USING INTERNAL CARBON PRICING AS A CATALYST FOR CHANGE

Case study: Storebrand
Storebrand is a financial services group based in Norway that has embedded sustainability into its overall strategy and core business operations. Within our operations, we have been compensating for residual carbon emissions since 2008\(^1\) by purchasing Guarantees of Origin for electricity consumption and by purchasing emission quotas investing in carbon positive projects. In 2019, we decided to implement an internal carbon price and develop a tracking tool to measure air travel. Each manager can get information about the number of flights made by their respective teams, how this compares to the organizational average, as well as the emissions reduction target for different business units. They can also get information about the carbon price of these flights.

The money collected from the internal carbon price is used for internal or external sustainability projects. So far, funds raised from the carbon price have contributed to projects including a mangrove tree planting project in Myanmar\(^2\) and a project to halt deforestation in Kenya\(^3\).

Due to the COVID-19 pandemic and the consequential halt of almost all air travel, it has not been possible to see the full effects of the internal carbon pricing on reducing our air travel. Once air travel reopens, we will track and monitor closely the flight and carbon data and continue to engage staff from across the business to reduce our carbon footprint from air travel.

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1. For details on Storebrand’s approach to reducing its internal carbon footprint, see [Storebrand Annual Report 2019](#), page 57.
2. Thor Heyerdahl Climate Park, the first climate park to restore and protect the mangrove forests in Myanmar, created in honour of Thor Heyerdahl, the Norwegian adventurer and ethnographer. The project is registered under [Verra’s Verified Carbon Standard (VCS) Program](#).
3. The Kasigau Corridor REDD+ Project, which is registered under [Verra’s VCS Program and Climate, Community & Biodiversity (CCB) Program](#).
WHY

Storebrand is Norway’s second largest asset manager and manages more than NOK960 billion for over 2 million customers in Norway and Sweden. Most of our indirect (Scope 3) carbon emissions arise due to our investment portfolio. With sustainability embedded in our strategy, we are committed to managing customers’ savings and pensions in a way that contributes to sustainable development.¹ To address this, our approach to sustainable investment includes:

- **Active ownership and engagement** – we exert influence by challenging companies to be more proactive about their sustainability practices and development. We have prioritized four engagement themes, including decarbonizing companies and preventing deforestation.

- **Exclusions** – we have a method for the exclusion of companies as defined by the Storebrand Standard, which applies to all assets we manage.

- **Solutions** – we increase our investments in companies that contribute with solutions to the UN Sustainable Development Goals.

  This commitment to sustainable development, including decarbonization in line with the Paris Agreement, extends to our direct and other indirect emissions. Although the overall impact may not be significant compared to our investments, we believe it is important to develop clear requirements for sustainable operations, not just for how we run our own business but also for our partners and suppliers. This allows us to understand our overall impact and act accordingly.

  Of the Scope 3 emissions that we currently measure, air travel is the biggest contributor and in 2019, air travel had increased.² We wanted to track air travel at group level to help create awareness about how internal practices have an impact on climate and help turn this trend around.

We adopted an internal carbon price system for the following reasons:

- To have transparency on air travel within the organization.
- To show managers the impact of carbon emissions on their bottom line.
- To set aside funds for sustainability projects.

Setting an internal carbon price meant that emissions from air travel no longer were out of sight and out of mind. We wanted our managers to be able to monitor their team’s flights and the climate impact they have. Carbon emissions can now be an explicit factor in deciding whether air travel is necessary.

¹ For details on Storebrand’s approach to sustainable investments, see https://www.storebrand.no/en/asset-management/sustainable-investments
² In 2019, Storebrand’s (non-portfolio) reported Scope 3 emissions were 0.81 tCO₂e per full-time employee (FTE) of which 0.74 tCO₂e per FTE related to air travel. See Storebrand Annual Report 2019, page 61.
Storebrand’s finance and sustainability teams co-led the project process, and established a working group made up of staff from both teams. Data on air travel has been monitored for several years and carbon emissions compensated at a group level. It was a natural progression to develop an internal carbon price for air travel.

The project team conducted research into carbon prices and settled on a price that would fit the organization. The team built the carbon price into a tool that gave managers more insight into air travel, so that the carbon price could directly influence their decisions.

Following approval from executive management, the team launched the new carbon price and financial tool to staff. Our finance and sustainability teams continue to oversee the project.

**DEVELOPING A CARBON PRICE**

Developing a carbon price does not need to be complex. There is already a lot of data available, including the cost of carbon for EU quotas. It was important to look at the carbon price difference for both the Norwegian and Swedish markets where carbon quotas are used. By analysing the carbon price between the two markets, we chose the price of NOK1,000 per tonne of CO$_2$, which was closer to the higher Swedish carbon price. The price of carbon is relatively low, so aligning with a higher price would make the project more impactful and help generate money for sustainability projects.

Setting a carbon price alone is not enough. To be able to foster real change, it was important to ensure that the internal carbon price would influence behaviour. In the process, the project team found that managers did not have an effective system to track air travel for their respective teams and they could not monitor how it was changing year by year. It was therefore useful to integrate this function into the existing financial management tool along with the carbon price.
TRACKING THE IMPACT

All business travel must be booked through Storebrand’s travel bureau. The bureau calculates the estimated carbon emissions from flight data, which is multiplied with the internal carbon price. To present data on an employee level, we gather privacy consent from all employees. This is carried out through the booking process. Data prior to implementation of consent is therefore only shown at an aggregate level.

The flight and carbon data are fed into the business intelligence system, which then breaks it down across different departments based on the employee ID of the traveller. Using the financial management tool, all managers can see flights for their business areas and how the carbon price affects their bottom line. Even if it is not a large cost to the bottom line, the system makes it clear that flying has a carbon cost. Funds raised from the carbon price are collected into one account.

COLLABORATING AND COMMUNICATING

From the beginning it has been important to include the right people from various business departments and to consider how to manage and store personal data. Staff from legal, risk, finance and sustainability worked together to develop the internal carbon price, set an effective target, and track and store data in the right way.

When presenting the business case to executive management, the project team presented the analysis on air travel and what the cost would have been with a carbon price in place. The team also explained the rationale for a carbon price and the theory of change. Presenting a clear vision of what a carbon price could mean for raising employee awareness helped get management approval. The project team then communicated with all managers to introduce the new carbon price and explained the reasoning behind it.

Framing our internal carbon price in terms of actions – reducing flights – that are easy to understand and explain has helped to engage staff at all levels. Staff can see a clear path from individual action to climate impact.
## TOP TIPS

### UNDERSTAND YOUR DATA
Know where you are starting from. Analyse data to find out which business areas generate most of your carbon emissions: this is where you can make a difference. Knowing this is key for mapping out your next steps. Robust data and analysis also help you develop and present strong evidence and reasoning for setting a carbon price.

### COLLABORATE WIDELY
An internal carbon price, and the data that supports it, will impact many different areas of your business. Involve not just finance and sustainability teams, but also legal and risk. Find your allies: colleagues who are enthusiastic about this agenda. Having committed, engaged people involved helps to drive the project forward and generate support from the rest of the organization.

### GET BUY IN
When implementing an internal carbon price, it is important to get buy in from across the business. This may involve presenting the business case to executive management, communicating with managers the reasoning behind it, and explaining to staff how the process works. Having organization-wide support upfront will lead to a more effective outcome.

### PLAN HOW TO USE THE PROCEEDS
Your internal carbon price should generate a funding stream that you can use to fund sustainability initiatives. Find projects to support that are aligned with your organization’s climate goals and ambitions. Picking the right projects can increase the impact of your carbon price by creating additional effects. This can also be a great way to motivate staff and create the behavioural changes that are needed.
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