

Governments and multinational corporations have a duty ...

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I have been intrigued by three reports in the Guardian. [The first is this:](#)

A court in the Hague has ordered Royal Dutch Shell to cut its global carbon emissions by 45% by the end of 2030 compared with 2019 levels, in a landmark case brought by Friends of the Earth and over 17,000 co-plaintiffs.

The oil giant's sustainability policy was found to be insufficiently "concrete" by the Dutch court in an unprecedented ruling that will have wide implications for the energy industry and other polluting multinationals.

They added:

The Anglo-Dutch company was told it had a duty of care and that the level of emission reductions of Shell and its suppliers and buyers should be brought into line with the Paris climate agreement.

The court found there was a legal duty on the company to act, and it was not.

Then [there was this report:](#)

US oil giants ExxonMobil and Chevron have suffered shareholder rebellions from climate activists and disgruntled institutional investors over their failure to set a strategy for a low-carbon future.

Exxon failed to defend its board against a coup launched by dissident hedge fund activists at Engine No. 1 which successfully replaced two Exxon board members with its own candidates to help drive the oil company towards a greener strategy.

That was pretty amazing: the shareholders took action in this case to force the companies to go greener. Will it really change anything? Maybe not, as yet. But just wait: the warning klaxon has been fired and companies will notice.

And [then there was this:](#)

The federal court of Australia has found the environment minister, Sussan Ley, has a duty of care to protect young people from the climate crisis in a judgment hailed by lawyers and teenagers who brought the case as a world first.

Eight teenagers and an octogenarian nun had sought an injunction to prevent Ley approving a proposal by Whitehaven Coal to expand the Vickery coalmine in northern New South Wales, arguing the minister had a common law duty of care to protect younger people against future harm from climate change.

It looks like change really does come in threes.

There is, of course, a consistent theme, and that is that when it comes to climate change a company and a government has a duty of care.

My argument is a simple one. The proposed accounting rules from the Task Force on Climate-related Financial Disclosures (TCFD) and the proposals from the International Financial Reporting Standards Foundation (IFRS) for Sustainability Standards based upon them but do not, in my opinion, supply the data to fulfil this duty of care. This is because the TCFD and IFRS proposals have an inherent flaw within them. They both presume that sustainability reporting is to be accounted for off the balance sheet of an entity. As such they perpetuate the whole economic assumption which has given rise to the climate crisis, which is that sustainability can be treated as an externality to the core operation of the enterprise when it is in fact an issue that has to be embedded at the core of it if any company is to remain as a going concern.

Sustainable cost accounting is, I would argue, consistent with that duty of care: it puts the cost of climate change on the balance sheet.

And as [macroeconomic entities \(see this morning's blog on that issue\)](#)PIEs are big enough to do net-zero carbon without offsetting, which is essential. So they should really be capable of delivering net-zero. That, I suggest is the obligation that they have. They will need to prove that they do just that. I think [sustainable cost accounting](#) is the way to do that.