

Funding the Future

If we're serious about climate change we need compulsor...

Published: January 13, 2026, 5:38 am

The following is reposted from the website of the [Corporate Accountability Network](#), of which I am a director. I wrote this blog, the timing of which is very relevant in the light of tonight's climate change debate on Channel 4:

Yesterday the Guardian, amongst many members, noted a new report from leading climate scientists printed in *Nature*, a leading science journal. As the [Guardian](#) said:

The world may already have crossed a series of climate tipping points, according to a stark warning from scientists. This risk is “an existential threat to civilisation”, they say, meaning “we are in a state of planetary emergency”.

The researchers, writing in a [commentary article in the journal Nature](#), acknowledge that the complex science of tipping points means great uncertainty remains. But they say the potential damage from the tipping points is so big and the time to act so short, that “to err on the side of danger is not a responsible option”. They call for urgent international action.

No one gets to publish in *Nature* without their work being rigorously reviewed. These cautionary words are wholly appropriate.

On the same day another report came out from Prof Colin Mayer and the British Academy. The [BBC headline paragraph](#) on the report is provocative. They noted:

The UK has one of the most extreme forms of capitalism in the world and we urgently need to rethink the role of business in society.

The BBC added:

Prof Mayer says that global crises such as the environment and growing inequality are forcing a reassessment of what business is for.

And they noted Prof Mayer as saying:

The corporation has failed to deliver benefit beyond shareholders, to its stakeholders and its wider community. At the moment, how we conceptualise business is, it's there to make money. But instead, we should think about it as an incredibly powerful tool for solving our problems in the world.

Why juxtapose these two reports? I do so for two reasons. First, these reports reflect two of my major concerns in life: climate change has mattered to me since the 1970s when I read E F Schumacher's 'Small is beautiful' and E J Mishan's 'The cost of economic growth', whilst the purpose of the company is at the core of my concern about accounting.

Precisely because I believe the climate science I have to admit to some disappointment with [Prof Mayer's report](#). Whilst elements of it are well worth reading, the key weakness is the report's failure to address the issues raised in this paragraph on page 25:

At present corporate measurement systems and in particular corporate accounts relate predominantly to financial and material assets. In contrast, companies are increasingly dependent on and affect other parties, which are external to the firm. There is therefore a growing mismatch between what companies manage and what they measure. This is undermining the quality of information that management, investors, regulators, policymakers and stakeholders have available to them and leading to a misallocation of resources between what is conventionally measured and what is needed.

What the report suggests is that measurement (which is the closest it gets to referring to accounting) is an issue:

The last few years have witnessed a proliferation of providers of information on the non-financial performance of firms. There is considerable confusion, inconsistency and cost associated with the variety of information being produced. This reflects a lack of clarity about precise questions the information provided is supposed to answer. There is a need for greater consensus, data assurance and standardisation of available information.

I would agree, but despite that Mayer's suggestion is that the answers to this problem may be found in the range of entirely voluntary reporting standards that currently proliferate, not one of which brings climate change reporting actually within the framework of financial reporting, which like it or not, reflects the very essence of what the corporation is all about. More worryingly, it seems that accountants were little involved in the creation of this report. And there is no commentary that I have noted that suggests that this is an issue. In contrast, I think it is. We can no longer pretend that the externalities that a company creates can be accounted for outside its financial accounting framework, or voluntarily. We must require compulsory financial reporting for the impact of climate change within a company's accounting framework.

This is why I have created the Corporate Accountability Network. Its Board met this week. We agreed that whilst we think a range of issues, from the conceptual framework of accounting, to accounting for labour and small business are important, the most vital issue that we can address is accounting for climate change. The basis for this is what I call sustainable cost accounting, the latest explanation of which is [available here](#) (it has been updated recently). *This method of accounting would require that all companies account in full for their cost of becoming net carbon neutral at the time of adoption of the standard. The result would be that they would have to report whether or not they might achieve this goal, what it would cost and how they will pay for it, or by an agreed date cease to trade.*

Sustainable cost accounting is meant to be transformational. But that is what is required if we are to really tackle climate change. We cannot rely on voluntary, confused and inconsistent reporting from the world's corporations on climate change. Compulsory reporting is necessary. Reform is needed now. And that is what we intend to work for.