Cost Impact Study by Aligned Incentives

Business Climate Leaders (BCL) and Silicon Valley Leadership Group (SVLG) have partnered over the last several years to educate SVLG members about federal carbon pricing initiatives and to discuss possible collective advocacy. During these discussions, a number of the participating SVLG companies indicated that a study demonstrating the economic impact on their companies of carbon pricing legislation could help their decision-making process. Consequently, four of the companies commissioned a study by Aligned Incentives, a leading sustainability consulting firm which works with companies to align their environmental goals with financial value creation.

Following is a high-level summary of the key findings of the Aligned Incentives study, completed in June 2019.

Context.
Aligned Incentives assessed at a high level the potential costs of carbon taxes on four leading IT companies, modeling two tax proposals¹ and, for one company, comparing it to other alternatives. While the assessment is still at a high level and specific company data cannot yet be disclosed the initial insights are very promising in terms of both cost vs. opportunities related to carbon taxes.

Dwarfing the societal impacts of other initiatives.
This initial assessment showed that a carbon price would likely dwarf the impact of other initiatives (over 700 initiatives were assessed for one of the companies). The impact would not only be much higher on global warming but also on water consumption, criteria air pollutants, toxic material and most other material issues in the IT industry, given the broad environmental impacts of burning fossil fuels. The reason is that most other initiatives only have limited impacts across the value chain. For example, going 100% renewable is an excellent initiative but for many companies only affects a very small part of cradle to grave impacts. Carbon taxes appear likely to be much less costly, with, for some companies, significant commercial opportunities attached to them.

¹ Citizens’ Climate Lobby (CCL) tax starting at $15 per ton of CO2e and increasing at $10 p.a.; Climate Leadership Council (CLC) tax starting at $40 per ton of CO2e limited to fossil fuels, increasing at 2% p.a.
Insignificant to small cost impacts. Initial analysis found that a carbon tax would have insignificant to small impact on the companies’ overall costs; of a size that would be virtually unnoticeable if passed on to customers.

Significant commercial opportunities for some of the companies. Moreover, the team found that a small increase of sales of products and services that would benefit from a carbon tax would quickly pay for the cost of a carbon tax. Following are some of comments that were made by the companies surveyed, grouped by theme.

- **Level playing field:**
  “Many of us larger companies already invest heavily in renewable energy; having a carbon tax would create a level playing field, avoiding clean energy laggards having a cost advantage in the market.”

- **Increased sales of existing products:**
  “A large share of our products have ecolabels; we also have a significant portion of our products where customers have specified sustainability as a buying criterion. Both could benefit from a transition to a low carbon economy.”

- **Increased sales of new products:**
  “Our company has a small but growing line of products specifically targeted to address the climate urgency. Their sales would likely grow significantly with a carbon tax.”

The study results are encouraging companies to engage in increased policy advocacy activities, including support for carbon fee and dividend.