

The world of business is focussing on the problems of c...

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As the [FT notes this morning](#):

Whenever companies address their climate impact, they tend to review their own immediate operations. But widely accepted science-based targets — emissions reduction goals based on the 2015 Paris climate change accord — also hold them responsible for the greenhouse gases that are generated in their supply chains. Not only does this widen the scope of measurement, but it also presents a much bigger challenge.

That problem is a quite straightforward one. Climate emissions do not happen in isolation. Just as one person's spending is another person's income, so too is one company's carbon output another company's carbon input. So, although the vast majority of the world's carbon outputs can be blamed on 100 or so companies around the world, the way in which these emissions eventually reached the consumer who, through their use of a product finally injects a significant part of that carbon into the atmosphere, is complex, and so hard to count.

This is an issue that I address in sustainable cost accounting. In it I suggest that all companies should be responsible for all their carbon emissions. by convention these are split into three types.

Scope one emissions or those created within a company in the course of its own activities. Scope two emissions are those implicit in bought-in energy. Scope 3 emissions are other bought-in emissions, but in addition, and most especially, those created as the consequences of the use of the products that the company creates.

As the [FT also notes this morning](#):

At the end of 2020, only 10 per cent of the companies that Climate Action 100+ tracks had a target that included their most important Scope 3 emissions.

What is more, as the same article notes, many companies have little or no clue as to how to achieve this goal, and those that are trying to do so suggest that they are

having difficulty.

My suggestion, which is implicit within [sustainable cost accounting](#), is that this reflects the fact that what companies are being asked to do is a largely meaningless exercise. The fact is that we do not wish to measure the amount of carbon that is being injected into the atmosphere as if that is the way to solve our climate crisis. What we as a society want is that those emissions be radically reduced. In other words, the problem that businesses have to solve is not how they measure their carbon emissions, but how they eliminate them, and at what cost. Critically, whilst we know that measurement is subject to enormous degrees of gaming, not least by claiming offsets using technologies that do not exist, elimination is something tangible. It will either happen, or it will not. What people need to know is the cost implication of that success or failure.

So, to use one of my favourite examples, Gatwick Airport claims that it is a carbon-neutral business. It does so by entirely ignoring its scope 3 emissions. The fact that its entire business model is dependent upon sending aircraft down its runways, all of which will create large quantities of unnecessary carbon emissions, is something that they choose to ignore. If, however, they were required to eliminate their scope 3 emissions they would have two choices. They could make themselves an electric aircraft hub, if it could be shown that electric aircraft could ever be carbon neutral. Alternatively, they could admit that it is impossible for them to achieve their objective and they could declare themselves, in the words of sustainable cost accounting, carbon insolvent. They would then begin to plan the necessary winding up of their affairs as the world begins to recognise that the scale of consumption implicit in consumer air travel cannot be sustained into the future.

The FT is implying that the problem of carbon counting can be solved by cooperation. I doubt it. The problem that must be solved is carbon elimination. It is a completely different issue and many of the decisions that are required to achieve it do not require absolute precision in carbon counting. It is time that we focused on the important issues.