ASSET

Accounting for Sustainability,
Social and Environmental Transparency

TEACHING MODULE 4

Sustainability, taxation and strategic decision making

OVERVIEW

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Context

The European Union's transition towards climate neutrality is changing the economic environment in which universities operate. EU sustainability policies increasingly affect the cost of energy, carbon emissions and the operation and renovation of buildings. EU combines carbon pricing, energy and environmental taxation, building-performance requirements, sustainability reporting and financial incentives to encourage organisations to reduce emissions and invest in more sustainable assets.

This is particularly relevant for universities since they operate large portfolios of teaching buildings, laboratories, offices and student facilities. Older and energy-intensive buildings can generate high energy and maintenance costs and may require substantial investment to meet future sustainability expectations. Consequently, even if a university is not directly subject to a particular environmental tax, changes in energy prices, carbon costs, construction costs and environmental regulation can significantly affect its operating budget and investment decisions. The case is built on a fictitious University, which has an ageing and energy-intensive real-estate portfolio and must decide whether to continue maintaining its existing buildings, undertake deep renovation, or replace and consolidate some facilities in new energy-efficient buildings.

The aim of this teaching module is to develop students' understanding of how sustainability-related taxation, carbon pricing and environmental regulation can influence organisational costs, investment decisions and stakeholder interests.

Students' tasks

The students' activities will include pre-ISP activities and activities during ISP. During the pre-ISP activity the students will examine preliminary readings, dealing with the basic concepts, EU regulations and University sustainability policies and reporting. During the ISP, building on that knowledge, the case will comprise two different tasks.

Task 1 assessing a university real-estate decision options under policy shocks and adverse events. The case includes investment options, which should be assessed by different stakeholder groups employing matrix game methodology. Students will perform specific stakeholder roles and will suggest the decisions when sustainability requirements, carbon costs and government incentives are changing. Rationale of the decisions will be tested by negotiations between different stakeholder groups. Students' tasks will comprise of examining the effects of *policy shocks and adverse events* on suggested actions.

Task 2 Evaluating the sustainability decisions under financial constraints, competing stakeholder interests and strategic trade-offs. Students will summarize the information from the matrix game and its final results. They will have to debrief and present results. Using this information students have to evaluate the impact of these findings on the university sustainability policy and its effects.

Teaching methods: The teaching module is based on group work, includes (internet) research, assessments of given information, regulatory documents, discussions, stakeholder role play, matrix game, written reports and presentations of results.