Climate reporting standards insufficient and must be expanded, say experts

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A new paper from the Smith School of Enterprise and the Environment, University of Oxford concludes that current climate standards are not sufficiently incentivizing the big picture innovations necessary to deliver net zero, and must be expanded to include a company's broader influence on climate action.

The research, published in *Carbon Management,* comes after a period of fierce public debate about climate standards and offers possible solutions for those seeking to improve both integrity and impact of corporate climate action.

Incentivizing climate action and innovation in the corporate world is essential says co-author Dr. Matilda Becker. "Of the 2,000 largest companies, close to half still do not yet have a net zero target, while some are going further without reward. We need to incentivize companies' efforts beyond their boundaries."

The authors discuss actions that companies can take to accelerate the global transition to net zero across three spheres of influence: product power, purchasing power and political power, and propose an additional reporting track to capture their impact in these areas. This track would demonstrate a company's wider contribution to global net zero, and examples could include lobbying for cleaner energy systems or signaling financial support for new net zero technologies.

To date, corporate climate standards have been created primarily to guide companies in setting targets (e.g. through the Science Based Targets initiative) and to help them track their own emissions resulting from their activities (e.g. using the Greenhouse Gas Protocol). While these standards have been essential for reducing the emissions of individual companies, say the authors, they fail to incentivize broader climate action and can even discourage it.

"It is essential that companies report and reduce emissions across their value chains," says co-author Claire Wigg, Head of Climate Performance Practice at the Exponential Roadmap Initiative. "But it is also essential that they drive—and are rewarded for driving—systemic change via the products they produce, the purchases they make and the policies they lobby for or against."

"The way standards are currently set up, a high-growth renewable energy company might fare poorly because of the emissions generated in making turbines and solar panels, despite the fact these products can help to reduce emissions globally," explains lead author Kaya Axelsson, Research Fellow and Head of Policy and Partnerships at the Smith School.

"We need a way to compare and reward companies that are changing the world, not just their operations."

More information: Kaya Axelsson et al, Is impact out of scope? A call for innovation in climate standards to inspire action across companies' Spheres of Influence, *Carbon Management* (2024). DOI: 10.1080/17583004.2024.2382995

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