funds for the year		234,604	-	234,604	10,019
Fund Balances Brought Forward		<u>479,498</u>	-	<u>479,498</u>	<u>469,479</u>
Fund Balances Carried Forward	12,13	<u><u>714,102</u></u>	<u><u>-</u></u>	<u><u>714,102</u></u>	<u><u>479,498</u></u>

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

The notes on pages 17 to 23 form part of these Financial Statements.

Institute for European Environmental Policy, London

Balance Sheet as at 31st December 2008

	Note	2008 £	2008 £	2007 £	2007 £
Tangible Fixed Assets	7		24,026		36,005
Current Assets					
Debtors	8	731,096		731,771	
Cash at bank	9	<u>651,540</u>		<u>278,074</u>	
		1,382,636		1,009,845	
Creditors: Amounts falling due within one year	10	<u>(692,560)</u>		<u>(566,352)</u>	
Net Current Assets			<u>690,076</u>		<u>443,493</u>
Total Assets			<u><u>714,102</u></u>		<u><u>479,498</u></u>
Represented by:					
Unrestricted Funds	12		714,102		479,498
Restricted Funds	13		<u>-</u>		<u>-</u>
			<u><u>714,102</u></u>		<u><u>479,498</u></u>

The accounts have been prepared under the special provisions of Part VII of the Companies Act 1985 relating to small companies and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2007).

The financial statements were approved by the board and authorised for distribution on *25 June 2009* and signed on its behalf by:

Caroline Jackson

Dr Caroline Jackson
Chair

The notes on pages 17 to 23 form part of these Financial Statements.

Institute for European Environmental Policy, London

Notes to the Accounts

For the year ended 31st December 2008

1 Accounting Policies

Basis of Accounting

These financial statements have been prepared under the historical cost convention and in accordance with the provisions of Companies Act 1985, the revised Statement of Recommended Practice (SORP 2005) "Accounting and Reporting by Charities" and applicable accounting standards. These financial statements have also been drawn up in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2007).

The charity has taken advantage of the provisions 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

Revenue grants are accounted for when receivable. Income for core research projects is recognised as costs are incurred, surpluses are recognised on completion of the project; advance payments in respect of uncompleted projects are carried forward in the accounts as deferred income.

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 the 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.

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 projects.

Institute for European Environmental Policy, London
Notes to the Accounts (continued)
For the year ended 31st December 2008

2	Grants and Donations Receivable		Donations	Grants			
			Unrestricted	Restricted		2008	2007
			£	£		£	£
	European Commission various Grants		-	152,673		152,673	-
	German Marshall Fund		-	129,355		129,355	-
	Oak Foundation		-	14,442		14,442	30,000
	Esmée Fairbairn Foundation		-	-		-	49,745
	Baltic Sea Foundation		-	-		-	4,856
	Christofferson, Robb & Company (UK) LLP		50,000	-		50,000	-
			<u>50,000</u>	<u>296,470</u>		<u>346,470</u>	<u>84,601</u>
	Movement in deferred income		-	(92,901)		(92,901)	516
			<u>50,000</u>	<u>203,569</u>		<u>253,569</u>	<u>85,117</u>
3	Total Resources Expended	Direct	Staff	Other		2008	2007
		Project	Costs	Costs		Total	Total
		Costs	£	£		£	£
	Costs of activities in furtherance of the objects:						
	Grants	92,572	88,785	22,212		203,569	85,117
	Projects	770,507	1,133,741	283,342		2,187,590	1,990,643
	Governance	-	41,067	16,214		57,281	61,754
	Other resources expended	-	-	-		-	-
		<u>863,079</u>	<u>1,263,593</u>	<u>321,768</u>		<u>2,448,440</u>	<u>2,137,514</u>
			(note 4)				
	Other Costs include		Projects	Governance		2008	2007
			£	£		Total	Total
			£	£		£	£
	Property occupancy costs - operating leases		100,058	3,361		103,419	90,440
	Property occupancy costs - other		53,055	3,063		56,118	43,668
	Staff planning days		8,613	-		8,613	11,270
	Telephone, postage, copying and stationery - operating leases		3,052	-		3,052	3,094
	- other		35,090	-		35,090	24,733
	Auditors remuneration - current year		-	5,650		5,650	5,350
	Auditors remuneration - in respect of prior year		-	(4,330)		(4,330)	1,760
	Auditors remuneration - accountancy and other		5,404	1,150		6,554	12,498
	Payroll services		5,539	-		5,539	3,944
	Legal and professional		8,872	800		9,672	12,043
	Depreciation		18,225	612		18,837	23,808
	Computer costs		27,117	911		28,028	32,550
	Irrecoverable VAT		6,807	-		6,807	2,018
	Other costs		33,722	4,997		38,719	29,414
			<u>305,554</u>	<u>16,214</u>		<u>321,768</u>	<u>296,590</u>
	Other resources expended					-	-
	Total other costs					<u>321,768</u>	<u>296,590</u>

Institute for European Environmental Policy, London
Notes to the Accounts (continued)
For the year ended 31st December 2008

3 Total Resources Expended (continued)

Basis of allocation of staff and other costs

Grant and Project costs and basis of allocation

		2008 Total £	2007 Total £
Nature of cost	Allocation basis		
Staff salaries and pensions	Estimate of staff time	1,222,526	1,087,380
Property occupancy costs	pro rata to staff cost allocation	153,113	124,520
Services and other operating expenses	Actual and estimated use	114,401	99,855
Professional fees	Actual and estimated use	19,815	28,485
Depreciation	pro rata to staff cost allocation	18,225	22,948
Total		1,528,080	1,363,188

Governance costs and basis of allocation

		2008 Total £	2007 Total £
Nature of cost	Allocation basis		
Staff salaries and pensions	Estimate of staff time	41,067	40,972
Property occupancy costs	pro rata to staff cost allocation	6,424	9,588
Services and other operating expenses	Actual and estimated use	5,908	3,224
Professional fees	Actual cost main audit and governance	3,270	7,110
Depreciation	pro rata to staff cost allocation	612	860
Total		57,281	61,754

	2008 Total £	2007 Total £
<u>Other recognised gains and losses</u>		
Gains / (losses) on foreign exchange	135,993	3,743

Institute for European Environmental Policy, London
Notes to the Accounts (continued)
For the year ended 31st December 2008

4 Employee information		2008	2007
		No.	No.
	The average number of employees during the period was:		
	Director, research, teaching and writing	24	24
	Finance and administration	7	6
		<u>31</u>	<u>30</u>
		2008	2007
	The total costs of these employees were:	£	£
	Wages and salaries	1,045,739	905,427
	Social Security costs	162,796	144,319
	Pension	46,037	40,618
		<u>1,254,572</u>	<u>1,090,364</u>
	Other staff costs	9,021	37,988
	Total staff costs per note 3	<u>1,263,593</u>	<u>1,128,352</u>

One employee received emoluments in the range between £70,001 and £80,000 (2007 - 1 in range £70,001 to £80,000).

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. Two Directors were reimbursed for expenses incurred attending meetings in the year totalling £544 (2007 - three Directors received £776).

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 1st January 2008	98,924
	Additions	6,858
	Disposals	<u>(3,696)</u>
	Carried forward at 31st December 2008	<u>102,086</u>
	Depreciation	
	Brought forward at 1st January 2008	62,919
	Charge for the year	18,837
	Eliminated on Disposal	<u>(3,696)</u>
	Carried forward at 31st December 2008	<u>78,060</u>
	Net Book Value	
	At 31st December 2008	<u>24,026</u>
	At 31st December 2007	<u>36,005</u>

All assets are in use for charitable purposes.

Institute for European Environmental Policy, London
Notes to the Accounts (continued)
For the year ended 31st December 2008

8 Debtors		2008	2007
		£	£
Trade debtors		273,128	399,298
Prepayments and accrued income		454,722	331,505
Other debtors		3,246	968
		<u>731,096</u>	<u>731,771</u>

All amounts fall due within one year.

9 Cash at Bank		2008	2007
		£	£
Bank		651,540	278,074
		<u>651,540</u>	<u>278,074</u>

10 Creditors: Amounts falling due within one year		2008	2007
		£	£
Trade creditors		160,700	139,690
Taxation and Social Security		55,195	48,103
Rent deposits		7,602	7,602
Deferred income (see below)		336,527	276,763
Accruals		132,536	94,194
		<u>692,560</u>	<u>566,352</u>

<u>Deferred income</u>		2008	2007
		£	£
Balance brought forward:			
Research projects		234,361	152,113
Grants and donations		42,402	42,918
Released in the year		(276,763)	(195,031)
Deferred in the year:			
Research projects		201,224	234,361
Grants and donations		135,303	42,402
		<u>336,527</u>	<u>276,763</u>

11 Financial Commitments

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

	2008	2007	2008	2007
Property and equipment leases due to end in:	Property	Property	Equipment	Equipment
	£	£	£	£
Less than one year	-	46,075	1,470	-
One to five years	136,640	-	-	3,095
Greater than five years	-	44,128	-	-
	<u>136,640</u>	<u>90,203</u>	<u>1,470</u>	<u>3,095</u>

Institute for European Environmental Policy, London

Notes to the Accounts (continued)

For the year ended 31st December 2008

12 Unrestricted Funds

	Balance at 01.01.2008	Income & other gains	Expenditure	Funds transfers	Balance at 31.12.2008
	£	£	£	£	£
Unrestricted Reserves	459,498	2,343,482	(2,244,871)	-	558,109
Designated Foreign Exchange Fund	-	135,993	-	-	135,993
Designated Premises Fund	20,000	-	-	-	20,000
Total Unrestricted Funds	<u>479,498</u>	<u>2,479,475</u>	<u>(2,244,871)</u>	<u>-</u>	<u>714,102</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 2008 exceptional exchange gains were made due to the fall in the value of Sterling against the other currencies and in particular the low value of Sterling at 31 December 2008. The Trustees consider that the gains recorded may reverse in future periods as Sterling strengthens again. The Institute has set aside a reserve of £135,993 against the possibility of future exchange losses.

Designated Premises Fund

The Institute has set aside £20,000 for future obligations which may arise on concluding its current office leases in both London and Brussels (dilapidations, etc).

13 Restricted Funds

The restricted funds all relate to projects carried out as part of the core work. No amounts remained unspent at 31st December 2008 (2007: £nil).

14 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 31st December 2008 the company had 12 members (2007: 11). The company is a registered charity number 802956.

Institute for European Environmental Policy, London

Notes to the Accounts (continued)

For the year ended 31st December 2008

15 Amounts held for Third Parties

During the year 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. No balances were held at 31 December 2008 (2007: nil)

16 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 year to these schemes were £46,037 (2007: £40,618)

17 Investment in Joint Venture

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 £448 (2007: £408) and, due to the fact that it is immaterial, it has not been consolidated into these accounts.