Do Climate Disclosure Mandates Help Decarbonise the Economy?

By

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Do Climate Disclosure Mandates Help Decarbonise the Economy?

Evidence from the UK

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EXECUTIVE SUMMARY

This Policy Brief reviews the convincing academic evidence which shows that climate disclosure mandates introduced in the UK did lead to reductions in greenhouse gas emissions of affected companies. It goes on to explain that, although that outcome is supported by the evidence, we do not yet know what motivated those reductions and whether further disclosure mandates – such as those introduced more recently in the UK – could be expected to have a similar effect. We explore some theories that might explain the reductions seen and suggest that further research is needed to establish which, if any, of these theories is correct.

WHY DO WE NEED CLIMATE-RELATED DISCLOSURES?

For over a decade, UK lawmakers have been requiring companies to make climate-related disclosures. Since 2013, certain public companies[1] have been required to report their greenhouse gas (GHG) emissions and energy usage. Starting in 2019, some large private companies have also had specific reporting requirements[2].

The scope and content of these requirements have steadily increased. Now, many UK companies – and large asset managers and asset owners – are required to report using the framework created by the TCFD – the Task Force on Climate-related Financial Disclosures[3]. The TCFD framework requires a company to provide extensive backward- and forward-looking information, combining qualitative and quantitative reporting. The current UK government is planning to go even further: it is now consulting on proposals to increase disclosure requirements again, perhaps significantly so. Two consultations confirm an intention to adopt Sustainability Reporting Standards and to require certain companies and financial institutions to adopt and implement climate transition plans[4].

But why do policymakers in the UK and elsewhere mandate such disclosures? What do they hope to achieve – and do we have any evidence that climate-related disclosures achieve those objectives?

MARKET INTEGRITY AND GREENWASHING

One of the central justifications given by policymakers is that investors want and need this information to make good investment decisions, improving market efficiency. The disclosures allow investors to identify and properly price climate-related risks and opportunities.

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[1] The rules apply to "quoted" companies, which are UK incorporated companies whose equity share capital has been included in the official list in accordance with the provisions of Part 6 of the Financial Services and Markets Act 2000 (c. 8), or is officially listed in an EEA State, or is admitted to dealing on either the New York Stock Exchange or the exchange known as Nasdaq (Companies Act 2006, Section 385).

[2] See the Streamlined Energy and Carbon Reporting (SECR) regulations introduced by the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

[3] For listed companies, the requirement comes from the UK Listing Rules. For large private companies, it comes from Sections 414C, 414CA and 414CB of the Companies Act 2006.

[4] See: https://www.gov.uk/government/consultations/exposure-drafts-uk-sustainability-reporting-standards and https://www.gov.uk/government/consultations/climate-related-transition-plan-requirements.

In such a case, we might expect companies to respond to investor demand and produce voluntary disclosures. However, investors need consistent, reliable and comparable data. If the market does not provide that, regulators, concerned with market integrity, need to intervene. Amongst other things, they will seek to curb "greenwashing" – the practice of over-stating or selectively reporting positive environmental impacts to induce investors to make certain investment decisions – and to establish market-wide standards to improve comparability.

In this context, we note that policymakers in the UK and elsewhere have, to some extent, mandated climate-related disclosures by private companies – those whose shares are not traded on a public market. These disclosures might be indirectly helpful because they give public companies better information about their supply chain, improving their own disclosures. Nevertheless, it is harder to justify disclosure mandates on the grounds of market integrity if the disclosing entity does not have outside investors who regularly trade its securities.

ENCOURAGING BEHAVIOURAL CHANGE

It seems likely that at least some policymakers are not only interested in the static impacts of disclosures on market integrity. They also want to encourage companies to change their behaviour. For example, in its application guidance for the UK public sector, the UK government has asserted that: "Incorporating climate-related disclosures into annual reports enhances decision-making by providing critical insights into future risks and opportunities via horizon scanning."[5]

Behavioural changes might be in the form of adaptation – adapting the business so that it is more resilient to the likely impacts of climate change – or mitigation of the entity's own contribution to climate change. Examples of an adaptation response might be to address the risks of more frequent flooding or wildfires in certain parts of the world that might negatively affect a firm's operations. Mitigating the external impacts of the business is most likely to be by reducing (net) GHG emissions. Some of these behavioural responses might be in the company's own financial interests, although others may not be.

[5] See: TCFD-aligned disclosure for the UK public sector Application guidance, July 2025, page 7, accessed on 27/11/2025 at https://assets.publishing.service.gov.uk/media/687a04c5a52cca025ef5be7f/TCFD-aligned_disclosure_for_the_UK_public_sector_Application_Guidance.pdf.

DO MANDATORY DISCLOSURES LEAD TO BEHAVIOURAL CHANGES?

Changes to UK reporting requirements in 2013 provided researchers with a natural experiment. While many large UK firms were forced to disclose some climate-related information, other European peers were not. It was therefore possible to compare these two groups and observe whether the rule change had any behavioural impacts.

UK REQUIREMENTS DID LEAD TO A REDUCTION IN GHG EMISSIONS

The evidence that we have from these 2013 changes mostly relates to one type of behavioural response: reductions (or at least reported reductions) in GHG emissions. The main studies that have considered this are summarised in the table below.[6]

Author(s)	Year	Summary of Findings
Tang & Demeritt	2018	The study finds only limited evidence that mandatory climate reporting led to substantial absolute reductions in emissions. Among 139 firms, most year-on-year changes between 2014 and 2015 were modest (under 10%) for 72% of companies. Between 2012 and 2015, 76.4% of sample firms showed consistent emission trends, either steadily increasing or decreasing. Few achieved substantial cuts, and some declines were likely influenced by external factors. The study also identifies that responses differed across sectors and used interviews to explain these differences.
Jouvenot & Krueger	2019 (revised 2021)	This unpublished study looked only at the emissions of companies that had already been disclosing GHG emissions on a voluntary basis before the UK regulations took effect. It found that the shift to mandatory disclosure had a significant impact on emissions: the study noted a 16% drop in absolute emissions and a 21% decline in emissions intensity after the disclosure regulation became effective relative to the emissions levels of peer firms. These reductions were largely driven by costly operational changes rather than capital-intensive investments.
Downar et al.	2021	UK-listed firms reduced their direct (Scope 1) emissions by about 8% after the 2013 mandate compared to EU peers, with no adverse effect on financial operating performance. The study also finds comparable reductions in carbon intensity. Emission cuts were achieved mainly through energy efficiency rather than costly capital investments.
Baboukardos et al.	2024	This study confirms that companies exhibited significantly lower levels of carbon emissions after the 2013 regulations. It goes on to analyse the longer-term effects and finds differing firm-level responses. The impact on carbon emission reduction depends on both external scrutiny and internal climate policies. Larger, visible firms achieved the greatest post-2013 emissions reductions. Firms with stronger internal climate policies, including explicit emission reduction policies, achieved larger reductions in both absolute and intensity-adjusted emissions post-regulation.

[6] Studies that have looked at the non-decarbonisation impacts of the 2013 changes are summarised in the table in the Appendix.

These studies, taken together, suggest that mandatory climate-related disclosure in the UK led to significant, one-off but persistent reductions in corporate GHG emissions, both in absolute terms and in carbon intensity. In other words, we have evidence that requiring public companies with widely dispersed and mostly institutional shareholders to publicly disclose their emissions will, in aggregate, lead to a reduction in such emissions. The evidence also points to a fairly large variety of responses, dependent on factors such as sector and company size.

It is important to note that, although these studies are suggestive of a causal link between the UK disclosure mandate and the observed GHG reductions, they do not categorically prove it. Furthermore. there are some unexplained differences in the findings – for example, on how the reductions were achieved.

These and other studies also suggest that the regulatory changes had other impacts; for example, they reduced greenwashing (and not only in relation to climate)[7], and they appear to have led to an increase in the number of directors on environmental-related board committees in UK listed firms[8]. However, the 2013 requirements were quite limited and did not, for example, require disclosers to describe their approach to the impacts of climate change on their business, nor any plans to adapt to them. It is therefore difficult to draw conclusions about any wider effects that the rule change may have had on corporate behaviour – for example, on a company's adaptation to the impacts of climate change on its business.

Several studies from elsewhere in the world show broadly similar results[9], although it is important to note that the context is likely to matter a lot and generalisations to other markets should be treated with caution. A behavioural response in one market might not be replicated elsewhere.

NO EVIDENCE ABOUT THE IMPACT ON SCOPE 3 EMISSIONS

The emissions reductions observed in these UK studies were largely confined to "Scope 1" and "Scope 2" emissions, which were those subject to the disclosure mandate. Scope 1 and 2 emissions are the emissions arising from a company's own operations, including from the energy it uses. They are usually the easiest for a company to measure, and frequently the easiest to reduce. However, for most companies, the largest proportion of their emissions are the indirect ("Scope 3") emissions embedded in their value chain: the upstream emissions of those in the company's supply chain, and the downstream emissions of those to whom they supply products and services.

That means that these UK studies do not provide evidence that disclosure mandates (including those that require Scope 3 disclosures) lead to a reduction in Scope 3 emissions. They also do not tell us anything about the impact that disclosures would have on the financed emissions that are measured in the financial sector (essentially, the emissions of investee companies).

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[7] Grewal et al., 2024.

[8] https://www.sciencedirect.com/science/article/pii/S0165176522002762?via=ihubBoamah, 2022.

[9] Williams, 2025.

WHAT COULD EXPLAIN WHY FIRMS REDUCED THEIR EMISSIONS?

A crucial question for policymakers is *why* firms reduced their carbon emissions in response to UK disclosure mandates, and why some more than others. We do not yet have conclusive evidence (at least not in the UK setting) to answer that question, but there are several plausible theories.

THE ROLE OF INVESTORS

Many argue that investor responses (or expected responses) to climate-related disclosures will not only allow investors to price securities more accurately but will also drive companies to decarbonise. Investor responses could come in the form of direct engagement; divestment or the threat of divestment; a change in the price at which the firm's securities are traded; and/or changes in the cost of obtaining new debt or equity financing. Companies might anticipate such responses and pre-empt them, avoiding an unwelcome investor reaction by decarbonising before a disclosure mandate comes into effect.

There is evidence that financial markets respond to, and value, climate-related disclosures[10]. More transparency about climate risk tends to increase a company's valuation and liquidity, but companies with higher emissions will tend to have lower valuations[11], especially in emission-intensive sectors. There is also evidence that institutional investors reduced their holdings in UK-listed high emitters after the 2013 regulation took effect[12].

Given that companies have incentives to reduce their cost of capital and to avoid falls in their share price, they might take action in response to – or in anticipation of – these impacts. However, it is not clear from the evidence whether they do. There is also evidence that companies do not closely track changes in their cost of capital or respond to relatively small changes,[13] and share price signals are notoriously noisy.

Direct engagement by large asset managers and asset owners in response to mandatory disclosure requirements might lead to behavioural responses by companies and, indeed, there is evidence that investor engagement on environmental issues has positive outcomes[14]. It is also plausible that mandatory disclosures either stimulate or, at least, facilitate greater investor engagement, but there is no evidence that the UK disclosure mandates did have that effect and that engagement was, therefore, a cause of the observed reductions.

Furthermore, there is some evidence that higher carbon emissions are associated with higher return on assets and long-term financial performance[15]. If so, financially motivated investors might eventually reconsider their responses to higher carbon emissions, reducing the impact of the investor channel on corporate behaviour. Much will depend on investors' views about the

[10] Vestrelli et al., 2024; Ioannou and Serafeim, 2019; Krueger et al., 2024; Amel-Zadeh and Serafeim, 2018 and Edmans et al., 2025.
[11] Matsumura et al., 2014; Griffin et al., 2017; Baboukardos, 2017; Florackis et al., 2025; Bolton and Kacperczyk 2021.
[12] Jouvenot and Krueger, 2019.
[13] Gormsen and Huber, 2025. More generally on cost of capital impacts see Pederson 2025.
[14] Gosling (2024), especially Section V.

[15] Busch et al., 2020.

likelihood of government action to abate emissions in the form of carbon taxes and the like, which remains highly uncertain.

In summary, the investor channel has the potential to motivate companies to reduce their carbon emissions – and could be the reason we observed reductions in the UK after the 2013 rule changes – but we do not have strong direct evidence to support that theory.

There are other plausible channels that could lead companies subject to climate-related disclosure requirements to decarbonise their activities. These are discussed below.

THE DISCOVERY CHANNEL

Mandatory disclosures could lead companies to identify cost savings or opportunities to future-proof their business that they would not otherwise have considered. In other words, the requirement to prepare quantitative and/or qualitative reports on climate-related risks and opportunities puts those issues on the agenda of the board, senior executives and managers, encouraging them to take action that is in the company's best (long term) financial interests but which they would not otherwise have known about or acted upon.

Although some evidence from the UK suggests that climate change risks and opportunities received more senior level attention after the 2013 regulations[16], it is not clear that mandatory disclosures caused firms to identify and act upon cost saving or value enhancing business changes. However, some support for the theory can be seen from the fact that many companies in energy-intensive sectors reduced their emissions and apparently did so because they saw cost saving opportunities[17].

PRESSURE FROM OTHER STAKEHOLDERS

Another often-cited theory is that pressure from stakeholders other than investors creates incentives for companies to decarbonise, and that timely, reliable and comparable disclosures facilitate this. Those stakeholders could include customers, employees, NGOs, regulators and even climate-conscious governments. Increasing incidents of climate litigation might add weight to this theory.

The evidence to support this theory is limited. Research after the 2013 changes[18] does suggest that economically regulated industries were driven by regulatory pressure to reduce emissions, and that some firms were concerned with reputation and social pressure. Many of these latter firms did not measure GHG emissions until required to do so. However, the evidence is far from conclusive.

BENCHMARKING: A SUPPORTING MECHANISM?

Another plausible explanation for the post-2013 reductions is that they were driven by a better understanding of competitors' behaviour. Although this does not address the more fundamental question of why firms were motivated to respond to competitor reductions, it

[16] Tang and Demeritt, 2018.
[17] Tang and Demeritt, 2018.
[18] Tang and Demeritt, 2018.https://doi.org/10.1002/bse.1985

would at least indicate one possible benefit of mandatory disclosure: if it drives firms to report publicly when they would otherwise not do so, and if competitors are motivated to show emissions levels that are comparable to, or better than, other firms in their sector, disclosure mandates would be helpful in facilitating reductions. Although plausible, there is no causal evidence to support this.

CONCLUSION

In summary, there is evidence from a UK-setting that disclosure mandates are associated with reductions in carbon emissions, suggestive of a causal link. The impact varies depending on sector and other factors, and it seems likely that the reductions in Scopes 1 and 2 emissions were the "low hanging fruit" which are not repeatable year on year. The actual or expected responses of investors may explain why some companies decarbonised following the disclosure mandate, but there is no causal evidence that proves that. Further, although there are a number of other possible channels, we do not have good evidence that any of these played a significant role in the observed reductions. More research is needed to establish why companies reacted in the way that they did, and that research is crucial for policymakers designing future interventions.

In this Policy Brief, we have focused on evidence from the UK setting. Although there are many non-UK studies, we should not assume that an effect observed in one setting will be repeated in another. Context matters.

Even in the UK setting, we should be cautious. Our understanding of climate-related risks and opportunities has dramatically changed since 2013 – it is likely that this would affect the behavioural response to new disclosure mandates if they were introduced in 2025. It is also important to note that the 2013 regulations only applied to listed companies, mostly with widely dispersed, institutional owners. That means that we cannot infer from the data whether private companies with concentrated ownership would respond in a similar way, nor how asset owners or asset managers would respond. Indeed, if the main channel driving reductions was the reaction of the capital markets, we should not expect those actors to respond in a similar way.

Social norms and the political context also matter, and these do not only change over time but also vary greatly across jurisdictions – meaning that the reaction to regulation in the US, Asia or even elsewhere in Europe might differ greatly to that seen in the UK.

We must also be cautious about the weight we give to what companies say in their disclosures, and policymakers need to be careful that mandatory disclosures do not contribute to greenwashing. For example, although there is evidence that TCFD mandates in the UK have increased the number of environmental claims in annual reports, it is not clear whether these claims are reflective of behavioural responses: disclosure may be used to craft narratives and

appease stakeholders rather than to drive internal change[19]. While assurance of historical data provides comfort in this regard, it is hard to hold a company to its forward-looking statements.

Of course, regulators must often act in the face of incomplete or even contradictory evidence, and for an issue as acute as climate change they might well adopt a precautionary principle and act before they have evidence of effectiveness. However, they should also watch the emerging evidence carefully and be ready to retreat or course-correct if their interventions are not helping them to achieve their policy goals.

FURTHER RESEARCH

Disclosure polarises opinion. It has been a major focus of regulators and investors in the climate space. Yet many argue that disclosure is ineffective, displaces resources from more effective activity, or even that it is an elaborate distraction strategy by a private sector wishing to avoid regulation. Inevitably the evidence is more nuanced. Consistent with other areas of the disclosure literature, UK climate disclosures have triggered a corporate reaction, leading to reduced emissions. But this does not mean that disclosures are a lever that can be pulled ever harder with increasing effect.

As this Policy Brief has shown, we do not yet know why mandatory climate related disclosures affect decision-making in UK companies, and that is a critical question if we want to understand what the effect of further disclosure requirements might be. The author of this Brief is now working with colleagues on a qualitative research project to identify the impacts of the TCFD reporting requirements introduced in the UK in recent years on corporate behaviour. Interviews with key decision-makers in affected companies will shed light on behavioural responses and what motivates them. By looking at the mechanisms by which disclosures affect corporate action, we seek to advance understanding of the potential for, and the limitations of, disclosure mandates. More information on our research is available here.

[19] Cortés et al., 2025.

APPENDIX: SUMMARY OF PAPERS LOOKING AT NON-DECARBONISATION IMPACTS OF UK REFORMS

Author(s)	Year	Summary of Findings
Baboukardos	2017	During the pre-mandate period (2011–2014), GHG emissions were negatively associated with firm value. This negative relationship continued but was weaker following the 2013 disclosure mandate, particularly in energy-intensive sectors, suggesting that the mandatory disclosures reduced investors' perceptions of risks.
Tang & Demeritt	2018	The 2013 mandate increased managerial awareness and internal coordination. Effects varied by sector. Regulated utilities were driven by regulatory and economic incentives, while non-intensive sectors focused on reputational legitimacy.
Hummel and Rötzel	2019	The mandate significantly increased both KPI and narrative sustainability disclosures among FTSE 350 firms, especially for GHG and gender indicators. The regulation had limited spillover effects, with improvements concentrated in employee and human rights disclosures rather than broader environmental or social dimensions.
Jouvenot & Krueger	2019 (revised 2021)	High-emission firms experienced negative stock returns, while institutional investors reallocated holdings toward low emitters.
Gerged et al.	2021	Initial disclosure lowers the cost of equity capital, but high disclosure raises scrutiny, creating a U-shaped relationship between GHG disclosure and cost of capital. The 2013 mandate moderated this curve.
Attenborough	2022	An assessment of the extent to which FTSE All Share fossil fuel producers are (a) clearly and reliably integrating climate change into business risk management and (b) reporting the impact of climate change on their business leads the author to conclude that current disclosure regulation does not lead to behavioural change.
Orsini	2022	As well as confirming that UK firms significantly reduced their GHG after the 2013 mandate became

		effective, this masters' thesis finds that the firms' ESG ratings rose by 2.5%, though the improvement was uneven across components. In particular, the mandate had no significant effect on Environmental ratings.
Boamah	2022	The UK disclosure regulation led to a significant increase in the absolute and relative number of directors on environmental-related board committees.
Jiang and Tang	2023	Mandatory reporting led to an increase in both the amount and quality of *voluntary* carbon disclosures among UK firms compared to EU peers. The effect was strongest for firms with strong ESG performance and those in carbon-intensive industries.
Wang	2023	This doctoral thesis shows that there was a marked improvement in disclosure quality following the 2018 UK mandate. Higher disclosure quality was positively associated with financial performance and negatively associated with GHG emissions intensity.
Liu et al.	2023	Higher carbon emissions reduce firm performance, but comprehensive disclosure mitigates this effect by serving a "value-protective" and legitimacy-enhancing function. Firms with higher emissions disclose more extensively to manage reputational and regulatory pressure. The value-protective role of disclosure strengthened after the 2013 UK mandate, particularly when firms reported detailed methodologies, performance targets, and independent verification, demonstrating that credible disclosure can offset part of the negative financial impact of emissions.
Grewal et al.	2024	UK's mandatory carbon reporting rules reduced carbon-related greenwashing. The study also finds a decline in non-carbon greenwashing across areas such as pollution, water use, and waste management, indicating positive spillovers from credible carbon reporting. The effect was strongest among high-profile and dual brown firms facing greater reputational risk.

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