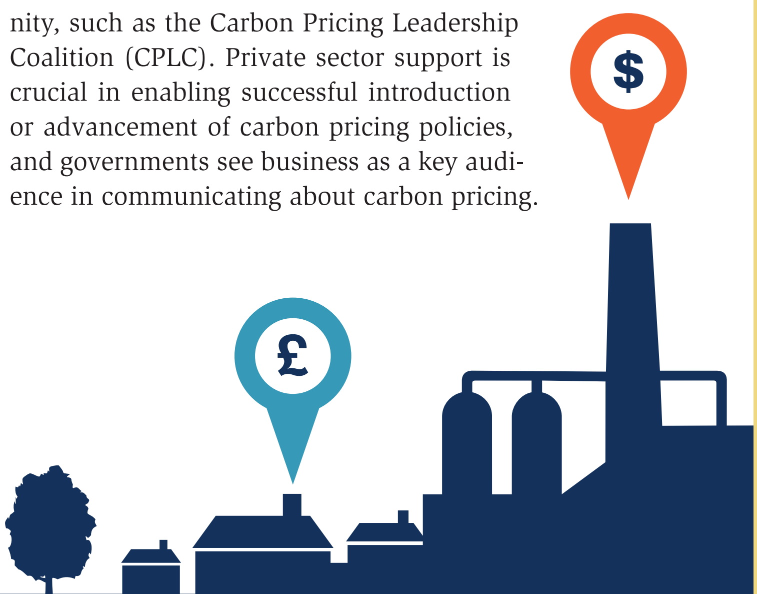
Communicating Carbon Pricing for Business

Carbon pricing policies put a price on greenhouse gas emissions, adding a cost and incentivizing businesses and consumers to switch away from fossil fuels and toward cleaner alternatives. There are two main types of carbon pricing: a carbon tax and an emissions trading scheme (ETS). An ETS—also known as a cap and trade system—caps the total level of greenhouse gas emissions and lowers the cap over time. As of September 2018, 45 national and 25 subnational jurisdictions had adopted carbon pricing methods of reducing emissions.

Those businesses that support government carbon pricing schemes do so for a range of different reasons, including the need to respond to the carbon disclosure requests of investors, enhance reputation, and open up new markets. Crucially, many business leaders recognize the oncoming risks of climate change, and see pricing as a flexible and cost-effective approach to cutting greenhouse gas emissions.

More than 1,000 companies worldwide have expressed support for putting a price on carbon. Many of them are active in building global, national, and subnational coalitions within the business community, such as the Carbon Pricing Leadership Coalition (CPLC). Private sector support is crucial in enabling successful introduction or advancement of carbon pricing policies, and governments see business as a key audience in communicating about carbon pricing.



KEY MESSAGES

- Businesses have a vital role to play in advocating for carbon pricing and contributing to effective policy.
- Business audiences agreed with narratives which showed carbon pricing as a way to bring long-term certainty and opportunities through low carbon investments.
- Narratives that work well for business audiences do not always resonate with the public. Mistrust in financial systems means focusing on carbon pricing as a market-based system may reduce its public support.
- The difference between internal (in-company) and external (government policy) carbon pricing is often misunderstood, both within companies and by external audiences.
- The role of chief executives and senior managers is very important. They can create a “comfort zone” for their peers and staff, and government policymakers, to talk about the issue.
- A company’s communications are most likely to be effective if it has a distinct and coherent voice based on its mission, values, and brand. Creating this consistent voice throughout the business requires engagement at all levels. It is important to obtain buy-in through the whole organization, rather than just focusing on senior management.

Government experiences of introducing carbon pricing policies have varied considerably: from wide political support for the world's highest carbon price in Sweden and successful integration in California to the measure being repealed in Australia following a politically polarized debate.

At the Paris climate change negotiations in December 2015, world leaders committed to limiting temperature rise to 2°C above pre-industrial levels by the end of the century. The Intergovernmental Panel on Climate Change's October 2018 report on limiting temperature rise to 1.5°C further reinforced the need for a strengthening of ambition.

Using carbon pricing as one of the key measures to achieve these targets would require both more carbon pricing policies to emerge and existing carbon prices to increase. The scale of the communications challenge makes constructive and vocal business support more important than ever before.

This brief provides basic advice for companies that support government **carbon pricing schemes** on how to communicate about the issue with key stakeholders, including peers who may be less supportive of the policy. Many will already have initiated their own **internal carbon pricing systems**, or will be considering doing so (see box 1). The brief draws on research exploring how people respond to messaging on climate change and carbon pricing, as well as the practical experience of senior executives, obtained through interviews and an online survey carried out for this brief.

WHY DO BUSINESSES COMMUNICATE ABOUT CARBON PRICING?

Companies have different objectives when communicating about carbon pricing. Many want to ensure that the public and media understand the business's commitment to tackling climate change. Others wish to engage with governmental decision makers and contribute to the adoption of carbon prices in jurisdictions where they operate. Meeting these objectives requires different communication strategies focused on different audiences (see table 1). In highly politicized environments, communicating about carbon pricing can also present a reputational risk, making it more important to adopt a targeted and well thought through strategy.

Some businesses adopt internal carbon pricing as a risk mitigation tool (see box 1). This means that communications are likely to focus on ensuring the internal price is well understood across the company, by shareholders and investors. Others see the internal price as evidence of the company's commitment to emissions reductions, meaning they are more likely to prioritize outward communication to the media and public.

FIVE CORE NARRATIVES FOR COMMUNICATING CARBON PRICING

Interviews and survey testing with businesses and the general public show that the following five narratives are effective across a wide range of audiences. The narratives that work better for businesses are those that speak to their core operational interests, in particular how carbon pricing could increase their productivity, reduce risk, and secure market advantage for the future.

1. CARBON PRICING IS A BUSINESS OPPORTUNITY

There is a strong business case for enabling investment in renewable energy or energy efficiency. An accelerated shift to clean energy sources brings opportunity, and modernization. Improvements in energy efficiency can reduce costs and increase productivity. At a national level, these changes can bring jobs, investment in new technologies, and economic diversification.

2. CARBON PRICING IS THE FUTURE

Positive engagement with climate change is the mark of a forward-looking company. We need an economy-wide effort to address climate change, and carbon pricing is a step forward toward achieving that. Responsibility, accountability, and sustainability really matter to investors and customers who are thinking about the future.

3. CARBON PRICING IS THE BEST OPTION FOR REDUCING EMISSIONS

Putting a price on pollution makes sense. Carbon pricing rewards businesses that are efficient and use energy well. It is flexible, allowing businesses to invest in the best solutions at the lowest possible cost, and unleashing the creativity of the private sector to develop new technologies.

Table 1: Common objectives of companies in communicating internal and external carbon pricing, key audiences and timing of communications

Objective	Key audiences	Timing of communication
Communicating about external carbon pricing (actual and proposed governmental policies)		
Building shared support within the company for carbon pricing policies	Senior decision makers within the company	Prior to engaging with governments and undertaking external communications
Ensuring the company considers the carbon price in its investment decisions	Senior decision makers within the company, relevant department heads (including the finance department)	Prior to and during policy implementation by governments
Achieving more widespread government adoption, or increasing the effectiveness of carbon prices	Other businesses, governments, senior management (to coordinate and approve company position)	During policy development
Promoting public and internal understanding of, and commitment to, climate change policy	Customers, shareholders, media, general public, civil society organizations	During internal and outward-facing communications
Communicating about internal carbon pricing (introduced voluntarily by a company for its operations)		
Ensuring the purpose and functioning of the internal carbon price is understood across relevant departments	Senior decision makers, relevant department heads	Prior to and during internal carbon pricing implementation
Communicating the company's preparedness for external carbon pricing	Investors, governments, employees of company	Prior to and during internal carbon pricing implementation
Communicating a commitment to voluntary internal action to reduce emissions	Peer companies, customers, shareholders, media, general public, civil society organizations, suppliers	During implementation of internal carbon price

4. CARBON PRICING IS EFFECTIVE AND COST-EFFICIENT

Among the wider public, most people are willing to support policies that combat climate change, providing they can be seen to work, and will accept arguments that this is an efficient and effective policy that delivers real benefits. The argument that carbon pricing is the lowest-cost method of reducing emissions is important for the business community. It should be noted, however, that the wider public is less motivated by arguments about cost—even when the messaging emphasizes that the cost will be low.

5. CARBON PRICING IS FAIR

Carbon pricing, working through a competitive market, is a fair way to share responsibility for the carbon pollution that causes climate change, and to reward the companies that are most efficient and pollute the least. Polling consistently finds that the perceived fairness of a carbon pricing policy is one of the most important factors influencing how much it is supported by the public. If carbon pricing policy allows preferential treatment and unnecessary exemptions for high-emitting industries, or places a disproportionate burden on certain segments of the public, the public may reject claims of fairness, undermining confidence in the policy.

"We see that sustainability is the future. Climate action and mitigation are as important for our business as they are for the planet. All our stakeholders, from our employees to our customers and our investors, care about climate action, so we developed an economic system to help rationalize those values across the company in the form of an internal carbon fee."

Elizabeth Willmott
Carbon Program Manager, Microsoft

SHOULD CLIMATE CHANGE LEAD THE NARRATIVE?

Many communications about carbon pricing present it as a policy response to the threat of climate change. When focusing on climate change, it is important to frame it as:

- Not just a challenge but also an opportunity: extreme 'threat' messaging about climate change tends to reduce the extent to which people are willing to engage; and
- A relevant, local, and current threat, rather than a problem for future generations in distant geographies.

In some countries, opinion around climate change is highly polarized—and a divisive debate around carbon pricing has the potential to make this worse. In this situation, other justifications for carbon pricing can be used.

1. REDUCING AIR POLLUTION

Several countries, including Chile and Costa Rica, have integrated carbon pricing with taxes on local pollutants. This allows them to present carbon pricing as a response to high-profile public concerns about air pollution and associated health effects.

2. ENERGY EFFICIENCY

By focusing on energy efficiency, companies can emphasize to other businesses the opportunities and potential savings created by carbon pricing.

3. REVENUE USE

Research shows that the public is generally more likely to accept a carbon price when the revenues from it are spent in ways they support, or are consistent with the stated goals of the policy. These uses are easier to understand than economic measures like tax cuts, and so attract more general support. In California, revenue from a carbon pricing cap-and-trade scheme was spent on visible solutions with broad popular support, including electric school buses, electric trucks, and car-sharing programs. About four-fifths of auction revenues from the European Union ETS are spent on methods to reduce greenhouse gas emissions, including renewables and energy efficiency measures.

4. TRANSITION

Energy transition from high-carbon fossil fuels to renewable energy and the electrification of transport receives broad public support. A commitment to carbon pricing can be presented within a positive forward-looking transition narrative, especially if combined with other aspects of visible company policy—for example, around energy use and electrification of transport.

5. SECURITY

Some audiences—including governments—are concerned about national security and reducing dependence on imports of fossil fuels from elsewhere. Carbon pricing communications can therefore emphasize that the policy will shift the economy toward more self-reliance and independence.

> *"We want to build something broader, not only on climate change but on a transition to a low-emissions economy. We need to be very vocal about the benefits, the means for the transition, the options brought by new technology, innovation, employment, health, and other issues. That's what will give us the broader buy-in for wider policy."*
>
> **Juan Pedro Searle**
> Head of Climate Change Unit, Sustainable Development Division, Ministry of Energy, Chile

THE IMPORTANCE OF TRUSTED COMMUNICATORS

Although messaging is important, communications design often ignores the critical importance of the communicator. The public's level of trust in the individual or organizations promoting a policy is one of the key determinants of how much it is supported. For this reason, it is important to engage communicators who have moral authority.

The role of chief executives and other senior managers is therefore extremely important. Businesses are generally more likely to trust leaders from their industry than either politicians or celebrities. The effectiveness of communication mainly depends on the capability of a trusted source to show a deep understanding of the needs and concerns of his or her audience.

Box 1:

NARRATIVES FOR COMMUNICATING INTERNAL CARBON PRICING

Internal carbon pricing policies place a financial value on a company's greenhouse gas emissions, which is then factored into its decisions and operations. Globally, more than 1300 companies currently use or are planning to use an internal price for carbon emissions in 2018-2019.

Companies surveyed for this report favored the following narratives for explaining internal carbon pricing to internal audiences, shareholders, and investors:

- An internal carbon price will help us prepare for being subject to external carbon prices in the future, thereby limiting risks and giving us a competitive advantage.
- An internal carbon price will provide the push needed to accelerate investments in low-carbon technologies that will save us money and give us a competitive edge in the long term.
- Adopting an internal carbon price will help us shore up our reputation as a "green" company that is committed to reducing our environmental impact and playing a positive role in addressing climate change.

Ideally, narratives are built around and reinforce the core values and specialism of the business. For example, an ambitious internal carbon pricing policy in Yale University covering energy use across 259 buildings was presented internally as a powerful research tool and opportunity for developing world-leading new thinking.

"The involvement of the CEO is very important because it creates a 'comfort zone' for others to talk about it. The CEO talks about the vision. To explain the 'how' we started a webinar series and designed videos for use internally."

Paulette Van Ommen
Global Climate Lead, Royal DSM

COMMUNICATING WITH DIFFERENT AUDIENCES

Businesses communicate with multiple internal and external audiences, including government, civil society, and other businesses. Effective communication first requires listening in order to understand the values and needs of the target audience. General principles for communicating with four major audiences are set out below.

INTERNAL AUDIENCES

Company representatives interviewed for this brief believe that carbon pricing is often badly communicated internally and misunderstood. They emphasized the importance of obtaining buy-in or support throughout the whole organization, rather than just focusing on senior management. It is also important internally to differentiate between external government-led systems and internal risk management approaches, and to ensure that internal communication leads understand the difference.

It is important to recognize the values and concerns of different internal audiences. Engineers, for example, may be motivated by problem-solving, internal emissions reductions and energy saving; sales and marketing operators may by engaged by the opportunity to reposition the brand and open up new markets; and entry-level workers may appreciate the prospect of longer-term job security etc. Effective internal communications also need to be integrated as much as possible within the regular rhythms of decision makers' meetings.

When communicating about internal carbon pricing, businesses surveyed for this brief found that the most effective narrative focused on the need to prepare for external carbon prices in the future, thereby limiting risks and giving the company a competitive advantage (see box 1).

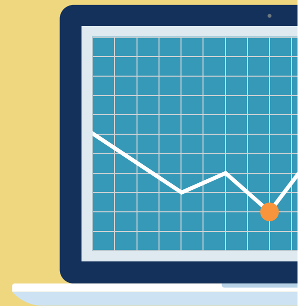
EXTERNAL AUDIENCES

Many leading companies consulted said that their strong support for mitigation policies had opened up new markets and access to customers who shared those values. Companies should also recognize that the influence they hold through their supply chain is a powerful lever for building support for climate policies across the business community. Those with a public-facing brand can also use their customer engagement to build wider public awareness.

When talking to external audiences, businesses need to have a distinct and coherent voice. The company's central narrative is most likely to be effective if it based on its mission, values, and brand, and if it is reflected in appropriate materials and media. It is much less likely to be effective if it is passed to the corporate social responsibility department or an external marketing agency, or if it is seen solely as a branding opportunity. Inconsistencies between a company's public relations representation and internal policy will make it vulnerable to external criticism. Creating this consistent voice throughout the company requires engagement at all levels.

> *"TJ DiCaprio, the chief architect of Microsoft's carbon program, first introduced it to stakeholders as an experimental journey—a chance to be part of the innovative culture of the company, with an eye toward sustainability."*
>
> **Elizabeth Willmott**
> Carbon Program Manager, Microsoft

In communicating with other businesses, the following channels of communication have proved useful:



- nationally based chief-executive led peer coalitions
- global coalitions like the CPLC
- progressive trade associations
- articles in business magazines

GOVERNMENT

The vast majority of companies surveyed for the purpose of this brief identified politicians and senior policymakers as an important, or the most important, audience for communicating carbon pricing. Businesses can effectively communicate with government through:

- briefings explaining carbon pricing in the language of policymakers, relating it to wider and previous policies, government process, and broader political ambition;
- active involvement in the stakeholder consultation process. This may involve, for example, attending in-person consultations, responding to written consultations, and making those responses public; and
- direct lobbying with primary decision makers within the government and focusing communications on them, either as an individual company or through a coalition of aligned companies.

As with any communications, effective engagement requires understanding the values and needs of the target audience. Policy officers are primarily concerned with achieving the policy targets set out for them by government. Communications should emphasize that business engagement creates stronger, more effective, more robust policy solutions. Policymakers and politicians are strongly motivated to generate a legacy, so good communications will emphasize the input that will create lasting and effective policy.

CIVIL SOCIETY AUDIENCES

In many jurisdictions, civil society organizations play an important role in creating social support for carbon pricing. Some non-governmental organizations are not technical specialists on carbon pricing, so simple and coherent explanations can facilitate engagement. In some jurisdictions, independent non-government organizations exist to enable communications about carbon pricing: for example, in Canada, a group of economists created Canada's Ecofiscal Commission. Civil society organizations often have strong values and internal cultures, and will support carbon pricing if it is in accordance with their values. The criticisms offered by civil society can be used to strengthen the policy and increase its public acceptability.

> *"Often advocacy focuses too much on regulators. But legislators are also a key audience, including new legislators, who come in after the program is adopted, in order to maintain support. Sometimes it can be useful to get them out of their bubble....as an educational exercise and to provide a bigger context."*
>
> **Katie Kouchakji**
> Communications Advisor,
> International Emissions Trading Association

THE LANGUAGE OF CARBON PRICING: EXPLAINING CARBON PRICING IN SIMPLE TERMS

Carbon pricing is often explained in technical terms. This language is appropriate for audiences concerned with finance, economics, and some aspects of policy, who have the relevant specialized background, but for non-experts, accessible language is vital.

Table 2 illustrates how more accessible terms can replace the technical terms used in carbon pricing.

Table 2: Adopting simplified forms of technical policy terms make communicating carbon pricing more accessible to non-experts

Technical policy term	Simplified form
Prescriptive regulations	Government regulations deciding what people or organizations like companies can and cannot do
Regulation	Rules
Price signal, market signals	Price incentives, or just "prices"
Aggregate outcomes	Benefit the greater good
Internalizing costs/externalities	Reflecting the social and/or natural damage of emissions in the price of polluting goods
Progressive taxation	Taxation where the wealthy pay a proportionally higher share
Regressive taxation	Taxation that is disproportionately paid by the poor
Double dividend	Double benefit – makes economic and environmental sense
Transaction costs	The costs of implementing the carbon price, or "implementation costs"
Revenue recycling	Using the carbon price revenue to reduce other taxes
Fiscal instruments	Taxes
Social cost of carbon	The cost of the global damage that results from a given amount of emissions
Elasticity of demand	How responsive consumers are to higher prices
Emissions abatement	Emissions reductions or "emissions cuts"

> *"We need to remember that economists are not normal people and don't use the language normal people use!"*
>
> **Chris Ragan**
> Chair of the Canadian Ecofiscal Commission

The policy itself can be simply explained using the sample language below:

Carbon pricing requires polluters to pay for the carbon pollution they emit. This encourages choices and investments that are good for the environment and help build a sustainable, green economy.

In an emissions trading scheme (also known as "cap and trade"), the government sets a cap on pollution and distributes or sells a limited number of pollution permits within that cap. Companies that pollute more have to buy more permits. Companies that pollute less can save money by buying less permits or by selling any spare permits, so it makes good financial sense to emit less. And, because the number of permits issued falls over time, the total pollution also falls.

A carbon tax is a levy that polluters pay on the carbon they emit. This encourages people and businesses to make choices and investments that are good for the environment. A carbon tax can generate revenues that can be earmarked for specific purposes or used to reduce the need for other taxes.

ENCOUNTERING OPPOSITION

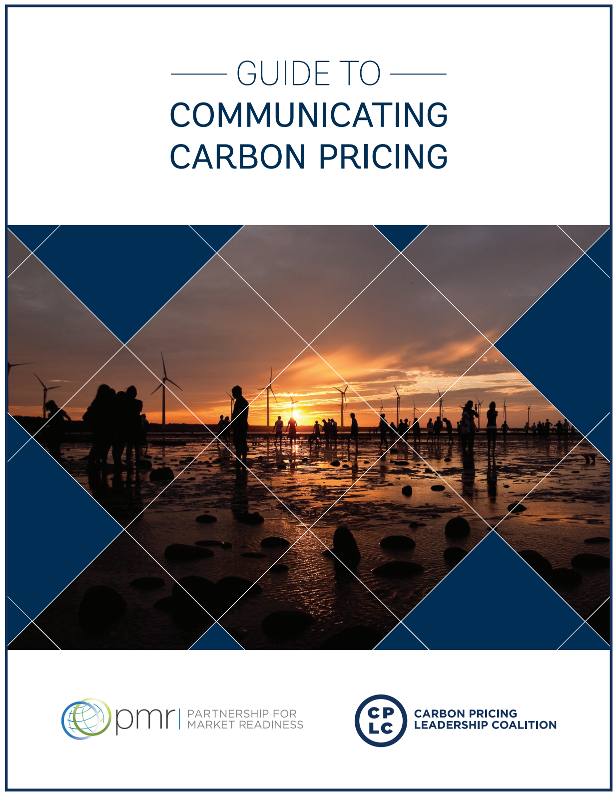
In some jurisdictions, carbon pricing has been highly contested. Businesses which support carbon pricing run a risk of triggering negative reactions from consumers. But businesses which support carbon pricing also have an important role to play in countering opposition, as they may be trusted by audiences who will not be persuaded by government or civil society spokespeople. Effective communications means delivering messages through a range of communicators with different political affiliations, and businesses can play an important role in this.

It should be remembered that language that works for business may not always work for wider audiences, and may even exacerbate opposition elsewhere. Research shows, for example, that economic terms like fiscal, revenue, and auction are not well understood by the public. Language that makes carbon trading seem complex, opaque, and a potential money-making opportunity for financial institutions can all reduce public support for the policy at a time when trust in financial institutions is low.

Using audience research to explore the grounds for opposition at an early stage in the process and later testing narratives with potential opponents is likely to reduce the chances that the language used in communications will exacerbate tensions.

> *"In communicating about carbon pricing, it is important to emphasize a common narrative, with consistency in language, terms, and definitions. This helps avoid confusion and ensures common understanding."*
>
> **Katie Kouchakji**
> Communications Advisor,
> International Emissions Trading Association

Access the Guide:



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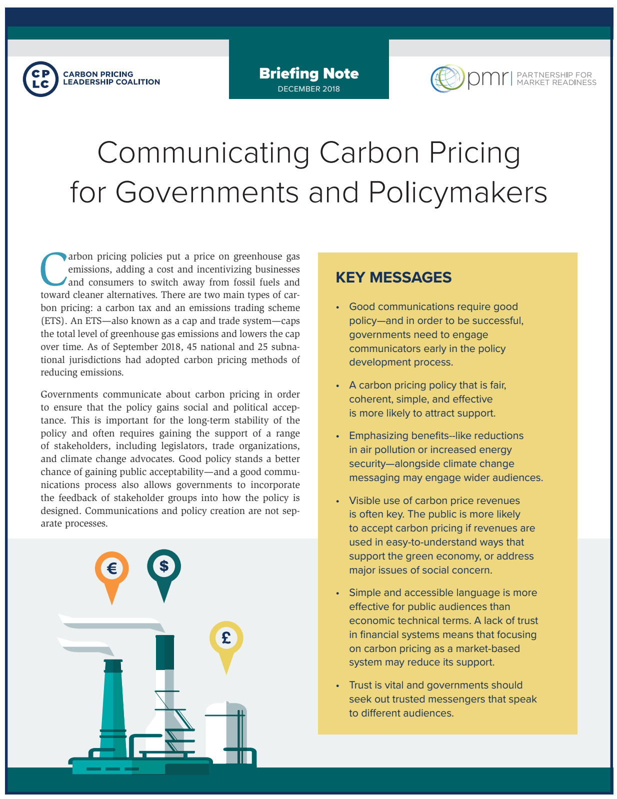

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Governments communicate about carbon pricing in order to ensure that the policy gains social and political acceptance. This is important for the long-term stability of the policy and often requires gaining the support of a range of stakeholders, including legislators, trade organizations, and climate change advocates. Good policy stands a better chance of gaining public acceptability—and a good communications process also allows governments to incorporate the feedback of stakeholder groups into how the policy is designed. Communications and policy creation are not separate processes.

KEY MESSAGES

- Good communications require good policy—and in order to be successful, governments need to engage communicators early in the policy development process.
- A carbon pricing policy that is fair, coherent, simple, and effective is more likely to attract support.
- Emphasizing benefits--like reductions in air pollution or increased energy security—alongside climate change messaging may engage wider audiences.
- Visible use of carbon price revenues is often key. The public is more likely to accept carbon pricing if revenues are used in easy-to-understand ways that support the green economy, or address major issues of social concern.
- Simple and accessible language is more effective for public audiences than economic technical terms. A lack of trust in financial systems means that focusing on carbon pricing as a market-based system may reduce its support.
- Trust is vital and governments should seek out trusted messengers that speak to different audiences.

MORE INFORMATION

Context: The Carbon Pricing Leadership Coalition (CPLC) includes governments, businesses and civil society groups working together to identify and address the key challenges to successful use of carbon pricing as a way to combat climate change. This Briefing Note was developed by Climate Outreach and Climate Focus. It was authored by Robin Webster (Climate Outreach), George Marshall (Climate Outreach) and Darragh Conway (Climate Focus).

References: The brief, aimed specifically at business audiences, is part of the Guide to Communicating Carbon Pricing and draws on two sources: first, the evidence base of research into communicating climate change in carbon pricing, and second the experience of representatives from government, business, and civil society across the world, obtained through interviews and detailed questionnaire responses. 26 people were interviewed, including six business representatives from the World Bank's CPLC. 60 people completed an online survey, including 33 business representatives. Please refer to the digital version of the Guide for a full list of references:

www.carbonpricingleadership.org/resource-library/

For more information on this topic, please visit:
http://www.carbonpricingleadership.org

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