

Private Governance

EES 3310/5310

Global Climate Change

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Class #40: Friday, Nov. 30 2018



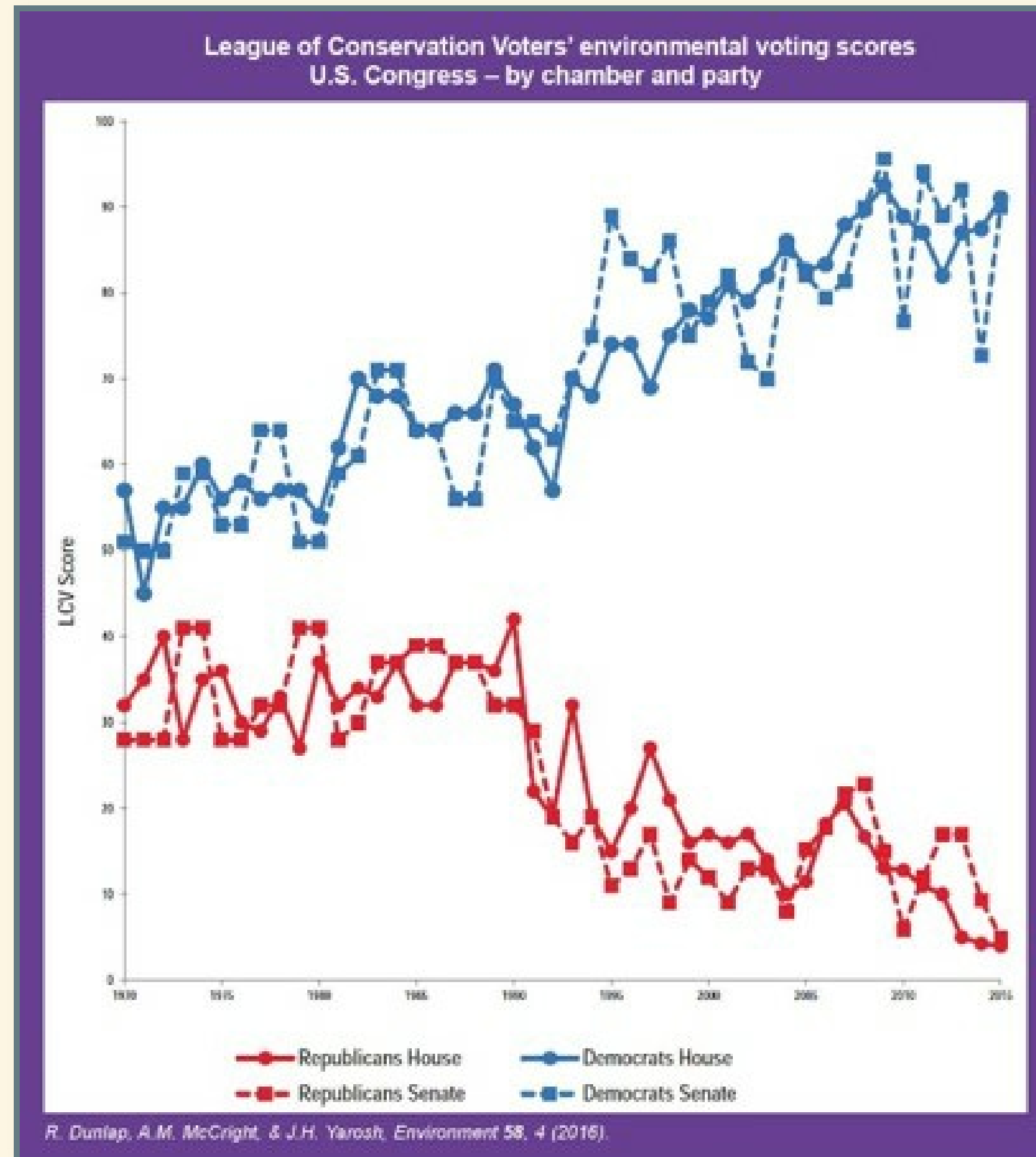
Obstacles to Public Governance

Tax Code versus EPA Regulations



Photo credit: Michael Gerrard

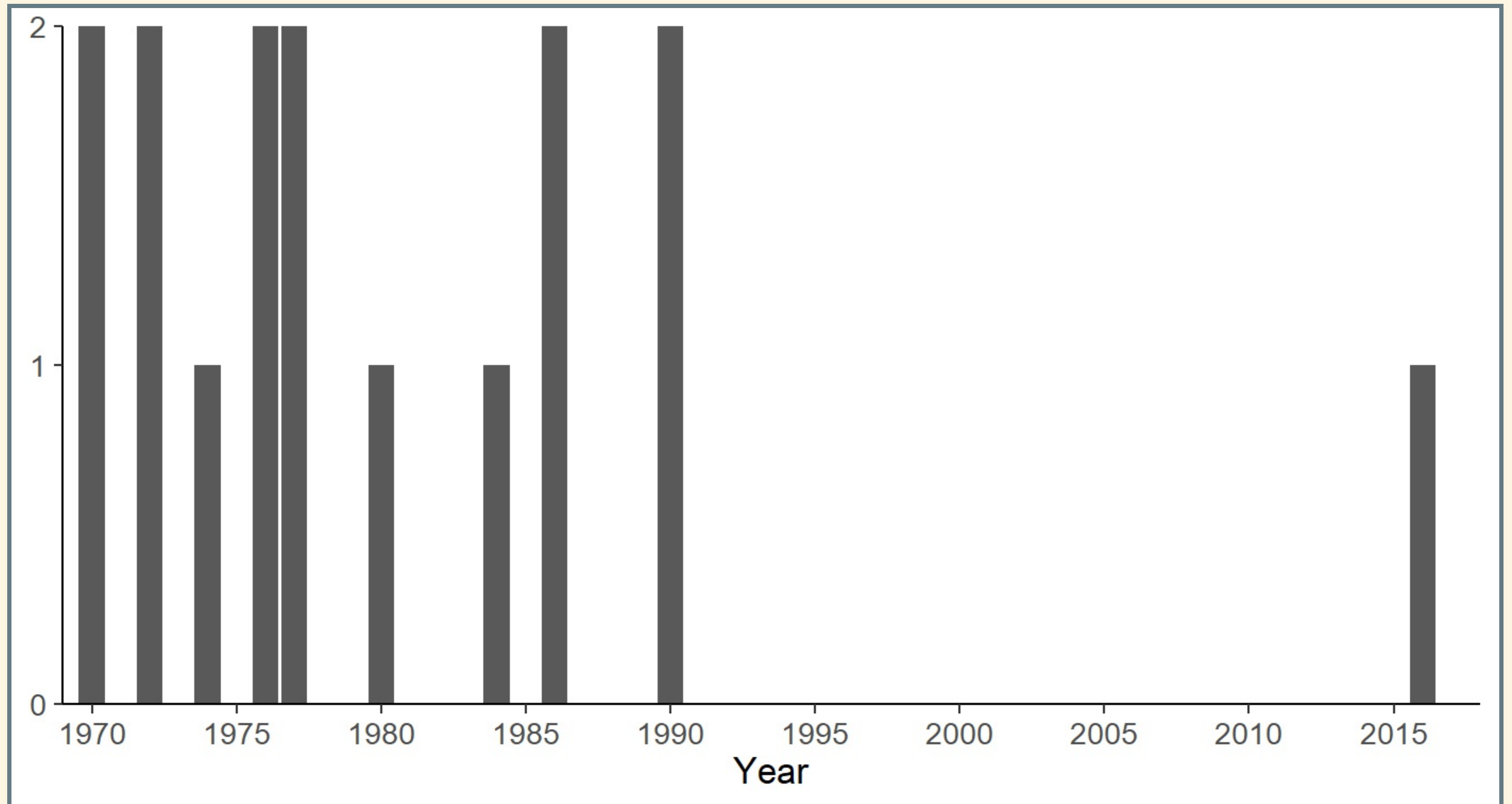
Political Polarization in the U.S.



What Does the Public Think?

- “Record high in U.S. say big government is greatest threat” (Gallup, 2013)
- 72% say “big government” is a greater threat than big business or big labor
 - 92% of Republicans, 56% of Democrats

Major Environmental Laws



Psychological Heuristics

- Solution aversion:

If a solution is ideologically unacceptable, deny the problem exists.

- Motivated reasoning:

Desire to reach a certain conclusion leads to biased and selective examination of evidence

- Cultural cognition:

Credibility of expertise depends on perception of similar values, norms.

Problems with Policy Approach So Far

- Focus on **best** solutions (e.g., carbon tax)
- Emphasis on how well it will work when put into practice
- Neglects how hard it is to get government to adopt best solutions
 - “Political opportunity cost”
- Second-best or third-best may be easier to enact quickly

A good plan violently executed now is better than a perfect plan executed next week

—Gen. George Patton, attrib.

Private Governance

Private Environmental Governance

- **Actor:**
 - Government → Private organization
- **Action:**
 - Law, policy → Private initiative

Examples of Private Environmental Governance

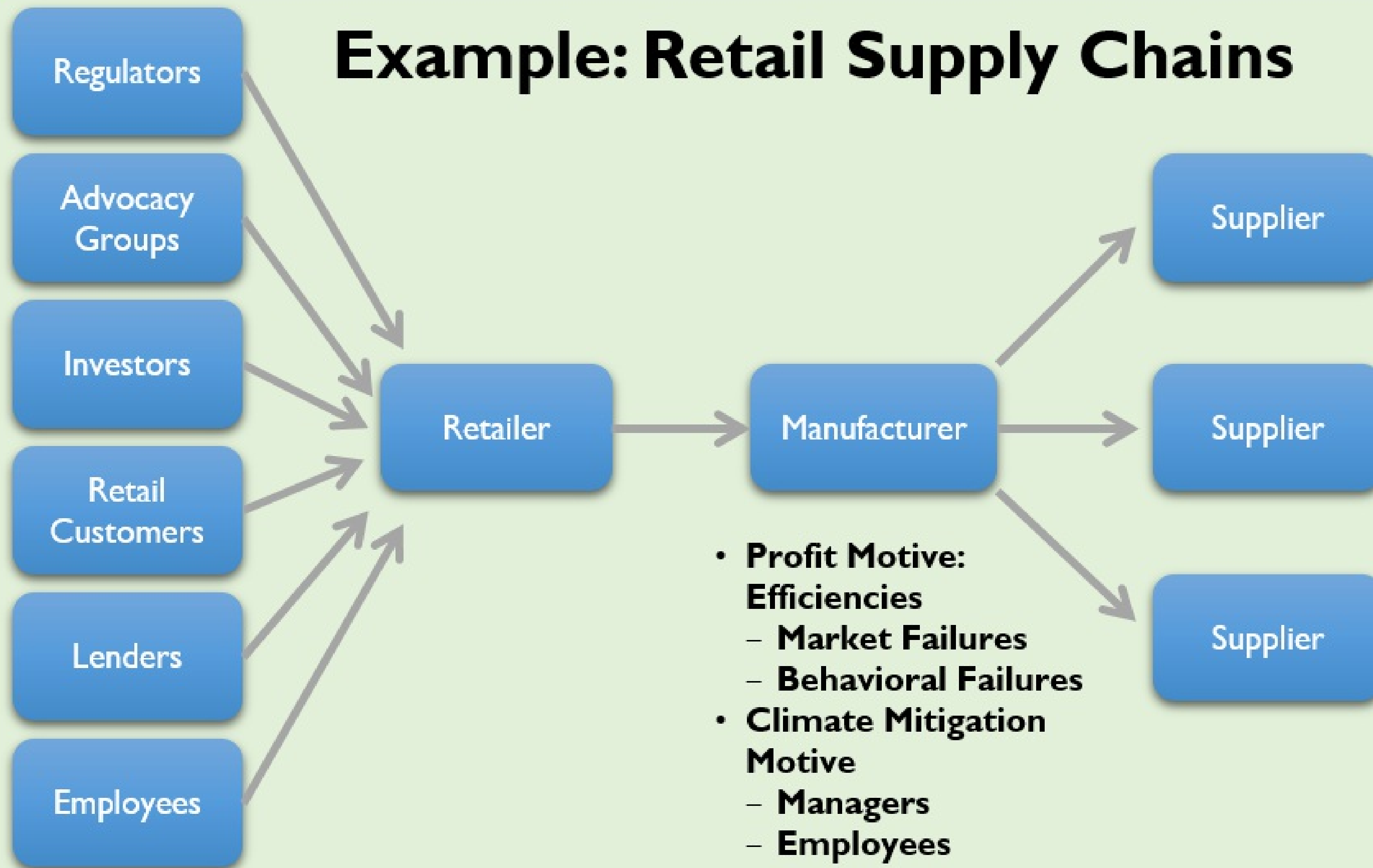
- **Institutions**

- Marine Stewardship Council (10% of all fish sold)
- Forest Stewardship Council (14% of all lumber & wood products)
- Carbon Disclosure Project

- **Practices**

- Supply-Chain contracting requirements
 - Walmart & Target regulate toxic chemicals far more strictly than the government does.
- Internal carbon taxes
 - 517 companies, including Microsoft, Novartis, Yale University,

Example: Retail Supply Chains



Motives

- Self-interest
 - Financial gains from efficiency
 - Third-party pressure
 - Value of reputation
- Beyond self-interest
 - Support for climate action
 - Sense of responsibility (individual & org)

Corporate Initiatives

- Carbon Disclosure Project (CDP)
 - Used by >800 investors with ~\$100 Trillion (pension funds, etc.)
- Participation:
 - 6.1% reductions in 2012 (~500 million tons CO₂e)
- Around half of S&P 500 have set climate or clean-energy targets

Specifics {#}

- WalMart pledged 1 billion tons CO₂e emissions cuts through 2030
- Microsoft announced that it is now 100% carbon neutral
- In 2017 Shell oil pledged 50% reduction of emissions by 2050
 - Includes emissions from “energy products” it sells (oil, etc.)

Principles of Private Governance Analysis

- **Technical Potential**

Reduction if everyone takes action

- **Behavioral Plasticity**

What fraction of actors would take action with appropriate incentives?

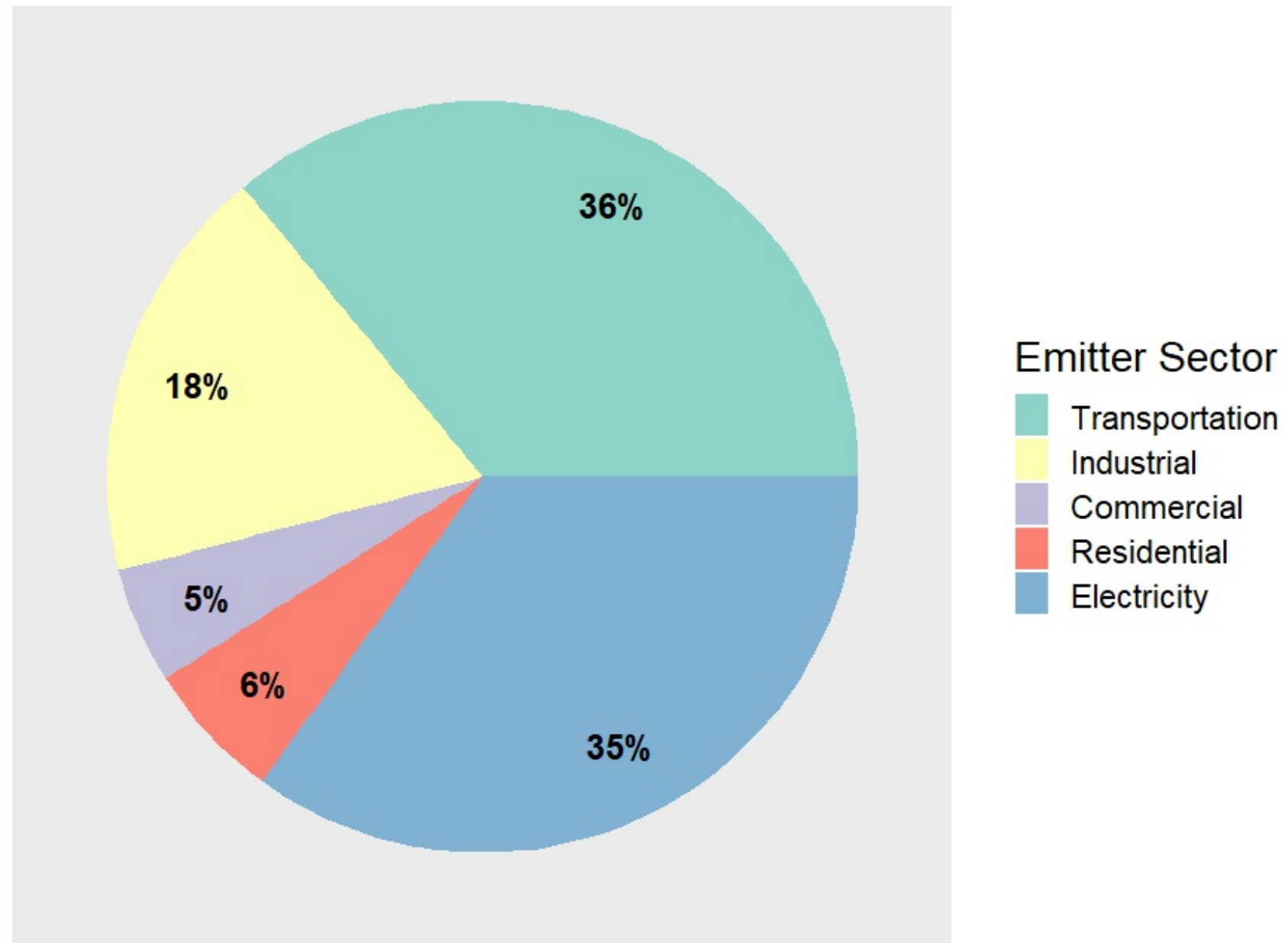
- **Policy Plasticity**

Potential for public or private actors to provide incentives

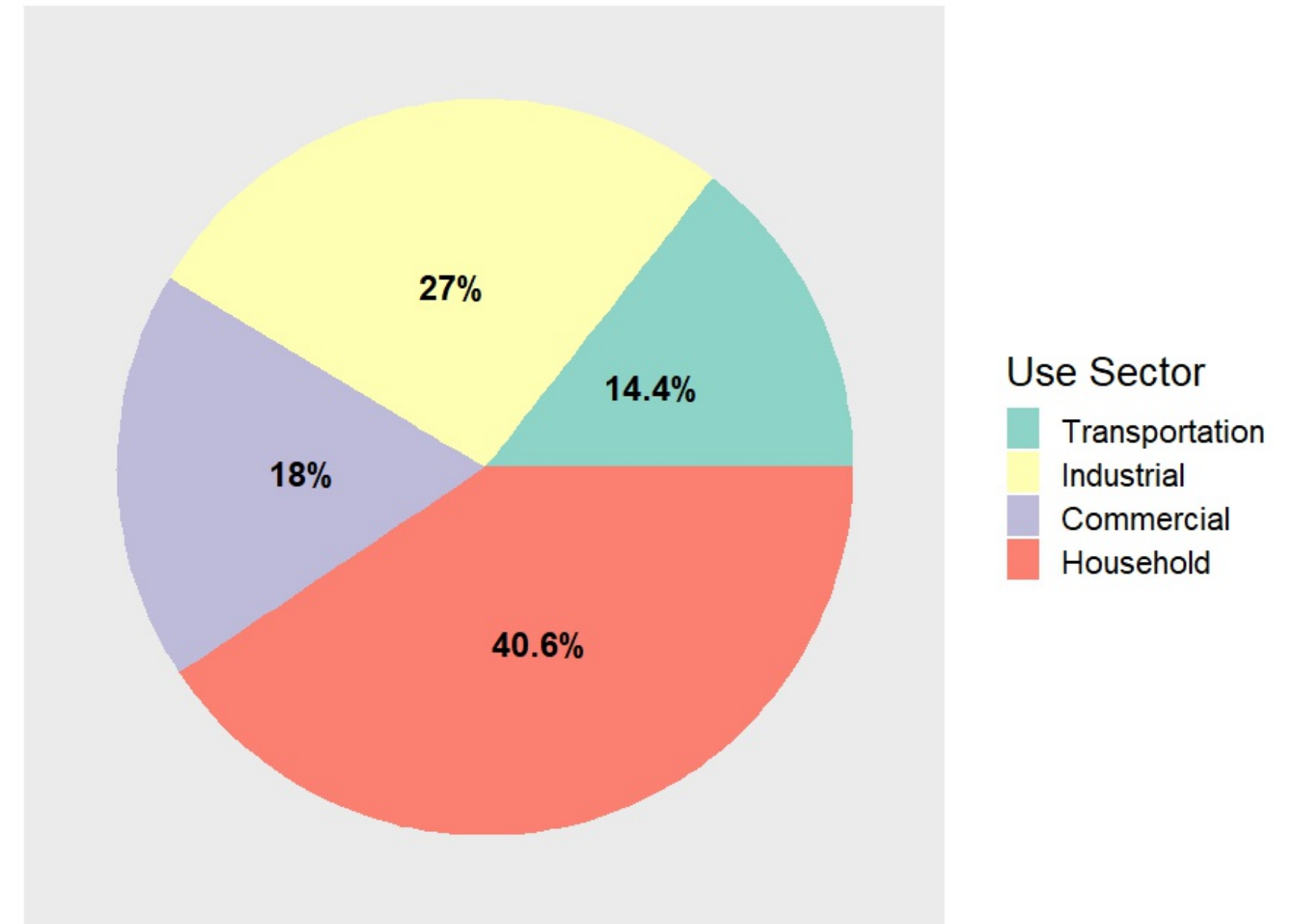
Household Sector

Who Emits CO₂?

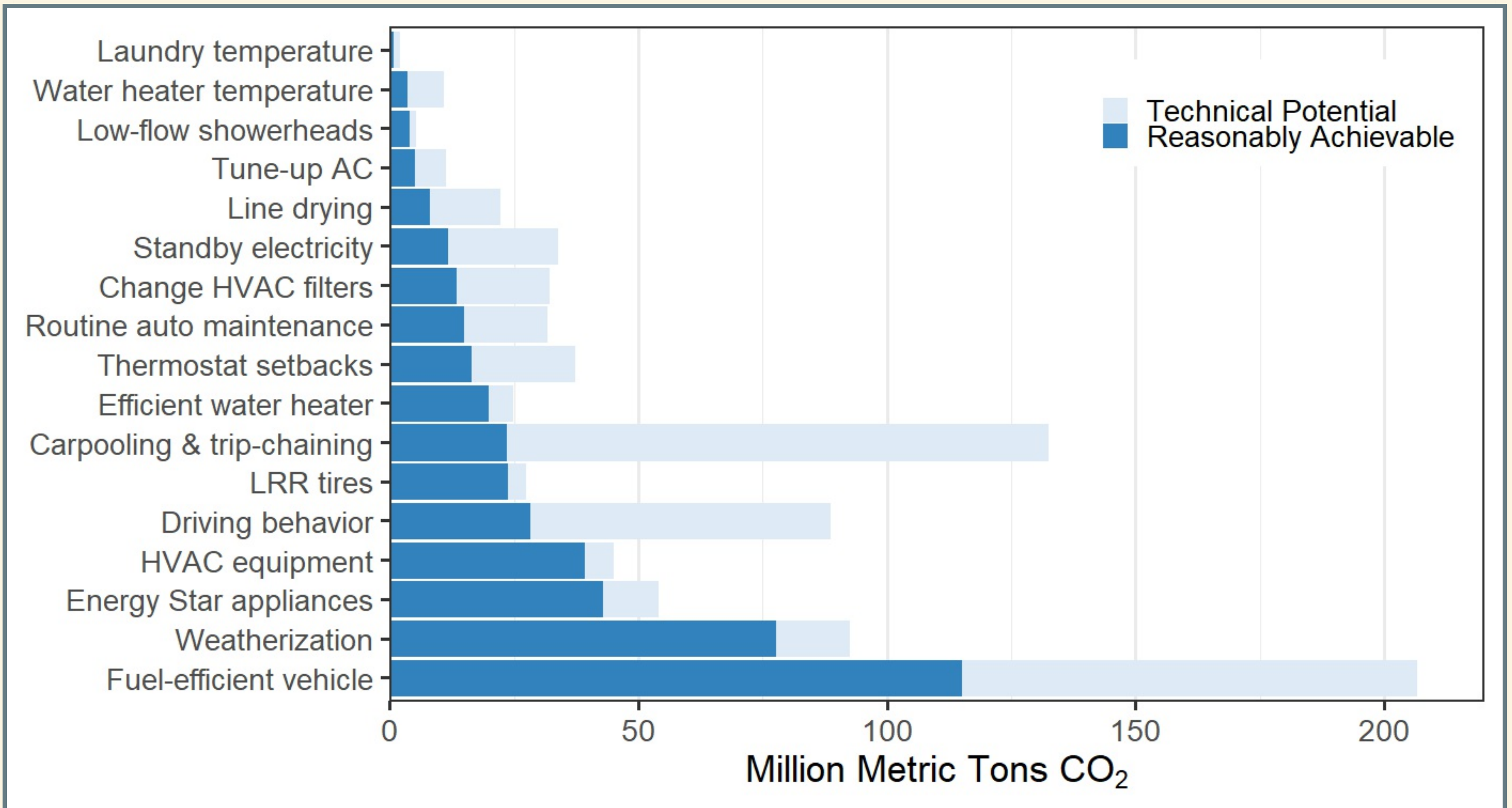
CO₂ emissions by sector of emitter



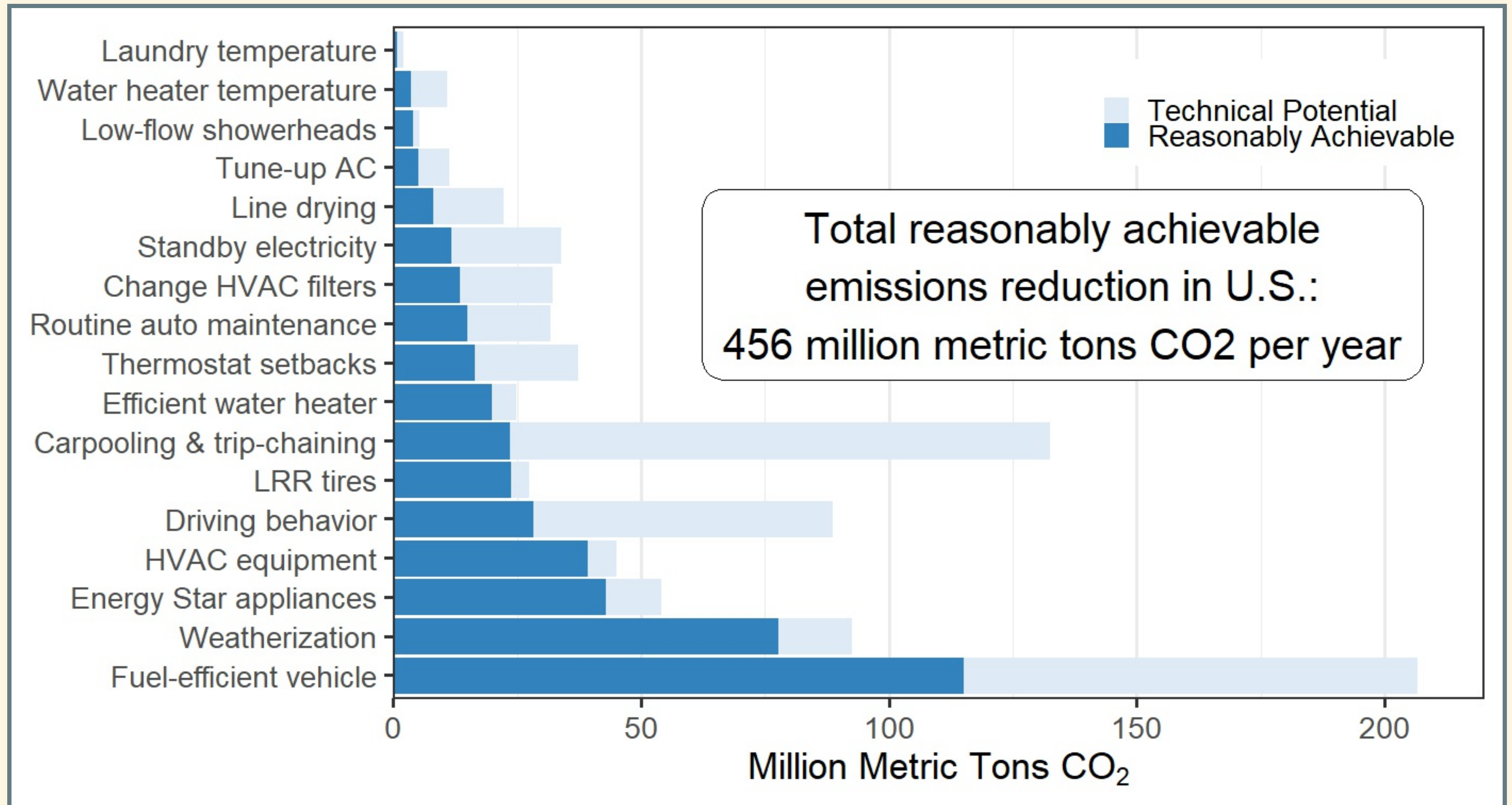
CO₂ emissions by sector of user



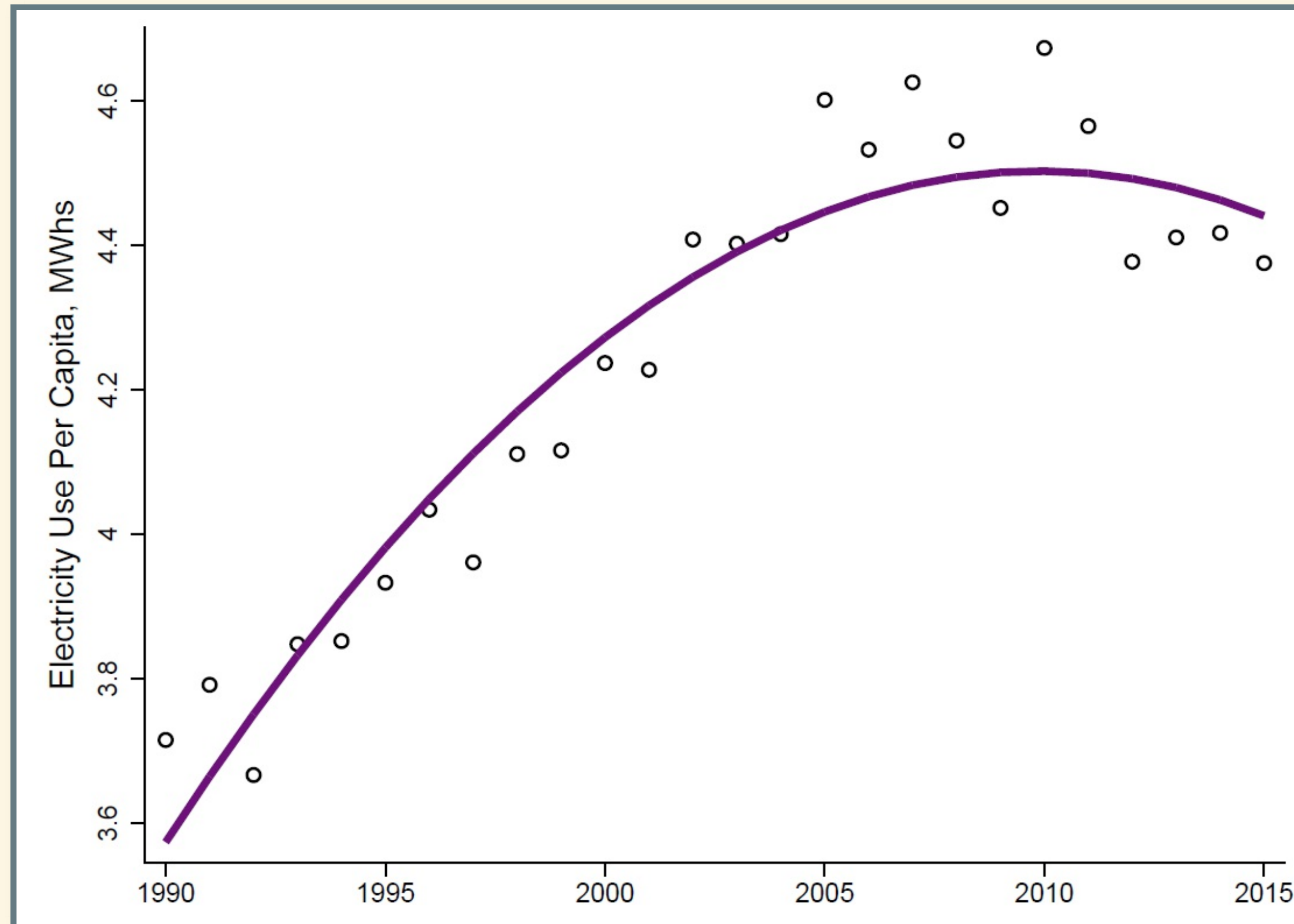
Behavioral Wedge Analysis



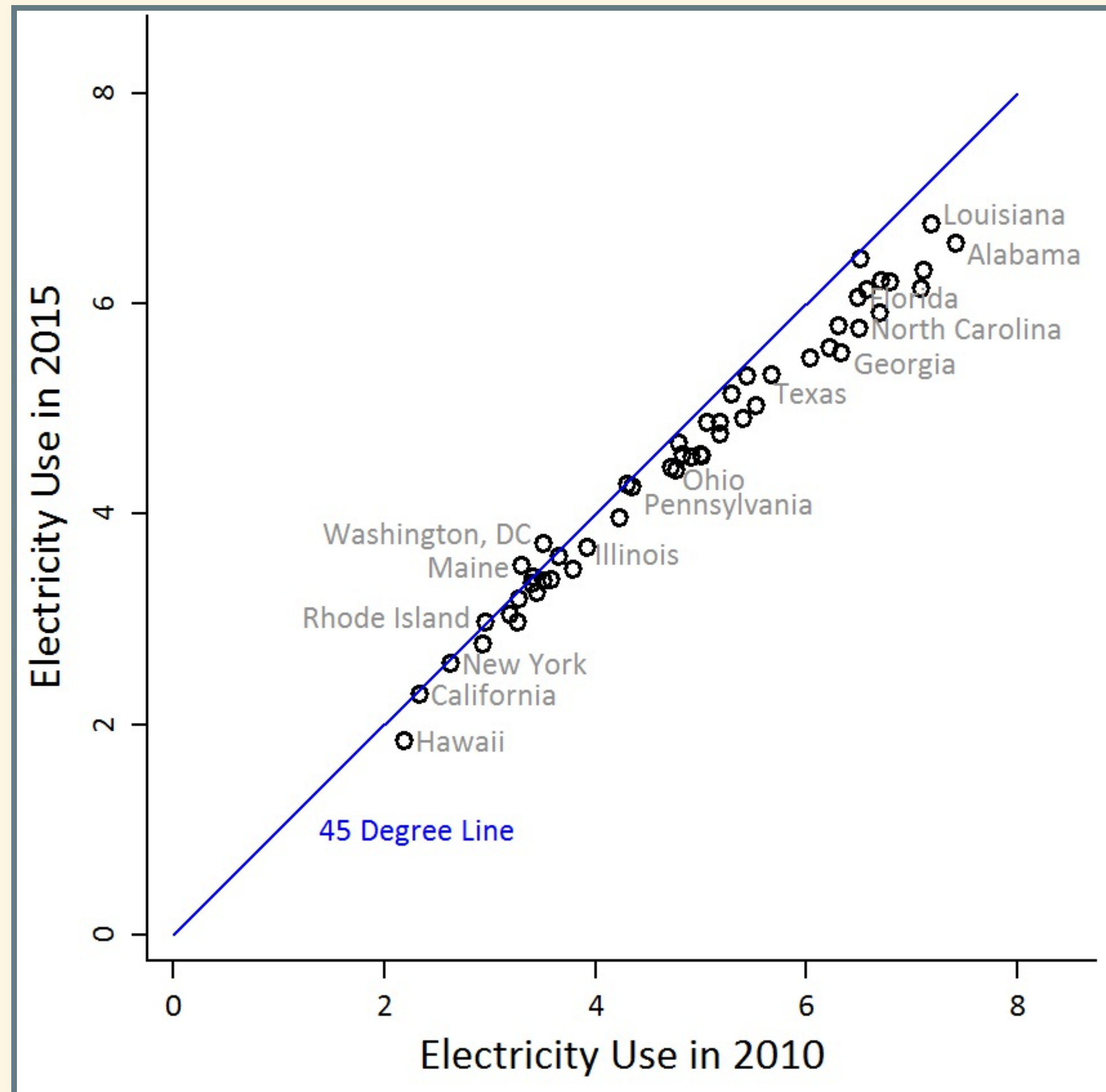
Behavioral Wedge Analysis



Recent Developments: Household Electricity Use



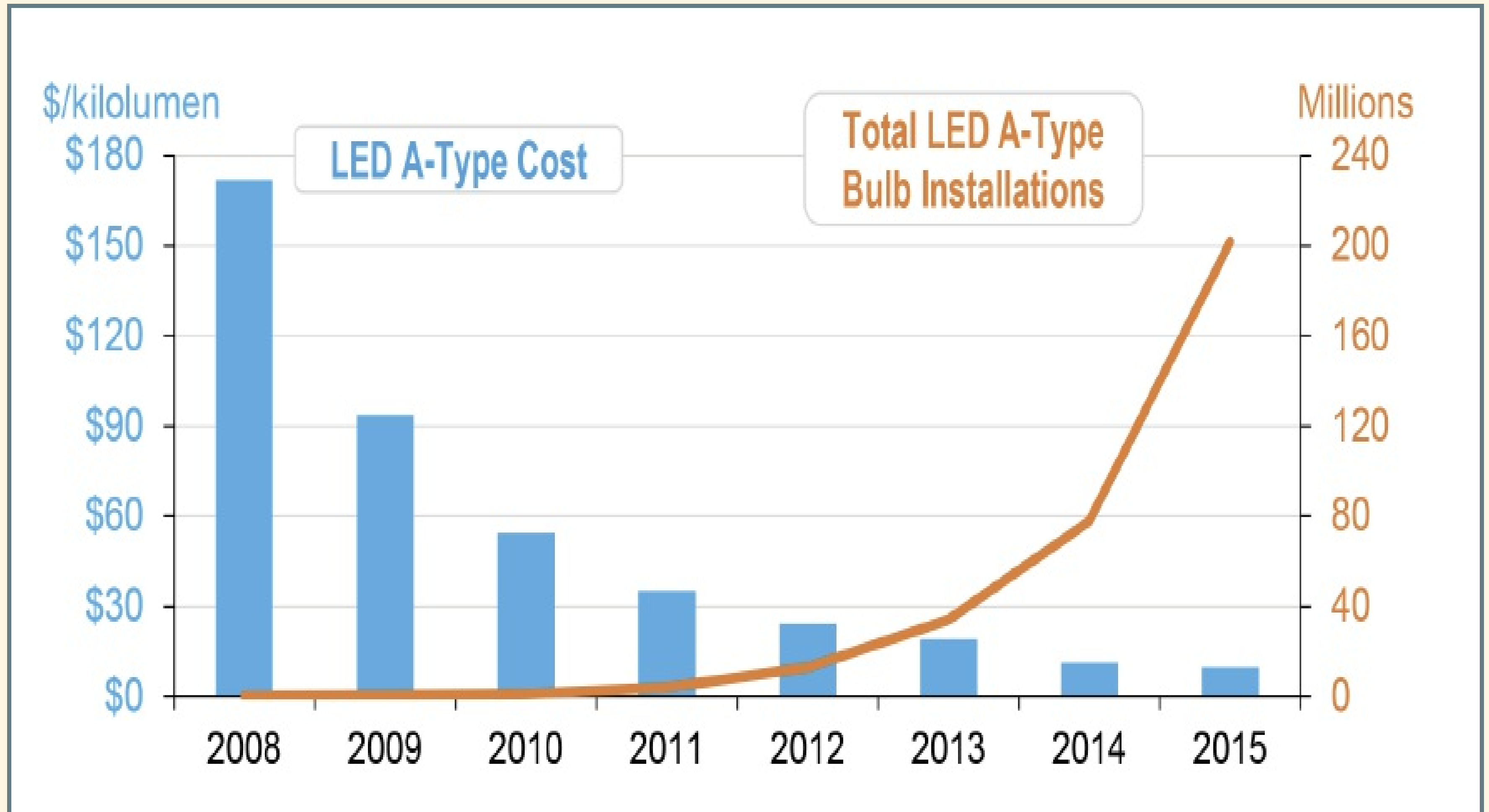
Reductions in 48 States



Private Governance

- 2007: WalMart sets and exceeds goal of selling 100 compact fluorescent light bulbs in one year.
 - Meets goal in 10 months
- 2011: WalMart launches competition among suppliers:
 - Best high-quality LED bulb under \$10: We will help you sell hundreds of millions!
- 2013: WalMart teams up with TCP to launch 60W equivalent bulb for less than \$9
- Replacing 5 most used bulbs in your house with LEDs will save around \$75/year

LED Light Bulb Sales



Conclusions

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- Private governance can likely reduce global emissions by more than 1 billion tons per year rapidly
- This isn't even close to solving the whole climate problem
- But it can help considerably, and buy time to enact other measures before it's too late.