

# Evaluating transformation of business models to achieve the 1.5°C target

## 1. State-regulated high-emission choice editing

To reduce the negative climate effects, the use of some products and services with very high emission intensity could be limited. State-enforced choice editing is a policy initiative that limits or prohibits the use or provision of certain products and services to reduce environmental harms and improve human health.

Arguments for	Arguments against
Sustainable consumption and public health can be promoted on a national scale	Individuals' autonomy can be reduced by banning choices that are essential to their lifestyles
Fair competition and innovation leadership can be promoted by adopting the same environmental requirements for all companies in the region	The administrative costs required by the regulation process may reduce SMEs' investment in innovation and their international competitiveness
Can mitigate the external social and environmental costs felt most by communities at the highest risk of climate change and increased pollution	Black and grey markets that circumvent restrictions may be encouraged

## 2. Voluntary choice editing of high-emission products

The transition to low-emission products and services can also be voluntary. Voluntary choice editing means that companies change their product and service offer or marketing strategies to promote more sustainable or socially responsible consumption. For example, companies can eliminate the use of single-use plastics, restaurants can offer more plant-based food or deposit containers for takeaway, and electronics companies can offer more energy-efficient and repairable products.

Arguments for	Arguments against
The quality of companies' internal ethical and environmental standards can be improved	There may be potentially little impact if low carbon choices are not highly valued in the ethical and environmental standards of the industry and region
Availability of low-emission products and services can be promoted	May depend on demand, the lack of which may lead to a return to higher emission goods and services
A strong brand can be created that becomes an internationally recognized market leader with a reputation for low environmental impact	It may be that low-carbon choices remain in the more expensive segment of the market because they serve a specialist market with a high level of product expertise and income



### 3. Direct or indirect public subsidies for low-carbon choices

One way to make low-carbon choices more affordable is to directly or indirectly subsidize them. Direct subsidies include financial support to customers for low-carbon choices. Indirect subsidies include financial incentives for companies, incl. tax incentives for research and development to encourage companies to invest in innovation and the production of low-carbon goods and services.

Arguments for	Arguments against
Can encourage companies to switch to low-emission goods and services	May distort the market and promote inefficient use of resources by prioritizing certain goods and service
Availability of low emission goods and services can be promoted	State investment in other public services may be reduced
Innovation and international competitiveness can be fostered as companies strive to create low-emission solutions	It may be that companies exploit subsidies to increase their profits with low social returns

### 4. Overseeing a company culture based on non-financial goals

One of Research shows that increasing profit in certain contexts can come with social and environmental costs, which in various ways can harm the company itself. Therefore, many companies are paying more attention to their non-financial goals. Also, the role of social enterprises is growing, which includes, e.g., enterprises renovating buildings whose renovation is not considered financially feasible by profit-oriented companies. The accounting of the company's non-financial goals includes environmental and social goals (triple bottom line), which may not have a direct relationship with the company's turnover and profit.

Arguments for	Arguments against
Resource consumption can be reduced, which also results in higher company efficiency	Environmental goals may be under-prioritized in preference to economic and social ones
Can contribute to the reduction of negative environmental impacts and emissions, as well as the well-being of employees and customers throughout the supply chain	Can be difficult to calculate and compare across business sectors
A company's sustainability, resilience and reputation can be increased by keeping a closer look at the environmental and social conditions that the company has an impact on and benefits from	Greenwashing can be promoted by the company emphasizing in its internal and public communications activities that have little impact on reducing emissions



## 5. Higher taxes on natural resources and pollution

Various taxes on natural resources operate in European countries, but there is extensive debate about how high they should be in order to significantly reduce emissions. There is a growing recognition that maintaining low taxes on natural resources and pollution comes with significant environmental costs that affect everyone. At the same time, their increase may have negative social consequences.

Arguments for	Arguments against
Resource depletion, emissions and pollution can be reduced	Financial, social and natural resource access burdens can increase for low-income households
Economic and infrastructural transformation can be facilitated by investing tax revenues in sustainable solutions	Relocation of companies to countries with lower resource and pollution taxes can be encouraged
Innovation can be encouraged as companies strive to create less polluting and more efficient solutions	Small and medium-sized businesses, which face increased costs, may be more negatively affected

## 6. Public procurement only for low-carbon products and services

Public procurement has a major impact on demand and opportunities to drive innovation and economic transformation. Price as the main criterion can contribute to low environmental standards and high demand for emission intensive products and services. At the same time, public institutions can set high environmental requirements or purchase energy-efficient appliances, sustainable building materials, low-carbon cars or low-carbon food products. Also, innovation and pre-commercial procurement can be applied and prioritized, during which it is possible to create solutions that do not yet exist on the market.

Arguments for	Arguments against
Emissions can be reduced by creating demand for low-carbon products and services	Failure to evaluate how some low-carbon products and services create other social and environmental impacts, such as biodiversity, can have unintended consequences
A country's purchasing power can be used to stimulate change in industries where it would otherwise not occur	State funds can be used inefficiently by investing in solutions whose returns have not been fully explored
Innovation and international competitiveness can be promoted by companies being competitive in procurement only by offering low-carbon products and services	The competitiveness of small and medium-sized enterprises with low opportunities to invest in research and development can be reduced



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