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# Private Standards in the Climate Regime: The Greenhouse Gas Protocol

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in finding out whether CSR information is of any value for investors. If so, this would at least partially explain the constant rise of CSR reports observed throughout the last 20 years or so.

The authors' main hypothesis is that the accuracy of analyst earnings forecasts increases with CSR disclosure. In addition, they analyse the influence of two moderating variables which might affect this relation. Specifically, they hypothesise that both the level of stakeholder orientation in a company's resident country and the level of a company's financial opacity strengthen the association between CSR disclosure and analyst forecast accuracy.

To test their hypothesis a total of 113,345 year-company observations from 19 different industries in 31 countries from 1994 to 2007 are analysed. In these years, 1297 companies issued a total of 7108 stand-alone CSR reports. Based on various regression models, the authors find support for all three hypotheses.

Given how little is known about the consequences (as opposed to determinants) of voluntary CSR disclosure, theoretical and empirical studies such as this by Dhaliwal et al. should be most welcomed, not only in accounting journals. The authors apply a very rigorous methodology and control for a wide range of potentially confounding effects; their results remain qualitatively the same. In consequence, a causal relation can be assumed: forecast earning errors for reporting companies are smaller than for non-reporting companies, *because* of the differences in CSR disclosure levels. Together with earlier work such as the study of Dhaliwal et al. (2011), there is thus growing evidence suggesting that investors indeed value the information contained in CSR reports.

Such findings lead to the question why exactly this is the case. Dhaliwal et al.'s (2012) study does not provide much information on that question, partly because their CSR disclosure variable ('CSR report yes/no') is rather crude (which is understandable, given the size of the sample). But as long as the disclosed information's content and quality rather than its quantity is not considered, it is hard (if not impossible) to infer why, and exactly how, investors value the information included in CSR reports. This is where future studies might build on and extend the discussed paper's contribution.

## Reference

Dhaliwal, Dan S., Oliver Zhen Li, Albert Tsang, and Yong George Yang. 2011. "Voluntary Nonfinancial Disclosure and the Cost of Equity Capital: The Initiation of Corporate Social Responsibility Reporting." *Accounting Review* 86 (1): 59–100.

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**Private Standards in the Climate Regime: The Greenhouse Gas Protocol**
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This paper contributes to understanding environmental accounting innovations by looking at the adoption and diffusion of the greenhouse gas (GHG) Protocol Corporate Standard. It seeks to explain the success of two non-governmental organisations (the World Resources Institute and the World Business Council for Sustainable Development) in creating the standard for carbon accounting at the organisational level. It follows other contributions such as the one reviewed by Unerman in *SEAJ* (2011) on Global reporting initiative (GRI) institutional entrepreneurship (see Brown, de Jong, and Lessidrenska, 2009).

Green addresses the topic of private regulation and defines the notion of entrepreneurial authority as 'a set of practices that governs the behaviour of actors in world politics without explicit delegation of authority by states' (p. 2). The paper explains key moments of the creation of the GHG Protocol Corporate Standard and why it has become the dominant carbon accounting standard. First, Green argues that governments played an important role in creation of the GHG protocol, as their inability to come to an agreement about issues related to emissions trading had led to a regulatory vacuum. Second, the actions of early 'leaders' in climate change set the pace for the future of carbon accounting. The British Petroleum (BP) experiment of an internal trading scheme, for example, was also accompanied by the first corporate-level emissions measurement that paved the way for the future standard. One important milestone was the integration of the technical expertise of the World Resource Institute and the future pool of users of the World Business Council for Sustainable Development. This ensured wide participation and support from the private sector. Very early on, the US Environmental Protection Agency also became a major funder of the initiative, reassuring that the US government would take the standard seriously. The transparency of the rule-making process and the willingness to include all interested parties in the process of making the standard also endowed the future standard with a high level of legitimacy. Legitimacy was further built in by creating tailored solutions by sector, such as for the aluminium or the cement industry. The drafts of the standards were also peer reviewed by accounting firms.

Green then explores the wide adoption and diffusion of the GHG protocol. She collects the percentage of firms that use the GHG protocol, and compiles a list of all GHG registries, stating that they virtually all have adopted the standard. Furthermore, she states that the biggest success of the protocol is its wholesale adoption by ISO for ISO14064.

The value of the paper is to explain how private authority can become a quasi de fait 'binding' rule in nature by being widely adopted and diffused. It explains very well the current state of diffusion of the standard and how it emerged in a regulatory vacuum.

This study enriches the literature on the diffusion of accounting innovations. It is particularly interesting to understand the background of this major carbon accounting standard in an era where organisational carbon accounting is becoming more and more widespread and regulated (France for example starting 2012). It would be interesting to further this study into the analysis of the actual creation of the standard, looking at the controversies and negotiations that happened while developing the standard. This would provide a further insight into the ideologies behind the standard. Furthermore, it would also help to analyse any counter standards that exist, have existed or disappeared in front of the dominant one, and if there are any voices that are criticising the current standard.

## Reference

Brown, H. S., M. de Jong, and T. Lessidrenska. 2009. "The Rise of the Global Reporting Initiative: A Case of Institutional Entrepreneurship." *Environmental Politics* 18 (2): 182–200.

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