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The private world of carbon reporting

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The private world of carbon reporting

Abstract
Five years ago, we really didn’t have a clue what an organisation's carbon impact might look like, and few firms had any sort of carbon-oriented business plan. Now, the trend is to fill this gap by producing carbon reports.

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The private world of carbon reporting

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Five years ago, we really didn’t have a clue what an organisation’s carbon impact might look like, and few firms had any sort of carbon-oriented business plan. Now, the trend is to fill this gap by producing carbon reports.

But within this story of emerging carbon reporting practice lies another story that has received little attention – how corporate elites have worked together to design their own self-regulations.

Before we get to that, it’s important we map out the story so far.

A brand new idea

Going back a few years now, there was a general feeling that organisations should tell us more about their carbon footprint, so that both insiders and outsiders could start to move towards more carbon sensitive decisions.

This was a kind of mobilisation phase – getting people on board with a new idea. Arguments were developed, suggesting reasons why organisations should tell us more about carbon. Some of these reasons offered a moral framing of organisational responsibility, while others articulated a more strategic need for good carbon data to manage climate change risks.
Carbon reporting soon became the focus of discussion, and we saw a rapid growth in the production and reporting of carbon-related data. Many organisations began to focus on the carbon disclosures they produced for outside users.

Such projects are technically difficult, and also very “market sensitive”. It’s understandable that firms didn’t want to get the measurements wrong, and most of us can appreciate that they didn’t want to get their carbon image wrong either. Outside of these organisations, there was a growing call for carbon information to be placed in the public domain to give us some idea of how organisations were managing carbon “risks and opportunities”. Firms began to respond.

The idea was simple; organisations provide information voluntarily, thereby signalling their good citizenship and strategic management of climate change abatement responsibilities.

Such a disclosure regime rests on the logic that a free market will provide the information demanded by participants without the need for regulatory intervention. “Good” organisations would be rewarded with greater investment and better borrowing conditions and “bad” performers would be disciplined (they’d be put out of business or reform their behaviour to attract necessary capital).

The problems with this kind of green capitalism that are well documented. So, for the purposes of this article, we’ll just focus on one tiny part: the practical reality of carbon reporting data and its potential role in climate change abatement.

**Who designs the standard?**

In reality, carbon reports are almost impossible to compare. There are now so many voluntary disclosure regimes and carbon reporting practices. These are based on a variety of frameworks and protocols. In effect, this means carbon information can look comparable, but in actual fact the output can be significantly different.

This has been frustrating. The frustration is particularly acute when trying to make the capital allocation decisions that have driven much of the carbon reporting agenda. These decisions depend on information that is comparable and standardised.

The existence of different reporting frameworks has limited the capacity for good market allocation decisions, and it has also limited our capacity to understand an organisation’s actual carbon impact.

The problem has not gone unnoticed. But up to this point, it has dodged any serious regulatory intervention, and has presented an opportunity for reporters to build a “standardised” framework themselves. It’s a scenario with obvious problems, but it has...
managed to fly under the radar and avoid much attention.

So who is designing the “global standards” for carbon reporting? The answer: perhaps disturbingly – is the private sector within the Carbon Disclosure Standards Board (CDSB) leading this international initiative. It is important to note that the CDSB is a side project of the World Economic Forum (WEF), an organisation that is well known for its elite, private status.

This in itself is problematic. But the problems are amplified because the obvious exclusivity of membership within the WEF has been reproduced within the centres of the CDSB – without an eyebrow raised.

By way of example, the advisory board that guides the work of the CDSB is made up of representatives from corporations including Duke Energy, Praxair, Rio Tinto, British Telecom and Tokyo Electric Power Corporation. On the Board itself are representatives from groups such as CERES, the WEF, the Climate Registry, the Carbon Disclosure Project, the Climate Group, the World Resources Institute and the International Emissions Trading Association (IETA).

On face value, there appears to be an appropriate mix of “players” in the development of standards. But with a little further digging, it is apparent that within all of these groups, similar organisations are funding or participating in their activities in some way.

For example, the IETA has over 180 members from around the globe. The current Chairman is a Senior Climate Change Adviser for the Royal Dutch Shell Group, and a Vice Chairman is from Rio Tinto. Both Royal Dutch Shell and Rio Tinto have served on the Advisory Committee of the CDSB. Other members of the IETA that are also members of the CDSB Advisory Committee and Technical Working Group include Duke Energy, APX Power Markets, JP Morgan Chase, Deloitte, Ernst & Young, KPMG, and PricewaterhouseCoopers.

**Closed shop**

Similar patterns of interconnectedness can be seen with other members of the board, advisory group and technical consultants. In other words, the same key players have a role in the development of carbon reporting initiatives. In effect, voluntary carbon regulation has become a closed shop. There are all kinds of reasons why this may be a reasonable space for regulatory development but we make a simple, yet important, observation.

Organisations like the CDSB are not neutral arbiters of best practice. They are vested with a wealth of political and economic power – and they are working hard to make sure carbon reporting regulation reflects the wishes of their members.
Given this, some researchers are now suggesting that the focus on reporting techniques has distracted attention away from more fundamental questions about environmental governance. In our rush to encourage a carbon sensitive market, there has been little room to pause and ask, who is behind all this? What will be the tangible environmental benefits that result? Are we ready to believe that publicly listed companies will formulate carbon regulations that serve the planet?
In reply to Thomas Cobban

Thanks Thomas. I am not sure about your first question and could only speculate. It would be a good angle to follow for future research. As to the second, for many voluntary disclosure schemes organisations are encouraged to be audited but it is not mandatory. Although a mandatory audit may improve things, there are still many problems with the audit function.

Jane Andrew
Associate Professor, The University of Sydney
Business School at University of Sydney

In reply to Thomas Cobban

Mike

One possible physical explanation might be that, as global mean surface temperature increases, rainfall increases in New York and people use cabs more frequently, leading to more cabs being registered.

You said that, ”The relationship between temperature and CO2 comes from physics not statistics” I take it you mean coming from abstract reasoning rather than from experiment and statistical reduction of observations by statistical theory.

You are creating an artificial distinction…

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Phillip Lawrence
PhD Scholar at University of Sydney

Jane and Corinne I have looked at similar questions in regards to other large environmental groups which on the surface are leading social conscience on ecological issues. WWF in the US seems to play a lead role in the global strategy setting for the organization around the world. The board regularly changes but some members have come from from or out of Goldman Sachs (Chairman), Google, Mars, Union Carbide, Coca Cola etc. This also begs the question are we ready for people who come out of some of the world’s largest money making organizations to set the agenda for global environmental issues?

5 months ago • report

In reply to Phillip Lawrence

Yes Phillip, you are right - the privatisation of environmental governance is not isolated to carbon. Corinne and I think it is important to make sure the technical practices that emerge in an effort to mitigate climate change are understood to be wedded to a particular set of ideas and interests. For some reason, this has been largely ignored in the public debate.

Jane Andrew
Associate Professor, The University of Sydney
Business School at University of Sydney

In reply to Phillip Lawrence

David Arthur

In reply to Phillip Lawrence
When your only tool is a hammer, every problem looks like a nail.

ie of course bankers, traders and diplomats are going to see carbon reporting, international agreements and emission trading as the only possible solution.

What is ironic is that these people have nothing to do with the cause of the problem. The problem is the use of fossil fuel, so the solution is technological substitution that replaces fossil fuel use.

Do you really think academics and bureaucrats could do a better job of designing and implementing a carbon reporting standard than the companies who have to implement it?

The failure of the UN climate circus should show the process that such groups are pushing cannot work. As soon as the academics and politicians get near the process it will be bogged down in high cost, impracticable regulation.

Peter Lang
Retired geologist and engineer

Hi Peter. I think this is a really important question to ask. In essence, our article is about global environmental governance. Although I don't agree with you that academics and politicians necessarily make the process slow and high cost - it is critical that we have an much more open conversation about where this governance is coming from and where we think it should come from.

Jane Andrew
Associate Professor, The University of Sydney
Business School at University of Sydney

Peter, you could see my comment above in response to Mike's question. In short, yes, government and academics certainly can design and manage good systems - in part because they can and would consult and negotiate with industry. In fact, the problems with sharing expertise and designing effective systems is more likely to come from the opposite direction - from the corporate sector resisting accountability and operating in the kind of echo-chamber the article highlights.

Felix MacNeill
Environmental Manager
I realise that your views are based on predictable reactionary prejudice rather than evidence. your second paragraph is a splendid example of this.

5 months ago • report

Peter Lang
Retired geologist and engineer

In reply to Peter Lang

Jane, continuing on from my previous comment responding to your comment:

My interest is in rational policy. I believe we’ve been trying to implement bad policies to mitigate CO2 emissions for the past two decades (starting with Australia’s commitment in 1992 to the “Toronto Targets” - i.e. Australia commits to cut its CO2 emissions to 20% below 1988 levels by 2005).

There is enormous uncertainty about climate science. Uncertainty about the problem is a given; uncertainty about the chosen solution…

Read more

David Arthur
n/a

In reply to Peter Lang

Mr Lang, you write: “There is enormous uncertainty about climate science. Uncertainty about the problem is a given; uncertainty about the chosen solution is inexcusable.”

I disagree with you on both these points.

1. Uncertainty about the problem does not exist, because we already know that the atmosphere must be maintained between 300 and 350 ppm CO2 in order to avoid, on the one hand, reversion to reglaciation, and on the other, sea level rise and runaway greenhouse warming due to polar…

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Alan John Emmerson
Former chief engineer, Civil Aviation Authority

In reply to Peter Lang

Mike Hansen wrote “This fake (lying) science which has been doing the rounds of the fake science climate denier blogs has been pilloried in the following article by John Nielsen-Gammon, Professor of Meteorology at Texas A&M University and Texas State Climatologist”

Not much of a pillory. seems to me he is rather lost in the statistics.

What would happen if on the same graph he had plotted the number of registered taxi cabs in New York. Would he say that the number of cabs was determined…

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Mike Hansen
Mr

In reply to Peter Lang

@Alan John Emmerson

You say.

“What would happen if on the same graph he had plotted the number of registered taxi cabs in New York. Would he say that the number of cabs was determined by the Temperature or that the CO2 concentration was caused by the Number of cabs?”
There is your problem Alan.

Nielson-Gammon is a Professor of Meteorology. The relationship between temperature and CO2 comes from physics not statistics. It can be demonstrated in simple (high-school science) lab experiments. The response of the surface temperature to increased CO2 is one of many ways that this physical effect is manifested.

What is the physical relationship between NY cabs and temperature?

N-G's article was pointing out that cheap tricks like squishing the temp scale to make it appear as if temp is not responding to increased CO2 in the atmosphere is designed to appeal to the naive and gullible.

Peter, Yes.

Phillip Lawrence

PhD Scholar at University of Sydney

In reply to Phillip Lawrence

Phillip,

I'd suggest your response reveals inexperience in the real world. The failure of 20 years of UN led climate conferences should give you a clue you are on the wrong track.

This applies:


Mike Hansen

Mr

In reply to Phillip Lawrence

@Peter Lang

Not surprisingly given that Quadrant is a right-wing political magazine and not a science journal, the article you have linked to starts with a graph that purports to show how CO2 does not drive global warming by adjusting (faking) the scales of CO2 against temperature.

This fake (lying) science which has been doing the rounds of the fake science climate denier blogs has been pilloried in the following article by John Nielsen-Gammon, Professor of Meteorology at Texas A&M University and Texas State Climatologist.

http://blog.chron.com/climateabyss/2012/10/carbon-dioxide-and-temperature/

Paul Moonie

PhD student, solar energy

The article is very light on evidence - as in none(?)

Fred Pribac
An interesting reminder that every shag pile has a similar bugs hiding in the weft.

5 months ago • report

Mike Hansen

Hi Jane and Corinne. Thanks for the article.

This is going to be an critical area of discussion over the next few years. As a few of the commenters have noted, greenwashing has become a major problem with some corporates. But equally we need to be certain proposals for low carbon energy solutions are in fact low carbon. Biofuels are a case in point.

I have a few questions which you may be able to answer.

Are there any compliance reporting requirements associated with the carbon tax?

What standards are government agencies and departments using in their reporting?

I have noticed in my own work, the occasional RFT for computerised carbon accounting systems. Are you aware of these systems and what rules are used in driving their development.

5 months ago • report

Thomas Cobban

In reply to Mike Hansen

Hi Mike,

Selected companies are required to report on their GHG emissions (CO2-e) under the National Greenhouse Energy and Reporting Scheme. I have worked in the mining services area where mining fugitive emissions assessments are conducted in order to calculate their liabilities under the carbon tax. It is a very quantitative assessment which is audited by selected law firms and then needs approval from the government regulator. Unlike the process explained in this article it is not self regulated.

5 months ago • report

Felix MacNeill

In reply to Mike Hansen

Mike I work in environmental management in the government sector and we have fairly simple, robust requirements to report all our energy usage (electricity, gas, fuel) in a similar system to the NGGERS system Tony mentions. We also report on packaging and waste management under the Australian Packaging Covenant. These systems are fairly straightforward and robust and represent a decent and uniform reporting regime, at least for Scope 1 and to a lesser extent Scope 2 emissions. They could also represent…

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Jane Andrew

In reply to Mike Hansen

I think others have answered your questions here. From our perspective, we just are not talking nearly enough about the designers of carbon reporting because we are distracted by the design. We have a lot to lose if we don't get both right - I'm not entirely sure what that would look like but our article suggests we do need to look at the governance
Thanks for the article Jane, carbon reporting is very important. Globally, the picture remains messy, but in Australia at least companies are required by law to report their scope 1 & 2 emissions as well as their energy consumption under the National Greenhouse Emissions Reporting legislation, so I'm surprised it didn't get a mention in your article. You can get a list of business emissions here - http://www.climatechange.gov.au/en/government/initiatives/national-greenhouse-energy-reporting/publication-of-data/nger-greenhouse-energy-information-2010-11.aspx

Tony Mohr
logged in via Facebook

You are right Tony, we could have mentioned it. The focus of the article was on the way standard setters are operated at a more global level - but as other people have discussed here you are right about NGERS and it is a start towards regulated emissions reporting. From memory, there was also considerable lobbying around this legislation from the private sector so it would be interesting to explore any links between what we have said in this article and the development of NGERS. In addition, I think firms reporting through NGERS are also producing carbon data for a variety of voluntary disclosure regimes that looks different to their NGERS report (some of which can be explained by differing methodologies).

Jane Andrew
Associate Professor, The University of Sydney
Business School at University of Sydney

I'm actually sceptical that carbon reporting is even necessary, let alone important. The entire carbon reporting architecture could be replaced at the drop of a hat with a consumption tax on fossil fuel (FFCT), at which point all the carbon reporting necessary would come through BAS's. This would also match OECD's advice that Australia should increase its GST and eliminate various state taxes.

Thereafter, we simply increase the rate of FFCT, adjusting rates of other taxes around the FFCT, until the requisite CO2 emission reductions are achieved.

David Arthur
n/a

How to have a carbon reporting framework.

1. Put a consumption tax on fossil fuel.
2. There is no step 2, step 1 is all that is necessary.
David,

You are exactly right. One of the argued benefits of a carbon tax is to render redundant all the costly administrative approaches to GHG mitigation. It's therefore disappointing that now we have a price on carbon that such administrative program's not only survive but are somehow lauded. We are seeing changes in both energy demand and supply due to the carbon tax... Now we should eradicate all the costly adding up programmes that impose unnecessary costs on business. To retain them is to forego one of the benefits of a carbon tax, and that is disappointing.

5 months ago • report

David Arthur
n/a

In reply to David Arthur

Thanks for the reply, David.

In suggesting that 'we' (I assume you mean Australia?) now eliminate all the costly administrative programs around carbon emissions, you must be assuming that we already have the fossil fuel consumption tax (FFCT) that I recommend.

What's more, we don't have a uniform, across-the-board tax, is is simply imposed on a select group of "big emitters". Worst of all, it is designed to fit seamlessly into the great European debacle that is their emission trading scheme...

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Peter Lang
Retired geologist and engineer

If we have to price GHG emissions and regulate compliance, the compliance cost will inevitably become a huge cost. The following points need to be recognised.

The whole world would have to implement compliance. That includes countries like Ethiopia, Eretria, Mogadishu, Somalia for example.

It will have to be applied to all GHG emissions from all sources eventually. If you leave some out, there is massive distortion.

To give an idea of the possible cost, the US EPA estimated their costs...

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Peter Lang
Retired geologist and engineer

In reply to Peter Lang

Ignore the cost estimate above. The compliance cost would be nowhere near that figure, but still high. I have the estimate somewhere but can't find it.

5 months ago • report

Ian L. McQueen
Retired

This article is an excellent example of assumerism- assuming that someone has already proved that carbon dioxide controls climate. It does not, but one would never know it given the endless succession of reports from this or that "authority" based on the assumption that proof is available. Something that we have to keep in mind is that the entire warming scare is build on nothing but the output from inadequate computer models (programs) that have been fed with temperature data from an inadequate...
In reply to Ian L. McQueen

Ian

You have taken to copying and pasting the same claims on every new climate article here. Every time you post it, someone has to take the time to rebut it with some actual science.

Personally I am well past the point where I bother answering claims from climate cranks which are not supported by links to actual science from peer reviewed journals.

Hands up all those who notice that Ian never supports his claims with any references.

5 months ago • report

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David Arthur

In reply to Ian L. McQueen

Assumerism not necessary, just appreciation that heat retention continues apace, with additional thermal energy 'taken up' in melting ice and thermal expansion of oceans.

Earth is warmed by absorption of short wave sunlight. Because of this, Earth's temperature can remain unchanged by returning the same amount of energy to space. That is, solar shortwave energy is balanced by the earth re-radiating to space as a 'black body' radiator with a characteristic temperature of ~255K; that is, from...

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Geoff Taylor

Consultant

The issue of accurately accounting for carbon has been hovering around now for at least fifteen years. How much is actually sequestered, and under what climatic conditions for different vegetation types, how long does it stay sequestered, have there been large bushfires in counted carbon areas, has there been double counting?

Where are the accounting procedures, where are the verification and audit tools, who is qualified to verify and audit - all these are needed to support a reliable and believable carbon market.

Otherwise it is worse than Dutch tulips.

Can anyone inform us on these issues?

5 months ago • report

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Ian L. McQueen

Retired

Mike Hansen wrote: "You have taken to copying and pasting the same claims on every new climate article here. Every time you post it, someone has to take the time to rebut it with some actual science."

Mike, while your supercilious comments, like "climate cranks", are intended by you to bother me, in reality they offer yet another opportunity for me to point out that there is no scientific basis for your belief (nor that of any fellow warmist) that adding CO2 to our air is going to have dire effects...

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Mike Hansen

Mr

In reply to Ian L. McQueen
So the reason that you cannot supply any science references to backup your claims is because there is a conspiracy.

Who didn’t see that coming?

Ian L. McQueen
Retired

Mike Hansen and anyone else interested only in peer-review studies should have a careful look at:


IanM

Mike Hansen
Mr

In reply to Ian L. McQueen

So all that "research" you are doing Ian consists of trolling the climate denier blogs. What a surprise.

5 months ago • report

John C
logged in via email @gmail.com

Ian - NIL. Mike 10.

5 months ago • report

Ian L. McQueen
Retired

Mike Hansen posted: So all that "research" you are doing lan consists of trolling the climate denier blogs. What a surprise."

Mike, you are very good at trying to belittle valuable and believable sources of information, but you are very short on any useful comment other than evidence showing "My mind is made up- don't confuse me with the facts." What you call "climate denier blogs" illustrates such a combination of ignorance that a whole posting could be devoted to analyzing it. But for a start...

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Chris O'Neill
Telecommunications Engineer

In reply to Ian L. McQueen

Ian McQueen: "Nor do we even deny "climate change"."

Of course you deny climate change. You even state it lower down:

"temperature stopped rising 16 years ago"

which simply demonstrates that you confuse lesser statistical significance with zero trend.

"Rothbard & Rucker Doha wealth redistribution process.doc"

Yes we are already aware that it's a green-socialist conspiracy for global wealth distribution as pointed out in http://www.thenation.com/article/164497/capitalism-vs-climate...
In reply to Ian L. McQueen

"temperature stopped rising 16 years ago"

which simply demonstrates that you confuse lesser statistical significance with zero trend.*

By the way, the lack of statistical significance for the positive trend over 16 years occurs for an out of date, cherry-picked data set (HadCrut3), but don't expect anyone intellectually dishonest to mention that.

Ian L. McQueen
Retired

Mike Hansen wrote: "So the reason that you cannot supply any science references to backup your claims is because there is a conspiracy."

Something that I neglected to point out long ago is that it is not my duty to provide references. It is the duty of the original poster / writer to provide evidence to support his/her assertions, not that of the person raising questions or pointing out errors. That’s the way that the scientific method works.

In this case the fundamental error is basing one...

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Geoff Taylor
Consultant

Ian McQueen questions the effect on climate of 0.0004 carbon dioxide, ie. 400 ppm.

But then at 416 ppm by weight of PM 2.5 particles in Beijing air, the government is mandating a 30% reduction in official vehicle use on those days, because of the effects on health.

Peter Lang
Retired geologist and engineer

Carbon pricing can't work in the real world – there is a better way


Nordhaus says:

"The results of the present study suggest that several policies could limit our "dangerous interference" with the climate system…

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Julie Cotter
Professor of Accounting at University of Southern Queensland

Thanks Jane and Corinne for an interesting article.

You raise an important question about who is driving the organisations responsible for developing climate change reporting guidance and frameworks.
As we move toward more standardised and comparable reporting of climate change information, and I believe that the CDSB’s Climate Change Reporting Framework is an important step in this direction, we need to consider who we would want to be involved in this environmental governance role.

A...

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Peter Lang
Retired geologist and engineer

In reply to Julie Cotter

Julie Cotter,

Thank you for that constructive comment. Would you happen to know if anyone has done a good estimate of what the compliance cost is likely to be when carbon pricing is fully implemented to the standard that will ultimately be required? That is fully implemented globally such that all emissions sources of all the twenty four Kyoto gases from all emitters in all countries are caught in the carbon pricing scheme? This is the situation that carbon pricing would have to evolve...

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Jane Andrew
Associate Professor, The University of Sydney
Business School at University of Sydney

In reply to Julie Cotter

Thanks for your comments Julie. I am aware of your work on the CDSB, so I am glad you have raised a number of important points in this comment. I suspect we have different opinions about carbon reporting and its role in climate change abatement. This aside, what Corinne and I have tried to highlight in this article and in our academic work (in more detail) is that the independence of the standard setters should not be taken for granted. We should talk more about 'who' is making standards and what...

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