

Microsoft

Microsoft Carbon Fee

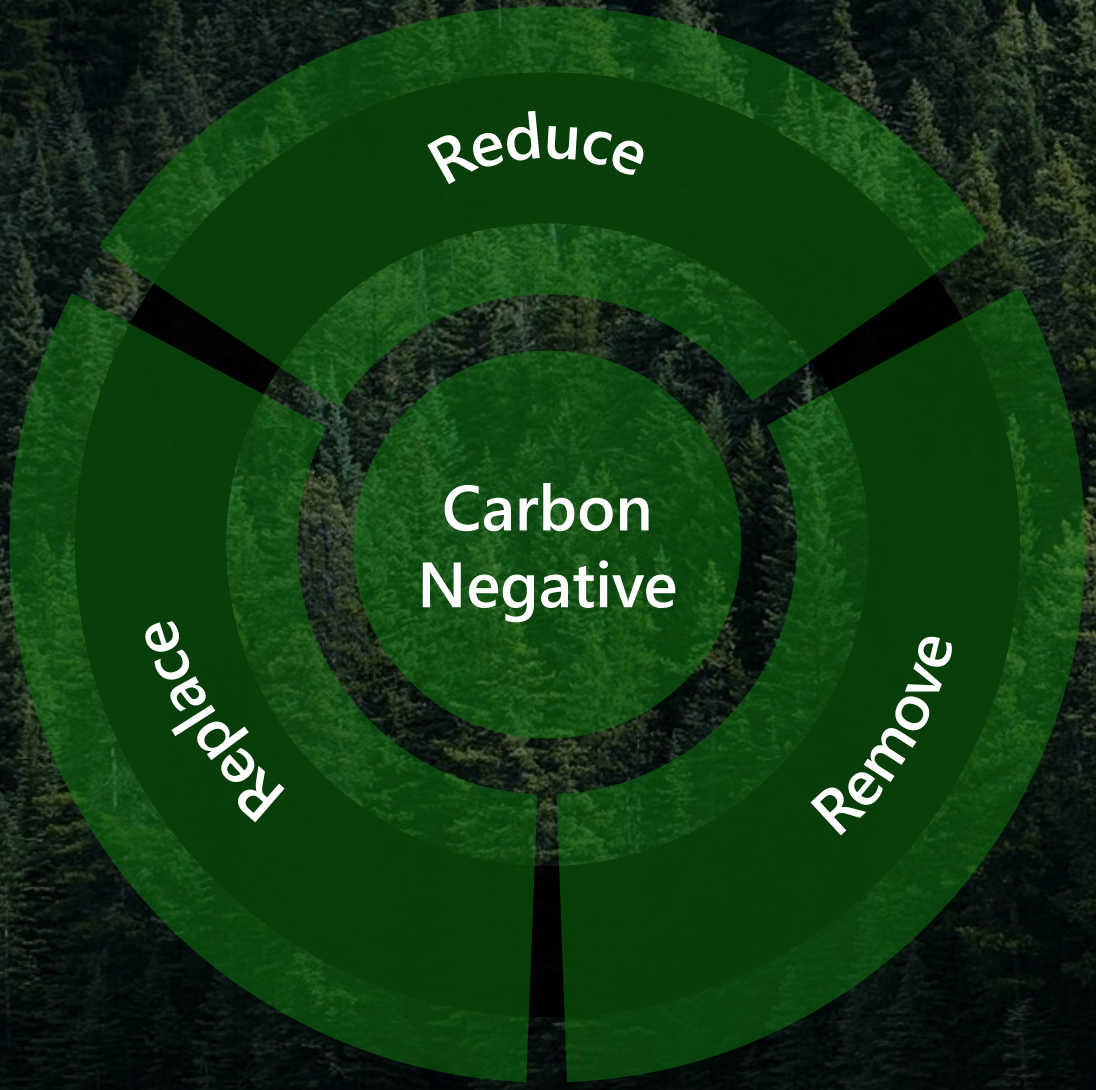
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Our approach



Carbon negative by 2030, cover historical emissions by 2050



REDUCE Scope 1 and 2 emissions to near zero, and Scope 3 emissions over half by 2030

\+ **REPLACE** all energy consumption with 100% renewable energy or sustainable fuel

\+ **REMOVE** carbon from the atmosphere through investment in carbon removal projects that cover the remaining emissions

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= ***Carbon negative*** Scope 1, 2, and 3 ***by 2030***
Then remove all historical emissions since 1975

Types of carbon pricing:

•**A shadow price** is a theoretical price on carbon that can help support long-term business planning and investment strategies. This helps a company prioritize low-carbon investments and prepare for future regulation. While the observed price range for companies using a shadow price is from $2-$893 per ton, most companies use a shadow price higher than the current government levels of $10 per ton.

•**An implicit price** is based on how much a company spends to reduce greenhouse gas emissions and/or cost of complying with government regulations. For example, it can be the amount a company spends on renewable energy purchases or compliance with fuel economy standards. It helps companies identify and minimize these costs, use the information gained from this to understand their own carbon footprint. For some companies, an implicit carbon price can set a benchmark before formally launching an internal carbon pricing program.

•**An internal carbon fee/tax** is a monetary value on each ton of carbon emissions, which is readily understandable throughout the organization. The fee creates a dedicated revenue or investment stream to fund the company's emissions reduction efforts. The observed price range for companies using an internal carbon fee is from $5-$20 per metric ton.

Source: Internal Carbon Pricing | Center for Climate and Energy Solutions (c2es.org)



We want our carbon fee to be enough to drive the right behavior—but no more

Incentivize change

Levied an internal carbon tax across our businesses in 2012

Used funds generated from the tax to invest in reducing carbon emissions

Innovation funded by carbon tax includes:

- **Purchase of renewable energy**
- **Smart buildings projects**
- **AI for Earth program**

Increased tax in 2019 to

$15 per metric ton.

Expanded tax

to cover more scenarios in 2020.

Integrate everywhere

1 Organizational carbon reduction policy



- Human resources
- Accounting & finance
- Legal
- Product development
- Sales & marketing
- Customer service

mtCO2e emissions allocated by group

2 Price on carbon

Energy emissions X carbon price for energy emissions = carbonfee

+

Other emissions X carbon price for energy emissions = carbonfee

3 Carbon fund investment strategy

Internal efficiency initiatives
Green energy
Carbon offset projects



Central fund carbonfee