We need real change to the financial reporting of clima...

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The Guardian has noted this morning that:

Major businesses and investors in the world's largest economies should brace themselves for a turbulent transition to a low-carbon future because none of the G20 countries are on track to meet their climate ambitions, according to a new report.

There is "no longer any realistic chance" for an orderly transition for global financial markets because political leaders will be forced to rely on "handbrake" policy interventions to cut emissions, according to research from risk intelligence company Verisk Maplecroft.

They added:

Although high polluting companies, such as fossil fuel producers, are likely to be hit hardest by the growing risk of kneejerk political crackdowns to limit dangerous levels of greenhouse gas emissions, other industries, including transport, agriculture and mining, should all brace themselves for a turbulent future, according to Rory Clisby, one of the authors of the report.

And they warn of growing financial risk from climate disruption that will hit the financial sector hard.

Four thoughts. First, they could be wrong. However, given how many warnings have now been ignored or missed that seems unlikely. I think that they are likely to be right.

Second, the reason for this is apparent. Business, and so government, is resisting change because they still think that there is money to be made from carbon use. And money persuades. So they carry in burning the planet because they still ignore the externality from doing so.

Third, I believe these forecasters on carbon pricing, which they say will not work. I admit to having never had much confidence in its ability to deliver.

Last, changing the metric is the answer. And the relevant metric is financial viability. We have to show now which companies can make it through to be carbon net zero and which cannot. It is as simple as that. Only with data on that can rational decisions on the allocation of capital within financial markets take place. Mark Carney's TCFD disclosure plan does not meet this criteria because it does not put the costs of climate change on a balance sheet upfront, but instead allows those costs to be delayed for as long as possible, off the balance sheet. That is the exact opposite of what is required.

My sustainable cost accounting does put that cost on the balance sheet upfront. Of course it will be an estimate, and of course it will require revision over time. But it requires a company to say how it will be net carbon neutral without permitting unsupported assumptions on offset or unproven technology, and it requires that the full provision for eliminating the cost of carbon be accounted for upfront. That way the information that a market requires to appraise future risk would be available now. And that is what markets need.

So the question is what is the problem with making progress on this? And, as ever, it is vested interests trying to maintain as much as possible of the status quo whilst appearing to make change. That's going to be a deadly approach in this case. The sooner we realise it and go for real change the better.