

Bring climate change on to companies' balance sheets

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I had [this letter in the FT this morning](#):

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From Richard Murphy, City University, London, UK

5 hours ago Massimiliano Castelli ([Letters](#), November 4) is right to say that central banks have a key role to play in appraising climate risk, not least in their own investment portfolios. And yet how to do this remains a subject of some considerable doubt.

As Bank of England governor Mark Carney has recently revealed, the voluntary accounting required of the world's largest corporations by the Task Force on Climate-related Financial Disclosures is proving ineffective, with few companies providing key data.

As a result the time has come to consider how the issue of climate change can be brought on to the balance sheets of these companies. The Corporate Accountability Network, which I direct, proposes that this be done by requiring that every company provide in full, and upfront, its cost of transition to being a net zero-carbon emitter, as the worldwide climate emergency will require them to be. The costs must reflect current technology. Supply chains must be considered in the calculations. Offsetting would not be allowed. As a result, the price of carbon would not be involved in the calculation. The question would be a simple one of whether or not a company would know how to achieve this goal, and what the cost might be. Those who do know should attract capital. Those who can't make the transition should not.

This change to financial reporting, which we call sustainable cost accounting, would allow everyone to make rational climate-based decisions about their portfolio. It is, we suggest, what the world needs now.

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