

## Climate Change – You Cannot Manage What You Cannot Measure



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As a financial auditor by profession, I can tell you that what is not measured cannot be effectively managed. Unfortunately, this has been the case with climate change from the beginning. The most recent report issued by the United Nations in April 2022 shows that the time is ‘now or never’ to seriously limit the carbon emissions that are polluting our atmosphere, and that we are heading to a world that will become uninhabitable.

Without effective control, the pledges made by countries are not worth the paper they are written on. There is a vast gulf between what was promised and what has happened in reality. Some countries have turned a blind eye to climate polluting industries and certain corporations have fudged their carbon emission figures to continue business as usual. Greenhouse emissions have increased across all sectors globally, with statistics being cleverly manipulated by many to show compliance. We cannot hold countries to account if we do not have an accurate way of measuring the efforts they are taking to combat climate change.

It is clear to me that the issue of environmental accountability comes from having proper accounting practices in place, where companies can effectively report the cost of damage they cause to the environment. Having this transparency in place allows for better accountability and for a true picture of what is happening to be developed, as after all, you cannot manage what

you cannot measure. Polluters are getting away and accounting must be improved to enhance corporate disclosure, which is essential to the effective management of carbon emissions.

This type of environmental-damage cost is something I spoke about as early as 1999 when I led the production of a detailed report with international experts from every accounting body in the world called ‘Accounting and Financial Reporting for Environmental Costs and Liabilities’. This was done under the Arab Society of Certified Accountants (ASCA) that I established in 1984, and was produced in consultation with the United Nations and the International Standards of Accounting and Reporting (ISAR), under the instructions of the then UN Secretary General Mr. Kofi Annan.

This accounting specialization involves layers of detailed complexity and I felt the need to develop a report that provides assistance to enterprises, regulators and standard setting bodies on what is considered best practice in accounting for environmental transactions and events. The objective was to provide information about the financial position of an enterprise in a manner that is useful to a wide range of stakeholders in making decision and is necessary for the accountability of management for resources entrusted to it.

A company’s environmental performance affects its financial health, while financial information relating to such performance can be used to better assess corporate financial risk. The management of such risk is a matter of concern to the board, shareholders, investors, and financial regulatory authorities. Owners are particularly interested because of the potential effect of environmental costs on the financial health of the company, that include elements such as costs associated with environmental damage, cleanup operations, property and waste disposal, fines and penalties, as well as other environmental liabilities.

The report was produced with great effort and diligence with input from experts across the world. At the time, Mr. Kofi Annan asked me

to present the report to a special committee which included the US ambassador to the UN. After going through the report and successfully arguing its case, the US ambassador said that he could not accept the report as the US Capitol would not accept such regulation to be implemented across corporate America. The report was subsequently shelved.

The collective action by all countries of the World means nothing if the US and China do not put real action into decarbonization. China in particular, is guilty of being the world worst polluter with its massive manufacturing infrastructure, responsible for a frightening 30% of global emissions and burning half of the world's coal supply each year despite President Xi Jinping's zero pledge. The next biggest polluter is the USA, responsible for around 15% of world carbon emissions. No one is being held accountable and years of COP meetings have little to show.

During Trump's Presidency, he repeatedly denied the reality of climate change in a very flagrant manner. Biden has over promised and very much under delivered. In fact, for the past six decades the US has avoided doing anything substantial in the climate change space. Scientists warned Biden's predecessor Lyndon Johnson in 1965 that the threat of the climate crisis was stark and that the world's countries were conducting a vast, dangerous experiment through their enormous release of planet-heating emissions and that remedial action was needed. The fossil industry has been quite successful in its misinformation war, and political as well as economic maneuvering in light of the threat of Russia and China taking global position may well have stymied US action to reduce its emissions.

We are at a point in time where the decisions we take now will have a direct effect on securing a livable future and the survival of future generations. It is still possible to reduce emissions by 50% by 2030 which is a crucial target to limit global warming to 1.5 Celsius by 2050. This however, necessitates a deep reduction of emissions and requires both China and the USA to work seriously to clean up their yards.

Unless action is taken now, some countries will soon be under water and we will see an unprecedented number of natural disasters including heatwaves, mega storms, greater water scarcity and the extinction of many of our natural habitats and ecosystems, along with the annihilation of many species of plant and animal life. This will upset the world ecological balance which is a truly frightening prospect and will have repercussions that no amount of money or power will be able to solve.

What is needed is a combined effort on all fronts, including a fundamental change including our lifestyles and habits, as well as the right policies, infrastructure, technology and accountability to aid us in this shift. All nations must reduce their fossil fuel addiction substantially, extend access to sustainable electricity, improve energy efficiency, increase the use of alternative fuels and use technology to help capture and store carbon in greater amounts.

As the Chairman of the Consortium for Sustainable Urbanization in New York, I say that we must demand greater action from our governments and develop a culture of sustainable living within our homes, business and cities quickly. We need to have standards in place to ensure there is compliance, as at present there is no accounting and little accountability.

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