



Dunwich Heath, Suffolk, Image Credit: ©National Trust Images/Justin Minns

The Great Transition: what do we need to do and what role does the accountancy profession have?

“Sustainability is no longer about doing less harm. It’s about doing more good.” -Jochen Zeitz

Dunwich, East Anglia. Shivering in the bitterly cold North Sea breeze as you watch the powerful waves roll in from Scandinavia is a truly incredible experience. Dunwich, a small town on the windswept Suffolk coast is a most unassuming place – today it stands precariously on a stretch of land jutting out into the wind-battered East Anglian coastline lapped by the North Sea. However, at the time of the Domesday book it would have been the tenth largest town in England¹, and as a wealthy port town it would have been bustling with trade and the trappings of commerce. Today, the area is best known for its nature reserve which offers the visitor a beautiful landscape filled with wild heather and yellow gorse². The medieval town has been completely destroyed, as coastal erosion pushed the town over the tall cliffs and crashing down onto the coastline below. It is claimed that the town’s church bells can still be heard striking out from its sunken churches as they lie buried underwater³. The demise of Dunwich, was not in fact, a direct result of climate change – the intense erosion of the East Anglian Coast in the late thirteenth century was the direct result of a series of extreme storms which battered the coast, with Dunwich succumbing to erosion as a result of extreme storms in the years of 1286 and 1328⁴. Recent IPCC modelling demonstrates that sea level rise could amount to a meter by 2100⁵ causing significant areas along the UK coastline to face the same fate. This could result in areas such as North Somerset, Sedgemoor, Wyre, and Swale losing homes to the sea, resulting in localised population displacement to inland locations, within thirty

¹ Early Medieval Britain: The Rebirth of Towns in the Post-Roman West, By Pam J. Crabtree · 2018, p.181

² <https://www.nationaltrust.org.uk/visit/suffolk/dunwich-heath-and-beach/our-work-at-dunwich-heath>

³ Suffolk (Slow Travel), By Laurence Mitchell · 2018, p.35

⁴ Secret Britain: Unearthing Our Mysterious Past, By Mary-Ann Ochota, 2020, p.79

⁵ Climate Change 2021: The Physical Science Basis. Contribution of Working Group I to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change, Masson-Delmotte, V., P. Zhai, A. Pirani, S.L. Connors, C. Péan, S. Berger, N. Caud, Y. Chen, L. Goldfarb, M.I. Gomis, M. Huang, K. Leitzell, E. Lonnoy, J.B.R. Matthews, T.K. Maycock, T. Waterfield, O. Yelekçi, R. Yu, and B. Zhou (eds.) Cambridge University Press, Cambridge, 2021, p. 1297

years⁶. As we return for a moment to the ghostly spectre of Dunwich's ghostly church bells chiming out from the seabed, perhaps we could view this image therefore as a kind of message, an eerie warning to us about the prospects of sea rise and climate change.

Distilled into its simplest form, the scientific explanation for the global warming model can be rather easily understood. Greenhouse gas emissions that are released into the atmosphere trap the Sun's heat and cause a warming effect in the Earth's lower atmosphere. This increase in temperature in turn contributes to the melting of glaciers and ice sheets, which in turn results in knock-on effects such as sea level rise ultimately leading to potential land loss and ingress. This process also results in dangerous shifts in the climate and an increase in extreme weather events such as hazardous heatwaves, flash floods and forest fires. The severity of these dramatic changes affecting the Earth's energy balance cannot be underestimated and we can understand them as a serious threat to human and animal life. Professor Richard Betts, Climate Research Scientist at The Met Office has recently advocated for the term 'global heating' to be used instead of global warming as this more accurately describes the severity of these dramatic changes affecting the Earth's energy balance - this dramatic shift in the Earth's climate has grave implications for human, animal and plant life.

Carbon emissions produced by human activities have increased rapidly as a result of industrialisation, accelerating the global warming model. Since the start of the Industrial Revolution humans have burned through enough fossil fuels to release an estimated 365 billion metric tons of carbon into the atmosphere⁷. To minimise the greenhouse effect, it had been hoped that the increase in temperature could be limited to 1.5°C degrees centigrade by 2050, a goal set out at the landmark Paris Agreement adopted by 196 Parties at COP21 in 2015. However, despite the intention to keep global warming to 1.5°C as set out in the landmark Paris Agreement, it is now predicted by the UK Met Office as a credible possibility that temperatures could rise to as much as 3-4°C by the 2060's⁸. An increase in such a short time frame could potentially leave parts of the Earth essentially unsuitable for human habitation due to lethal heat conditions, a development that could result in more than 140 million climate refugees by 2050⁹. Even in cases of localisation where, for example, areas like Sub-Saharan Africa, South Asia, and Latin America are predicted to suffer from especially extreme climate change¹⁰, there will be knock-on effects which will be felt in Northern Europe such as population displacement, political instability, agricultural challenges and the potential for serious disruption for industry and consumers.

Sometimes, seeing is believing – whilst most of us understand the theory of global warming, it is not always easy to understand the scale of its effects until we witness it first-hand. Reading a report of statistics about sea level rise or temperature increases over a series of years is not always as illustrative as witnessing environmental endangerment and destruction in real-time. Over the last 2-3 years we have all been unhappy witnesses to a series of climate-related global emergencies such as the devastating floods in Australia, extreme wildfires in Spain, Greece and Australia and the year-on-year sea rises in the US which have resulted in a steady land displacement. Closer to home, the UK experienced extreme temperatures in 2022, with temperature records broken when they hit a high of 40.3°C in July 2022. Climate change is thought to be a driving factor in increasing the likelihood of

⁶ <https://www.theguardian.com/environment/2022/jun/15/sea-level-rise-in-england-will-force-200000-to-abandon-homes-data-shows>

⁷ The Sixth Extinction: An Unnatural History, By Elizabeth Kolbert, 2014, p.113

⁸ <https://www.lboro.ac.uk/news-events/news/2021/november/what-would-four-degree-global-warming-feel-like>

⁹ The Uninhabitable Earth: A Story of the Future, By Wallace-Wells, 2019, p.133

¹⁰ The Uninhabitable Earth: A Story of the Future, By Wallace-Wells, 2019, p.133

extreme weather events, and in increasing their severity. As we witness natural disasters such as the 2022 European wildfires, we are able to instantly make the connection between the climate change model and how it might affect our ordinary human lives in destructive and terrible ways. This should serve as an impetus for us to realise that climate change is threatening us in a number of terrifying ways, and we must act to avoid further endangerment of human life.

The increased temperatures in Europe over the past five years are an example of global warming manifesting itself in dangerous climate change, expressing itself in drought, adverse health effects, and wildfires. Europe suffered from record-breaking temperatures in July 2022, with France experiencing temperatures of 42°C¹¹. Last summer, the Hunger Stone in the Czech Republic was exposed, an event that historically only happens when the region is in the midst of a serious drought. Meanwhile, agricultural activities suffered in regions such as France, Romania, and Spain due to extreme heat conditions¹². The industries that are suffering from increased physical risk as a direct result of the increased temperatures are mainly the agricultural industry, but also the electricity, utilities, transport, construction and service industries. Even the energy sector was affected with both hydropower generation and cooling systems suffering due to the increased heat conditions¹³. Europe sweltered in extreme heat conditions, as adverse health outcomes for the vulnerable put pressure on the health services. The effect of this heat emergency was incredibly widespread – the EU reports that in 2022 cumulatively 64% of Europe was under warning or alert relating to drought conditions¹⁴. The European Parliament's Committee on Environment, Public health and Food Safety (ENVI) warned that such drought events could become typical by 2050 unless action is taken, making the prospect of extreme weather events something that we are going to have to learn to live with.

Due to the interconnected nature of global trade and commerce, global climate change is expected to present businesses with supply chain challenges and price increases. The forecasting for this can be difficult - in cases of future developments connected to climate change, it can be difficult to predict the consequences, some of which can turn out to be rather complex in nature, making them difficult to predict. Increased temperatures have already resulted in operational difficulties in Europe, with power stations and train tracks suffering difficulties under increased temperatures¹⁵. The UN predicts that there will be 250 million climate refugees by 2050, and there is the potential for 2.4 million American homes and businesses to be affected by flooding by 2100 – in financial terms the likely damage of this flooding in vulnerable areas such as Florida could add up to a trillion dollars¹⁶, a figure which illustrates the potential economic repercussions of climate change. Data published by Eurostat demonstrates a trend of economic losses increasing by almost 2% annually due to extreme weather and climate change events and calculates that such events have caused €145 billion in economic losses in the last decade¹⁷. Key research on climate change and the economy predicts a decline in growth of one percent per degree Celsius of warming¹⁸, which is likely to create

¹¹ <https://www.weforum.org/agenda/2022/07/heatwaves-europe-climate-change/>

¹² <https://www.weforum.org/agenda/2022/07/heatwaves-europe-climate-change/>

¹³ <https://www.pubaffairsbruxelles.eu/eu-institution-news/droughts-in-europe-in-august-2022-severe-rainfall-deficit-is-affecting-crops-and-increasing-fire-risks/#:~:text=The%20evolution%20and%20impacts%20of,vegetation%20and%20crops%20show%20the>

¹⁴ <https://www.pubaffairsbruxelles.eu/eu-institution-news/droughts-in-europe-in-august-2022-severe-rainfall-deficit-is-affecting-crops-and-increasing-fire-risks/#:~:text=The%20evolution%20and%20impacts%20of,vegetation%20and%20crops%20show%20the>

¹⁵ *The Uninhabitable Earth: A Story of the Future*, By Wallace-Wells, 2019, p.120

¹⁶ *The Uninhabitable Earth: A Story of the Future*, By Wallace-Wells, 2019, p.119

¹⁷ <https://ec.europa.eu/eurostat/web/products-eurostat-news/-/ddn-20221024-1>

¹⁸ *The Uninhabitable Earth: A Story of the Future*, By Wallace-Wells, 2019, p.117

challenging business conditions. This projected reduction in growth is the logical result of natural disasters, flooding, and public health crises, with climate change being the driving factor.

Biodiversity, which provides everything we need for the food that we eat and drink is also under threat, and time is running out to protect species under threat of extinction. Although there is a natural rate by which species fall victim to extinction over time, research indicates that this is being surpassed and we are looking at potentially 38-52% of the world's species facing extinction by 2050, endangering key aspects of agriculture and the human food chain¹⁹. Biodiversity loss has key implications for agriculture, making crops more vulnerable to disease and endangering access to the foods that we rely on by removing key drivers involved in pollination, fertilisation and the cleansing of water²⁰. Crucially, the biodiversity of crops on which we rely for survival has the effect of bolstering that food type's resistance to disease and pests. In a world in which we have high levels of genetic diversity resistance to both disease and pests is increased. Additionally, genetic diversity may provide a special advantage when it comes to thriving in changing environmental conditions due to climate change. The importance of biodiversity cannot be underestimated - the removal of a single element of the food chain on which we rely could have significant repercussions for interconnected species, presenting increased levels of risk for human food security.

One of the most publicised examples is the endangerment of the honey bee – with numbers currently in decline as a result of pollution, habitat loss, pesticides and changing weather patterns. This has serious implications for the human food chain, with a third of our food production thought to rely on bee pollination²¹. The bees play a major part in pollinating crops - as pollen transporters they play a vital role in facilitating in the fertilisation of plants. There are countless other examples of such relationships within the food chain, with interlinked elements depending on each other for survival- each strand is important. In her book 'The Sixth Extinction', Elizabeth Kolbert uses the illustration of the Amazon, where fixed environmental constancy allows butterflies, ants and birds to exist in a symbiotic relationship, in which each element provides an advantage to another within the relationship²². Even though it may seem we are disconnected from nature, the ecosystems around us are crucial to our survival, and we need to protect the diversity of the environment to protect the food chain on which we rely. It is imperative that we consider transitioning towards sustainable alternatives in our personal and professional lives in order to protect the natural environment on which human life depends.

As highlighted in the New Economics Foundation's report 'The Great Transition', it is essential for the economy to shift to place greater emphasis on sustainability and the avoidance of a state of ecological debt. Our involvement in activities aimed at reducing carbon emissions and increasing energy efficiency certainly suggests that we are in a period of transition. We are working to create positive change in our working practices with the aim of protecting the environment for the benefit of future generations. We can understand this in practical terms as a commitment to reduce emissions, increase efficiency and work towards greater levels of sustainability wherever possible - but what does this look like for us as an industry? Whilst we can make internal changes that will be effective in our personal and professional lives, it is also possible for us to be part of something larger in the form of a global movement towards sustainability. By providing tools for our clients to help them to achieve Net Zero in the form of technological products to measure carbon and advice for managing this transition we are playing a key part in the global movement towards sustainability.

¹⁹ The Sixth Extinction: An Unnatural History, By Elizabeth Kolbert, 2014, p.167

²⁰ <https://www.zurich.com/en/media/magazine/2021/food-for-thought-what-biodiversity-means-to-you>

²¹ <https://www.unep.org/news-and-stories/story/why-bees-are-essential-people-and-planet>

²² The Sixth Extinction: An Unnatural History, By Elizabeth Kolbert, 2014, p.192

Business is changing – non-financial KPIs are now taking on a greater role, with carbon emissions, resource consumption, waste treatment and sustainability all key indicators of success. Clients may be interested in lifecycle analysis, and may show a healthy appetite for considering the full impact of their business activity on environmental and social stakeholders. It is important for us to recognise that we are seeing an attitudinal shift as organisations realise the full scale of the task of meeting Net Zero and mitigating the effects of climate change.

We are now starting to see the emergence of green accountancy – a movement that has generated a number of innovative new accountancy firms specialising in ethical accounting. The Green Providers Directory, a body that promotes sustainable businesses lists a selection of ‘green’ accountants including Sprout, Green & Moore Accountancy and Green Accountancy. Many have a dedicated Environmental Policy - in the case of Green Accountancy Limited their policy is freely available on their website, thereby promoting levels of accountability. These companies might also commit to donating to green causes - Sprout Consulting for example has committed to giving 1% of their revenue to environmental charities. They also donate 3% of their team's contracted hours to charity, commit to support two sustainability start-ups free of charge annually, and specialise in working with SMEs with a sustainable strand and ethical entrepreneurs such as Zero Green - Bristol's first zero waste shop. Meanwhile, David Moore, founder of Green & More Accountancy Ltd is proudly vegan and has gone as far as to register as a registered vegan trader, a factor that he relies on to connect with clients with similar values. Additionally, Green & More assists clients with using carbon software to measure emissions and helping them work towards achieving Net Zero. Closer to home, Green & More buys only refurbished office software, uses the green search engine Ecosia, uses a wind-powered web domain from Green Hosting, and carefully considers the environmental credentials of vendors when purchasing goods. Like Sprout, they make donations to environmental charities, and they also have made a commitment to ethical banking - they ensure that they only use business banking services that align with their ethical values. There is no doubt that the work being carried out by these specialist providers is commendable, and we can glimpse the future of accounting in their operations. However, perhaps the challenge which holds the greatest relevance for most of us is the question of how we should be working to change the sector as a whole.

As interest in sustainability increases within the accounting and assurance sector, it can be seen as an exciting opportunity to align our ethical values with our career choices. As ICAEW professionals, we all share an ethical code that we agree to abide by when we set out on our professional pathway, and we strive to uphold certain values such as Integrity, Professional Behaviour and Objectivity. In recent years, the ICAEW's contemplation of ethical matters has broadened, with environmental matters now high on the agenda. When the group Accounting for Sustainability released a letter with 13 chief executive signatories from 14 major accounting bodies (including the ICAEW), an interesting feature of the letter was that it made the link between an accountant's duty to act in the public interest and the responsibility to address climate change²³. Sustainability has been the focus of innovative work undertaken by the ICAEW, including in the areas of training, publishing, and public awareness, aimed at protecting the environment for future generations. Indeed, the ICAEW in collaboration with Sage, ACCA, AAT and TGBC have produced a sector-specific Net Zero Now Protocol²⁴ to assist accountancy firms in working towards Net Zero. This has been peer-reviewed by accountancy sector stakeholders

²³ <https://www.accountingforsustainability.org/en/about-us/our-networks/abn/abn-climate-action.html#:~:text=With%20a%20vital%20role%20to,climate%20change%20mitigation%20and%20adaptation>

²⁴ <https://www.icaew.com/technical/sustainability/climate-hub/net-zero-accountancy-protocol#:~:text=The%20platform%2C%20hosted%20by%20Net,launch%2C%20read%20our%20insights%20article>

and sustainability experts. The Net Zero Now Protocol is freely available to download and features a linked platform designed to help accountancy firms to map their emissions, set targets and receive carbon emission plans. Other resources such as the Net Zero Accountancy Initiative platform offer guidance and tools for firms to set targets, calculate emissions and compensate for those emissions which are unavoidable. To summarise, as ICAEW members we are valuable and trusted advisers to our client base, and as such we are in a unique position to assist them in their sustainability journey.

Sustainability reporting also has a role, and we are starting to see its potential as an important channel for companies to better understand and manage their environmental impact. The Department for Business, Energy and Industrial Strategy (BEIS) requirements stipulate that public interest companies, AIM companies, large private companies and LLPs must complete annual energy and carbon reporting. The addition of Streamlined Energy and Carbon Reporting (SECR) as well as FCA requirements for annual Task Force for Climate-Related Financial Disclosure (TCFD) reporting have added to the reporting requirements in the UK, especially for larger outfits. The purpose of the increased reporting requirements is with the aim of increasing sustainability accountability for businesses, benchmarking progress and increasing transparency. To examine how this all works in practice, let's take one example in hand - the SECR reports require Quoted companies, large LLPs and large UK-incorporated unquoted companies to provide details of their GHG emissions originating from direct operations of the business, as well as key metrics such as CO₂e per employee/per million in turnover. In addition, reports are required to include the previous year's results for the purpose of comparison, encouraging a benchmarking approach to a company's reporting. They should also provide details on the methodology employed in the calculation of the carbon/energy efficiency data provided. Finally, reporting organisations are also required to provide information on the work that has been completed on projects aimed at either reducing emissions or increasing efficiency. This reporting is carried out using widely recognised reporting standards such as the GHG which ensures comparability. In addition, to ensure that the reporting will be meaningful and have an impact on future behaviour, it is suggested that target setting, senior management commitment, resource allocation and incentive systems relating to sustainability and working towards reducing emissions are established.

The reporting process will undergo a number of changes as it develops, and it is expected that smaller entities will eventually be required to report. Consequently, we should prepare these clients for the need for sustainability reporting in the near future by gradually introducing the idea and building confidence in this field. For the moment, there are a range of developments as the UK and Europe respond to the need to develop effective sustainable reporting. The UK carbon and sustainability reporting roadmap includes the requirement for ESOS reports in 2023 as an EU legacy report that occurs once every four years, and the implementation of SDR reports in 2024/2025 after regulations are finalised in June 2023. UK reporting will also see the introduction of the UK Green Taxonomy and the adoption of IFRS Sustainability Disclosure Standards. In Europe, EU's European Sustainability Reporting Standards (ESRS) are set to become active from June 2023, and these will require disclosures of transition plans to meet the Paris Agreement reduction targets. In requiring that sustainability reporting completed by EU regulated companies conforms to a standardised format and within the UK requirements that reports such as SECR utilise standardised GHG measurements, the hope is that sustainability reporting will be brought into line with financial statement disclosures – clear, consistent, and comparable.

Obviously, these sustainability reporting requirements will directly affect those of our clients who have been asked to report on sustainability frameworks and will also feed into the work we complete for them. Closer to home, we can all make a difference in the choices we make every day both on an

individual and collective level as part of the transition towards sustainability. By making choices such as eco-friendly offices, paperless practices, sustainable practices, individual accountability on a personal level and reviewing the suppliers that we choose to work with and ensuring that they meet sustainability targets we will be working towards sustainable business practices. Where possible, we should ensure that staff members who would like to cycle to work have the facilities readily available to do so, and we should also be publicising the availability of cycle storage and staff cycle-to-work benefit schemes. Recycling at home is generally accepted as an ordinary part of the maintenance of a modern household, but we should also ensure that staff have the capability to recycle at work using clearly indicated and effective recycling systems. We may also consider donating a share of profits to environmental causes or running charity events aimed at raising money for environmental charities.

When we are selecting suppliers, we should ensure that we are choosing the most sustainable options, focusing our purchasing on B Corps and those who demonstrate a commitment to Net Zero. This is getting much easier these days as from coffee to canapes there is now a sustainable option for the discerning consumer. There are specialised companies such as Rype Office with the ability to provide Net Zero office furniture including lines made via a remanufacturing process, a technique that rebuilds new furniture using the robust framework of old office furniture. This results in the creation of a sustainable product and also the re-use of old furniture which might otherwise have been destined for landfill. When we are looking for wine for office social functions there are a range of sustainable possibilities such as Drappier, Champagne's only carbon-neutral winery or Château Durfort-Vivens which is a certified organic and biodynamic option. Meanwhile in Southwold, a short hop down the coast from Dunwich, Adnams brewery utilises a closed loop system to save water during brewing and a 100% renewable energy supply to create its beer— and it tastes great, by the way. Where possible, it is best to arrange the courier of packages using eco-friendly and sustainable courier services. For those of us who are based in urban locations, we may even be able to arrange the carriage of our packages using pedal power - various couriers now offer this service especially in urban locations.

We should be looking at carefully review the energy efficiency of office premises; currently 87% of UK office stock has an Energy Performance Certificate (EPC) of 'C' or below²⁵, meaning that they could be costly and inefficient to heat. More obvious choices such as selecting renewable energy providers are also to be recommended, but it is important to bear in mind that there are various green tariffs available and these are of varying quality. If you choose a good green tariff provider, they will clearly list the source of the energy provided to you, such as an offshore wind farm or solar farm. Some greenwashing practices used by energy providers include the purchasing of excess REGO certificates which contribute little to growing renewable energy production²⁶. The CMA has recognised the growing issue of greenwashing and is actively investigating companies that issue 'misleading eco claims'²⁷, demonstrating that regulation is evolving in the area. It is important that we employ a heightened degree of scrutiny when making purchases to help avoid working with companies that employ greenwashing, and ensure we are working with only the greenest providers.

We are experts in our clients' business, which is why we are in the best position to help them adapt to the changes that may result from this transition towards sustainable business. Among the many areas we as accountants can help our clients with are thought leadership, management accounting, budgeting and forecasting, risk and planning, compliance and assurance and carbon accounting. What will our work in this area look like in practice? The cycle of workflow from the management

²⁵ <https://pdf.euro.savills.co.uk/uk/office-reports/how-sustainable-is-the-office-stock-in-the-uk.pdf>

²⁶ <https://energysavingtrust.org.uk/advice/switching-your-energy-supplier/>

²⁷ <https://www.gov.uk/government/news/asos-boohoo-and-asda-investigated-over-fashion-green-claims>

accounting functions of a client business to the accounting processes and then later relevant reporting and disclosure followed by assurance work will all fall within the remit of sustainable accounting. Starting with management accounting, we could start offering clients forecasts and risk reports to help them combat issues such as price rises due to volatility and increased risk levels. We may also need to start assisting with the calculation and measurement of carbon usage over the reporting period – from April 2019 large companies have had to report on their UK energy use and carbon emissions within the Directors Report. It may be possible to work together using templates provided to the client, or to outsource to a carbon management tool to assist tracking. We are well placed to prepare our client base as climate change reporting and disclosure initiatives become applicable to a wider range of clients. Another key area is assisting with the areas of assurance and compliance relating to carbon/energy accounting –this is very much an area under development, but it seems clear that demand for this will grow as investors seek confidence in disclosures. We may also be able to assist them with incidental tasks such as ad hoc advice or drawing up an Environmental Strategy. Our clients will need our assistance to undertake these activities, and we should embrace the opportunity to learn new skills and meet our clients' needs in this new area of our professional practice.

Considering new reporting practices requires some critical thinking, so let's play the role of the devil's advocate for a moment. It is imperative that we analyse the reasons for adoption of carbon and energy reporting, and its effectiveness in reducing carbon emissions. The 'why' of carbon and eco accounting is explained by several factors. Firstly, there is the goal of mitigating the dangerous results of climate change including flooding, drought, extreme weather, crop disruption and ecosystem destruction - impacts that will be felt by the stakeholders such as global communities and the natural environment. Secondly, we can leverage eco-friendly accounting practices to gain a competitive advantage - stakeholders are increasingly interested in working with companies that are environmentally friendly. There is a growing appetite for impact investing and ethical investing as part of this growing trend toward ethics and sustainability²⁸ which we need to respond to. There will also be other benefits – potential cost savings as a result of implementing energy efficiencies are an invaluable prospect in today's economic climate.

We could also choose to view this transition period as an opportunity to shift public perception of accountancy for the better. In the US, the numbers of entrants in the CPA examinations are in decline²⁹ with reports of over 300,00 leaving the profession in the past two years³⁰. Meanwhile in the UK, recruitment has been an issue, with a recent study highlighting a fall of 36% in applicants year-on-year between 2021 and 2022³¹. The reasons behind this decline are complex, but an increasingly important factor is thought to be the focus on ethics and career satisfaction amongst newer entrants to the workplace – it is thought that younger hires are more likely to focus on non-economic factors when making career choices³². As younger employees demonstrate an appetite for workplace satisfaction based on types of work that are satisfying and meaningful, sustainability accounting could be an attractive offering. The exciting possibility of offering sustainable services and working with clients to achieve Net Zero could prove an appealing prospect for graduates looking for a career path that meets their needs.

²⁸ <https://charitydigital.org.uk/topics/topics/the-latest-trends-in-sustainability-9771>

²⁹ <https://www.ft.com/content/4d014b21-c4f6-4562-ab33-48a51d0312b0>

³⁰ <https://www.wsj.com/articles/how-can-we-make-accounting-cool-11675973909>

³¹ <https://www.icaew.com/insights/viewpoints-on-the-news/2022/aug-2022/decline-in-applicant-numbers-raises-alarm-for-recruiters>

³² <https://www.ft.com/content/4d014b21-c4f6-4562-ab33-48a51d0312b0>

To consider the efficacy of carbon accounting and disclosure in relation to achieving the goal of achieving Net Zero, it is necessary to apply a critical eye. As charities have started to report under SECR requirements, and indeed with more charities likely to be subject to SECR reporting if criteria expand, there has been an added burden of reporting for them to carry out. Some have reported struggling with the administrative burden, and SECR 'can be regarded as using up valuable charitable time and resource'³³, with recalculations in some cases increasing the burden even more. But new tools are rapidly developing to assist clients with counting carbon including specialised software and this should ease the burden of reporting somewhat. Greenwashing is a charge that is often levelled at corporations by critical groups, and it is obvious to see that carbon reporting is also vulnerable to greenwashing or charges of greenwashing. As sustainability accounting matures, it is likely that assurance will play a vital role in securing trust in this area.

We should also try and answer the question of whether intervention can work as a strategy for reducing carbon emissions. In 2012 Australia introduced a ground-breaking carbon tax and there was an observable reduction in carbon emissions³⁴ although the tax was not universally well-received and has since been repealed. This example does, however, demonstrate that intervention relating to carbon emissions can be effective in delivering reductions. It is also possible that some might see carbon reporting as an exercise in box-ticking, but as awareness of the climate emergency we are facing becomes more ingrained it is likely that we will all come to understand the importance of reducing carbon as a matter of importance. This could present one of the most exciting opportunities in recent years for us to work with clients to affect positive change in the world. It is clear that there will be growing pains, but it is also becoming clear that the area of carbon accounting is ready to face the emerging challenge in a dynamic manner, adapting as areas of challenge are revealed.

For many of us, accounting and assurance for energy and carbon will be uncharted territory, and it is therefore our responsibility to equip ourselves with the knowledge and skills necessary to tackle this challenge with competence and proficiency. Fifty years ago, if you mentioned sustainability accounting, it is likely that the response would have been unclear and inconsistent. These days, accountants are becoming increasingly conscious of their responsibility to protect the environment, and those working for Quoted and large companies have already probably had to deal with the challenge of meeting carbon reporting requirements. Accountants can play a role in this period of transition by helping businesses work towards Net Zero and supporting reductions in carbon emissions and promoting efficiency - in practice this might take the form of assisting clients to report in a transparent and meaningful way, helping them with budgeting and forecasting, risk analysis and many other areas. We are already seeing the negative impact of climate change within our lifetime, making it vital that we earnestly work to meet our responsibilities in this area. Perhaps we should all linger a little longer on the ghostly chimes of the lost Dunwich church bells, as a reminder that the stakes couldn't possibly be higher.

³³ <https://charitydigital.org.uk/topics/topics/the-essential-cfo-streamlined-energy-and-carbon-reporting-10585>

³⁴ <https://www.centreforpublicimpact.org/case-study/carbon-tax-australia>

Further Reading:

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