

## Mark Carney's plan for climate change financial disclos...

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There is an article by the likes of Andrew Bailey, current Governor of the Bank of England, and Mark Carney, his predecessor in [The Guardian](#) this morning. With other central bankers they argue:

*This crisis offers us a once-in-a-lifetime opportunity to rebuild our economy in order to withstand the next shock coming our way: climate breakdown. Unless we act now, the climate crisis will be tomorrow's central scenario and, unlike Covid-19, no one will be able to self-isolate from it.*

I do of course agree. I also agree with this:

*To meet the goals of the Paris agreement requires a whole economy transition: every business, bank and financial institution will need to adapt. The pandemic has shown that we can change our ways of working, living and travelling, but it has also shown that making these adjustments at the height of a crisis brings enormous costs. To address climate breakdown, we can instead take decisions now that reduce emissions in a less disruptive manner. That requires us to be strategic. To build back better.*

But there are issues when they make this claim:

*Following the global financial crisis, only a fraction of fiscal spending improved sustainability. This time, governments' stimulus packages can be more ambitious; for example, some are already accelerating the transition to clean energy, retrofitting homes and buildings, and linking financial support to climate-related conditions laid out by the Task Force on Climate-related Financial Disclosures (TCFD).*

It's when they get to the Task Force on Climate-related Financial Disclosures that I have the problem. And that's because they are simply not up top the job that they claim that they will do, That is because as a result of the work I have been doing on [sustainable cost accounting](#) I hav



The greenhouse gas protocol splits greenhouse gas emissions into three categories. Thankfully, [they're pretty easy to define](#):

I've reproduced the Protocol's own description just to make clear that they really do think there's not much to this. Except that there is. And that's because right now business has decided for reasons all of its own that only Scope 1 and 2 emissions are of importance. Mark Carney's [Task Force on Climate-related Financial Disclosures summarises its reporting requirements pretty succinctly as follows](#):

Note that category (b). It says that Scope 3 need only be disclosed 'if appropriate'. And what defines 'appropriate'? Nip up to the top of the column and you will find it is when management think that it is 'where such information is material'.

And as it turns out, almost no one does seem to think Scope 3 is material. So we end up with the absurd situation where airports claim they are carbon-neutral because they ignore the emissions from the planes that fly from them and coal mines can make the same claim because they say someone else burns the coal that they mine, and they claim that's got nothing to do with them when glaringly obviously that's untrue.

My points then are very simple ones.

First, any accounting standard for greenhouse gas emissions that does not require Scope 3 disclosure is incomplete. In fact, it's not a standard worth calling by that name because it ignores a crucial issue.

And second, anyone who claims they are carbon-neutral and ignores their Scope 3 emissions is making a claim that is simply not true.

But now Carney is saying that financial support should be linked to this wholly inappropriate standard. And that's wrong.

Thankfully there is a better option. [That is sustainable cost accounting](#). That will work. And that's what financial support has to be linked to because it makes Scope 3 disclosure mandatory.