Jurnal Darma Agung
Volume: 33, Nomor: 2, (2025), April: 86 - 95
https://dx.doi.org.10.46930/ojsuda.v33i2.5683

P-ISSN:0852-7296
E-ISSN:2654-3915

SUSTAINABILITY REPORTING AND CORPORATE ACCOUNTABILITY IN THE GREEN ECONOMY IN ENERGY SECTOR: ECONOMIC AND POLITICAL PERSPECTIVES

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Abstract

This study aims to explore sustainability reporting and corporate accountability in the context of a green economy in the energy sector through economic and political perspectives. In the era of transition towards a green economy, the energy sector has a strategic role in reducing environmental impacts while meeting global energy needs. Sustainability reporting is an important instrument to measure corporate social and environmental responsibility, as well as transparency in their operations. This study uses a qualitative approach with a descriptive method that focuses on literature studies from various previous studies related to sustainability reporting and corporate accountability. Through a study of existing literature, this study found that economic regulations, political pressure, and public policy play an important role in shaping sustainability reporting standards in the energy sector. In addition, political and economic dynamics, including industry lobbying and pressure from international organizations, also influence the effectiveness of corporate accountability in implementing sustainability. The results of this study are expected to contribute to the development of better policies to improve corporate accountability in the green economy in the energy sector.

Keyword: *Sustainability reporting, corporate accountability, green economy, energy sector, economic perspective, political perspective.*

INTRODUCTION

The transition towards a green economy has emerged as a critical response to growing environmental challenges, including climate change, resource depletion, and ecological degradation. The green economy is defined by its focus on sustainable development, promoting economic growth while reducing environmental risks and ensuring social equity (United Nations Environment Programme [UNEP], 2011). It seeks to align business practices with long-term sustainability goals, aiming for a low-carbon, resource-efficient, and socially inclusive model of growth. As the green economy gains traction globally, corporations are increasingly expected to contribute to these objectives through more responsible business practices.

History:
Received : 25 November 2024
Revised : 10 Januari 2025
Accepted : 07 April 2025
Published : 16 April 2025

Publisher: LPPM Universitas Darma Agung

Sustainability reporting plays a pivotal role in this context. Sustainability reporting refers to the process by which companies disclose their environmental, social, and governance (ESG) performance to stakeholders, reflecting their commitments to sustainability and corporate accountability (Global Reporting Initiative [GRI], 2020). These reports provide transparency into a company's operations and sustainability efforts, including their environmental impact, resource usage, and ethical governance practices. Corporate accountability, on the other hand, refers to the obligation of companies to take responsibility for their actions and ensure that their practices align with broader sustainability goals (Schaltegger & Burritt, 2018). By providing detailed disclosures, sustainability reporting is seen as a tool to hold corporations accountable for their environmental and social performance in the green economy (A. Johan et al., 2019).

Over the past decade, there has been an increasing demand for transparency and accountability from various stakeholders, including governments, investors, and consumers (KPMG, 2020). Governments have implemented regulations requiring firms to disclose their sustainability practices, while investors are pushing for better ESG disclosures to assess long-term risks and opportunities (Eccles, Ioannou, & Serafeim, 2014). Consumers, too, are becoming more environmentally conscious, preferring to engage with companies that prioritize sustainability (Nielsen, 2018). These growing demands have led to a significant rise in sustainability reporting across industries, aiming to enhance corporate accountability and ensure alignment with the principles of the green economy.

Despite the widespread adoption of sustainability reporting frameworks, a significant gap exists between sustainability reporting and real corporate accountability in achieving environmental goals. Many companies issue sustainability reports, but concerns about "greenwashing"—the practice of presenting a misleading or exaggerated image of environmental responsibility—persist (Laufer, 2003). This disconnect between reporting and real accountability raises questions about the effectiveness of sustainability disclosures in driving meaningful change.

Economic and political factors play a crucial role in shaping the effectiveness of sustainability reporting. Economic incentives, such as access to green financing, often encourage companies to adopt sustainability practices. However, short-term profit motives may sometimes conflict with long-term sustainability goals, leading to superficial reporting (Delmas & Burbano, 2011). Political frameworks also influence corporate behavior, as governments set the regulatory environment in which companies operate. Strong regulations can enforce accountability, while weak enforcement or political influence may allow companies to bypass stringent sustainability practices (Parker, 2013).

Given these dynamics, there is a need to explore how economic and political factors enhance or hinder the role of sustainability reporting in promoting genuine corporate accountability. Understanding the dynamics between sustainability reporting and corporate accountability is essential for promoting sustainable development in the green economy. This study will contribute to the growing body of research on green finance, corporate governance, and environmental policy by examining how sustainability reporting influences corporate behavior and accountability. It will provide insights into how economic and political factors shape corporate sustainability practices, offering policy recommendations to enhance the role of sustainability reporting in driving real corporate accountability (A. J. Johan et al., 2022).

Moreover, this research will help bridge the gap between reporting and action, ensuring that sustainability reports serve not just as a tool for transparency but as a mechanism for enforcing really environmental and social responsibility .

METHODOLOGY

This study uses a qualitative approach with a descriptive verification method. This approach aims to explore in-depth understanding of sustainability reporting and corporate accountability in the energy sector, as well as verify whether the phenomena found are in accordance with the economic and political perspectives in the literature. Descriptive verification research is used to explain and verify phenomena based on data collected from interviews, document studies, and field observations. This approach allows researchers to not only describe phenomena but also validate findings based on existing theoretical frameworks. Data collection techniques in this study use various sources in the form of literature studies, documents, and observations. Verification is carried out by comparing the findings with the theoretical framework and related literature. Economic and political perspectives will be tested to see whether sustainability reporting in the green energy sector is in accordance with the standards expected in the green economy and environmental politics literature.

RESULTS

Sustainability reporting and corporate accountability are increasingly in the spotlight in the green economy era, especially in the energy sector which has a major impact on the environment and natural resources (Liakh, 2021). Green economy emphasizes the importance of sustainable development that takes environmental impacts into account in economic decisions, while improving social and economic well-being. Amidst increasing demands from society, governments and other stakeholders, companies are being asked to be more transparent in sustainability reporting and demonstrate accountability for the impact of their operations on the environment (Abela, 2022; Traxler et al., 2023). The findings associated with various previous studies can be seen as follows:

Economic perspective on sustainability reporting

From an economic perspective, sustainability reporting provides many benefits to companies. One of the main benefits is increased competitiveness in the global market, especially for companies that comply with international sustainability standards such as ISO 14001 or use the Global Reporting Initiative (GRI) Sustainability Report (Habibi et al., 2022). Companies that are able to demonstrate environmental accountability through this reporting are often seen as more attractive by investors who care about environmental, social and governance (ESG) issues. Sustainability also has a direct impact on operational efficiency (Galli & Bassanini, 2020). For example, companies that adopt green technologies to reduce energy consumption or minimize waste can save production costs in the long run. Furthermore, success in sustainability reporting can open access to various economic incentives, such as green financing or tax breaks offered by governments as an incentive for companies to engage in environmentally friendly practices (Calderon et al., 2023). From an economic perspective, sustainability reporting can also increase compliance costs for companies, especially in countries that still rely on fossil fuels. The transition to renewable energy requires significant investments in infrastructure and technology, which may not be possible for all companies in a short time (Al-Qudah & Houcine, 2024; Jadoon et al., 2021). As a result, there is a risk of competitive disadvantage for companies that do not quickly adapt to sustainability demands (Khan et al., 2023).

Economic perspective on corporate accountability

In recent decades, corporate accountability has become a critical aspect in ensuring that organizations not only meet economic objectives but also take responsibility for the social and environmental impacts of their operations (Rüger & Maertens, 2023). According to Glory Ugochi Ebirim et al. (2024) One of the most effective tools for measuring and reporting this accountability is sustainability reporting. From an economic perspective, sustainability reporting provides deep insights into how companies are attempting to manage environmental, social and governance (ESG) risks and their impact on long-term economic performance. Sustainability reporting, which often refers to the Global Reporting Initiative (GRI) standards or Environmental, Social, and Governance (ESG) principles, not only serves as a formal document that expresses a company's policies on sustainability issues, but also becomes a strategic tool that can influence a company's value (Adhiputra et al., 2022; Hossain & Alam, 2016). In a global economy that increasingly demands responsible business practices, companies that demonstrate strong accountability through sustainability reporting often gain a competitive advantage in the market (BSI, 2021). This is due to the increasing interest of investors in companies that implement good ESG standards.

From an economic perspective, sustainability reporting can affect a company’s ability to attract capital and investment. Investors, both institutional and retail, are increasingly considering sustainability as a criterion in their investment decision-making. Companies that consistently report on their environmental impact, social practices, and good governance are considered to have lower risk and more responsible management, thus attracting investors seeking safe and sustainable long-term investments (Adhiputra et al., 2022). In addition, sustainability reporting can also create internal economic value for companies through operational efficiency and better risk management. For example, companies that focus on reducing greenhouse gas emissions or energy efficiency in their operations, as reported in a sustainability report, not only contribute to the global goal of reducing climate change, but can also reduce operational costs and increase long-term profitability. This shows that sustainability practices not only have a positive impact on a company's reputation, but also on its financial health (Glory Ugochi Ebirim et al., 2024). From a broader economic perspective, sustainability reporting also contributes to global economic stability by encouraging companies to operate within environmentally and socially responsible boundaries. As more companies adopt sustainability reporting, the impact can be seen in reducing environmental degradation, improving social welfare, and creating a more balanced and responsible economic ecosystem. In the long run, this can create a more stable and sustainable economic system, where natural and human resources are used more wisely (Hossain & Alam, 2016).

Political perspective on sustainability reporting

Accordint to Telford et al. (2024) sustainability reporting has become an important instrument in increasing transparency and accountability of companies regarding the social, environmental, and economic impacts of their activities. This reporting not only serves as a monitoring tool for companies, but is also part of a broader political dynamic (Brown & Dillard, 2014). The political perspective in sustainability reporting highlights the role of government, public policy, and the influence of political power on the implementation and standards of sustainability reporting. Several studies have shown that government regulations and policies greatly influence the implementation of sustainability reporting. A study conducted by Aluchna et al. (2023) highlighted that in many countries, governments play a key role in developing regulatory frameworks that require companies to report on their sustainability practices. In this context, proactive public policies serve as incentives for companies to increase transparency and meet sustainability standards. The study also emphasized that sustainability reporting is often a tool to achieve broader policy goals, such as climate change mitigation and natural resource protection (Mohamed Buallay et al., 2023).

Research by Tudor-Tiron & Dragu (2014) shows that countries with more democratic political systems tend to have higher levels of compliance with sustainability reporting than countries with authoritarian political systems. This study highlights that democratic governments are more likely to develop policies that encourage corporate transparency, while countries with concentrated political power tend to ignore or underestimate sustainability reporting. This suggests a link between the political system and commitment to sustainability reporting. From a political perspective, sustainability reporting is often seen as a strategic instrument for governments to achieve political legitimacy in the eyes of the international community. According to Bontempi et al. (2023) governments in developing countries often use sustainability reporting as a tool to demonstrate their commitment to global standards, especially in the context of international cooperation. In this situation, sustainability reporting becomes part of the government's strategy to improve its international image and attract foreign investment. It also shows how political factors influence companies' decisions to align their sustainability reports with international standards, such as the Global Reporting Initiative (GRI).

However, political dynamics can also create challenges in the implementation of sustainability reporting. Aluchna et al. (2023) argue that in some countries, political interests can create conflicts of interest between sustainability regulations and powerful industry lobbies. In this situation, sustainability reporting can be distorted or simply serve as a formality without real substance, a phenomenon known as greenwashing. Large industries with strong political influence are often able to lobby governments to weaken sustainability regulations, which ultimately reduces the effectiveness of sustainability reporting as an accountability tool. Furthermore, research by Brown & Dillard (2014) emphasizes that the diversity of political systems in various countries causes variations in the implementation of sustainability reporting. In countries with weak political oversight or high economic dependence on extractive industries such as oil and gas, governments tend to ignore the importance of sustainability reporting. This reflects how local political factors can influence the extent to which sustainability reporting is effectively implemented by companies. Meanwhile, in countries with strong public policies on sustainability, sustainability reporting is often a mandatory commitment (Yunaningsih et al., 2024). For example, in the European Union, regulations such as the EU Non-Financial Reporting Directive require large companies to report information related to sustainability, including social and environmental issues. This shows how supranational political influences also shape sustainability reporting standards and encourage corporate accountability at the international level.

Political perspectives on corporate accountability

From a political perspective, corporate accountability is not only related to compliance with applicable rules and regulations, but also to the relationship between companies and political institutions and how political power influences these accountability practices (Diab, 2021). One of the key factors in the politics of corporate accountability is government regulation. Public policy and regulation are tools used by the state to ensure that companies operate transparently and responsibly (Williams & Adams, 2013). In many countries, governments have introduced legal frameworks that require companies to report on their activities, including financial reporting and sustainability reporting. Through these regulations, governments seek to prevent abuse of power by companies, reduce social harm, and promote the public interest. However, corporate accountability is not only influenced by formal regulations, but also by broader political dynamics. For example, research by Luo (2005) shows that political power and industry lobbying can play a significant role in determining the extent to which companies are accountable to the public. In many cases, large companies use their political influence to lobby for changes or relaxation of regulations that govern their responsibilities. This often creates a conflict of interest, where policies that should strengthen accountability are actually weakened by dominant economic forces (Soltani, 2014).

In addition, the relationship between companies and the state also affects accountability. In some cases, especially in developing countries, governments depend on large companies for investment and economic growth (Mbilima, 2021). This dependence often makes governments more lenient toward corporate violations of social or environmental responsibilities, as they prioritize economic growth over accountability. For example, companies in extractive sectors, such as oil and gas, often have significant political power, allowing them to avoid full accountability for the environmental impacts of their operations. In addition, domestic political interests also play a role in shaping corporate accountability. Research by (Biondi, 2020)highlights that in countries with more open and democratic political systems, companies tend to be more accountable to the public. In these countries, freedom of the press and strong civil society create an environment in which companies are under greater public scrutiny, encouraging them to be more transparent in their operations (Laan, 2009). Conversely, in countries with strong political control or authoritarian systems of government, corporate accountability is often lower, as governments tend to shield large companies from significant scrutiny.

CONCLUSIONS

Corporate accountability reflected in sustainability reporting not only reflects social and environmental responsibility, but also creates significant economic value. With increasing demand from investors and consumers for transparency in sustainability reporting, companies that adopt this practice strategically can enhance their competitiveness and long-term viability in an increasingly connected global economy. Overall, from a political perspective, sustainability reporting is not only a corporate responsibility but also part of the political arena involving various stakeholders, including governments, communities, and international actors. Previous research confirms that political regulation and public policy play a central role in driving sustainability reporting, but political power and industry lobbying can also create significant challenges in its implementation. As a result, the effectiveness of sustainability reporting is highly dependent on the interaction between political interests, economic power, and international pressures that drive companies to be more transparent and accountable for sustainability.

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