

# Carbon-related instruments – companies' perspectives and relevant implications.

# Methodology and acknowledgements.

Research by ACCA and the Adam Smith Business School of University of Glasgow examined the narrative and financial statement parts of the annual reports of 300 companies operating globally in ten subsectors (as identified in the Industry Classification Benchmark (ICB)) with high carbon emissions for the period 2020 to 2022: Airlines, Aluminum, Cement, Chemicals: Diversified, Conventional Electricity, Glass, Integrated Oil and Gas, Iron and Steel, Multi-utilities, and Pipelines. For the research questions and details on the methodology, refer to section 1.3 and chapter 3 of the research report, [Reality of Accounting for Carbon-related Instruments](#) (Baboukardos et al. 2025).

Two online polls were conducted on LinkedIn in October 2024 to gather the public’s sentiments on using carbon credits and their willingness to absorb the cost.

We acknowledge and thank all these individuals who provided us with invaluable insights during our global roundtables and interviews in November 2024, which enabled the writing of this series of articles and the accompanying examples.

|                                       |                                      |                                           |
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# 1.1 Introduction

**In response to demands to tackle climate change, an increasing number of companies across the world participate in carbon markets to reduce their carbon emissions, either because of national or supranational regulations or voluntarily.**

This series of articles will help our community of accountants, finance professionals and other stakeholders in the corporate reporting ecosystem to understand the growing importance of carbon-related instruments and the current landscape for the accounting for and reporting of these instruments.

This article explores the perspectives of companies that engage with carbon-related instruments, presumably to manage their impact on climate change, and the implications of engaging with these instruments for the company, its employees and customers.

A second article in this series, [Carbon-related instruments – considerations for accounting treatments](#), explores the considerations for accounting and reporting of carbon-related instruments (Saw 2025). That article also provides recommendations for interventions by specific groups of stakeholders to help everyone understand the nature, function and financial effects of engaging with these instruments.

These articles draw insights from research by ACCA and the Adam Smith Business School of University of Glasgow, which produced the research report, [Reality of Accounting for Carbon-related Instruments](#) (Baboukardos et al. 2025), online polls in October 2024, and roundtables and interviews conducted in November 2024. Throughout these articles, ‘our research’ refers to these activities, collectively. See [Methodology and acknowledgements](#).

Anonymised anecdotes and examples gathered from global roundtables and interviews with accountants, finance professionals and various experts are used to illustrate the practical implications of the research findings. These anecdotes and examples have been edited for conciseness and clarity.

The perspectives and considerations expressed in these articles focus primarily on reporting in accordance with the IFRS Accounting Standards.

# 1.2 What are carbon-related instruments?

In broad terms, carbon emissions are priced within carbon markets and companies can use instruments such as carbon allowances and carbon credits to reduce their carbon emissions. These instruments are created and traded in compliance or voluntary markets. The rise of carbon markets in different parts of the world has created a plethora of different instruments which may vary both in substance and intended use. In our research, these instruments are collectively described as ‘carbon-related instruments’.

## Useful reference

You may read about carbon markets and why they exist in this report published by Chartered Professional Accountants of Canada (CPA Canada), International Federation of Accountants (IFAC) and Institute for Sustainable Finance (ISF): [Understanding Voluntary Carbon Markets](#) (Tang et al. 2024). Appendix A in that report presents a simple life cycle of carbon credits, from generation to retirement.

You may read about carbon pricing and how it works in this online article by the United Nations Framework Convention on Climate Change, which is presented as frequently asked questions (FAQs): [‘About Carbon Pricing’](#) (UNFCCC n.d.).

This article by Climate Impact Partners (2025), [Carbon Credits Explained](#), explains the types of projects that generate carbon credits, the factors determining the quality of a carbon credit, and considerations for investing in carbon credits.

# 1.3 Why care about carbon-related instruments?

The overall carbon marketplace is in a dynamic state of growth with an uneven level of maturity seen across the compliance and voluntary carbon markets (ICAP 2024).<sup>1</sup>

Companies that use carbon-related instruments normally purchase these instruments from carbon markets. While some companies receive carbon-related instruments from the government at no cost, the number of instruments available for such allocation will reduce over time.<sup>2</sup>

Using purchased carbon-related instruments adds to the cost of doing business and these instruments could cost more in the future.

For example, the annual average price of allowances in the EU Emissions Trading System (EU ETS) has increased from €24.61 in 2020 to €83.66 in 2023 (Statista 2024). In 2024, Global Markets Insights valued the global voluntary carbon credit market at \$1.7bn and the market is estimated to grow at a compound annual growth rate of 25% from 2025 to 2034, reaching \$15.7bn in 2034 (GMI 2024). In addition, BloombergNEF estimates the price of carbon credits could reach \$238 per tonne in 2050 (in one of its scenarios) which would value the market at \$1.1 trillion annually (BNEF 2024). In practice, this may depend on the strength of demand and the credibility of carbon credits.



<sup>1</sup> In February 2024, there were 36 mandatory carbon markets in force around the world (covering 18% of carbon emissions worldwide at the time) and another 22 at various stages of consideration and development, particularly in key emerging economies, such as Mexico and Brazil in Latin America and China, India and Indonesia in the Asia Pacific region (ICAP 2024: 4).

<sup>2</sup> For example, the EU ETS began in 2005 and requires polluters to pay for their greenhouse gas (GHG) emissions. Some companies receive an allocation of carbon allowances free of charge, though the default method for acquiring the carbon allowance is through auctions. More information is available at [About the EU ETS](#) (European Commission n.d.).

# 1.4 Drivers for engaging with carbon-related instruments

‘We use carbon credits or allowances to fulfil obligations arising from regulatory programmes in the jurisdictions that we operate in.’

‘We’re currently driven by regulation to cap or reduce carbon emissions in the UK and Australia. In 2023, Australia introduced regulation to reduce carbon emissions by 43% by 2030 and then to net zero by 2050. Purchase of carbon credits is driven by compliance. It’s too soon to say whether there will be a spillover effect to voluntary purchasing of carbon credits.’

A synthesis of comments from roundtable participants

Unsurprisingly, compliance with regulations is a common driver for engaging with carbon-related instruments. In fact, most of the companies in our research that disclosed their participation in a carbon market are headquartered in Europe, where the EU ETS operates.<sup>3</sup>

Seeing more companies in Europe than in other regions participate in carbon markets suggests that maturity and regulation of carbon markets may encourage more

companies to participate in these markets and engage with carbon-related instruments. Sound regulation is important to safeguard the credibility of carbon-related instruments.<sup>4</sup> The absence of a single uniform global scheme for each type of carbon market potentially raises regulatory concerns and affects the level of transparency and integrity of carbon-related instruments. We also encountered concerns about the effects of regulation on the cost of carbon-related instruments, which may affect their accessibility.

‘Compliance with regulations is a common driver for engaging with carbon-related instruments.’

<sup>3</sup> See Appendix D in the research report, [Reality of Accounting for Carbon-related Instruments](#) (Baboukardos et al. 2025).

<sup>4</sup> The Integrity Council for the Voluntary Carbon Market (ICVCM) seeks to improve integrity in the voluntary carbon market. The ICVCM assesses carbon-crediting programmes and categories of credits for adherence to its Core Carbon Principles Assessment Framework, which defines what constitutes a high-integrity carbon credit (ICVCM n.d.).

‘When the production of carbon credits is regulated, it drives up the cost of production and translates to higher costs to companies.’

‘Regulations should be set in such a manner that will motivate companies to reduce emissions and so that they will need to buy carbon credits only if they exceed a threshold. So, buying carbon credits should naturally be expensive to deter companies from exceeding the threshold.’

A synthesis of comments from roundtable participants

Some companies engage with carbon-related instruments voluntarily to offset their carbon emissions that cannot yet be reduced. Companies do this, for example:

- to demonstrate the company’s commitment to reducing carbon emissions
- for reputational gain from promoting the company’s products as ‘carbon neutral’.

Companies operating within a sector may work collectively to reduce carbon emissions. Such an initiative may begin voluntarily and eventually become mandatory for companies meeting specific conditions. For example, the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) for airlines has been adopted by the International Civil Aviation Organization (ICAO) to address CO<sub>2</sub> (carbon dioxide) emissions from international aviation, including carbon offsetting and removal (IATA 2024).

‘Sound regulation is important to safeguard the credibility of carbon-related instruments. The absence of a single uniform global scheme for each type of carbon market potentially raises regulatory concerns and affects the level of transparency and integrity of carbon-related instruments.’

The following comments from roundtable participants shed more light on the drivers for companies engaging with carbon-related instruments.

- ‘Carbon credits are used as temporary or intermediary measures to offset carbon emissions that could not yet be reduced, while the company invests in plant and equipment that reduce carbon emissions through consuming less energy or consuming non-carbon-based fuel. Our customers are more willing to absorb costs related to improving efficiency rather than absorbing costs of carbon credits.’
- ‘There are companies in Canada investing in carbon removal projects that generate carbon credits. The carbon credits generated by these projects help the company meet its net zero goal. These are usually long-term agreements.’
- ‘Nature-based projects have other benefits besides reducing CO2 in the atmosphere. They may help restore the biodiversity of the surrounding area and the carbon credits help to partially fund a project’s cost. One nature-based project wasn’t originally planned to produce carbon credits; it was supposed to reduce CO2 by 80 metric tonnes, but the credits became a byproduct.’
- ‘The purpose of producing or using carbon credits is also a business objective, much like “what’s in it for me?” It helps to gain or maintain access to markets, provides reputational advantage and generates revenue.’

A synthesis of comments from roundtable participants and interviewees

A company may participate in more than one carbon market and engage with several carbon-related instruments. This has implications for the accounting and reporting of carbon-related instruments, both within and outside the financial statements. For example, it could affect presenting the connections between a company’s strategy for managing its carbon emissions, the actions taken and the financial effects of such actions, in its annual report. These elements are explored in our second article, [Carbon-related instruments – considerations for accounting treatments](#) (Saw 2025).

 **Useful reference**

Read about how voluntary carbon credits are used in Canada and around the world, the types of carbon offset projects, and the extent to which carbon credits are offset against companies’ total emissions in this report by CPA Canada, IFAC and ISF, [Global & Canadian Use of Voluntary Carbon Credits and the Related Financial Accounting and Disclosure Considerations](#) (CPA Canada et al. 2024).

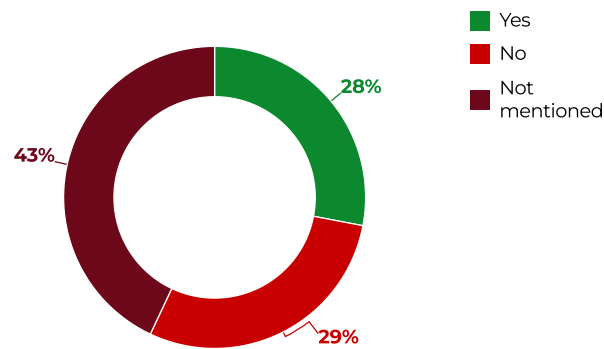


# 1.5 The use of carbon-related instruments is not yet pervasive but is expected to grow

Among the 300 companies in our research, only 84 (ie 28% of our sample) disclose in the narrative part of their annual report their participation in a carbon market, even though these companies operate in subsectors with high carbon emissions (see Figure 1.1). Even fewer companies disclose information about their engagement with voluntary carbon credits and the use of internal carbon pricing (ICP). Nonetheless, 20 companies express their interest in participating in a carbon market in the future. See section 4.1 of the research report for details (Baboukardos et al. 2025).

Perhaps the use of carbon-related instruments is not yet widely accepted by the public. Figure 1.2 illustrates the mixed views of respondents on using carbon credits (a type of carbon-related instrument) to offset carbon emissions.

Figure 1.1: Percentage of sample companies participating in one or more carbon markets

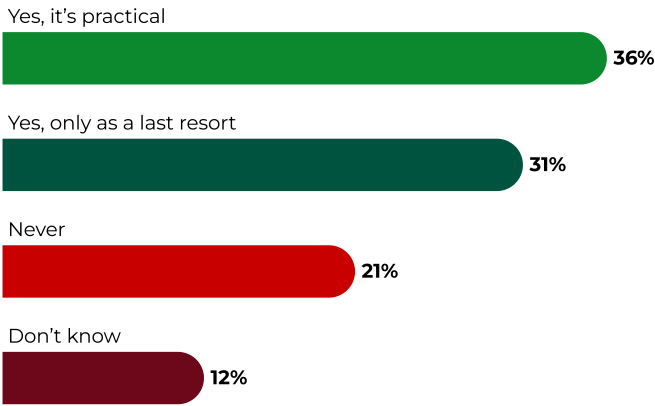


Source: Baboukardos et al. 2025: 14

People who support the use of carbon credits see it as practical but almost half of them say it should be used as a last resort. The latter is important for sectors whose carbon emissions are difficult to remove entirely.

It's important to acknowledge that 21% of respondents considers offsetting carbon emissions is never an acceptable business practice. These respondents could be existing or potential customers, employees, suppliers, investors or lenders. So, companies need to tread carefully to understand their concerns in order to maintain access to the resources these stakeholders provide.

Figure 1.2: Is offsetting a company's carbon emissions using carbon credits an acceptable business practice?



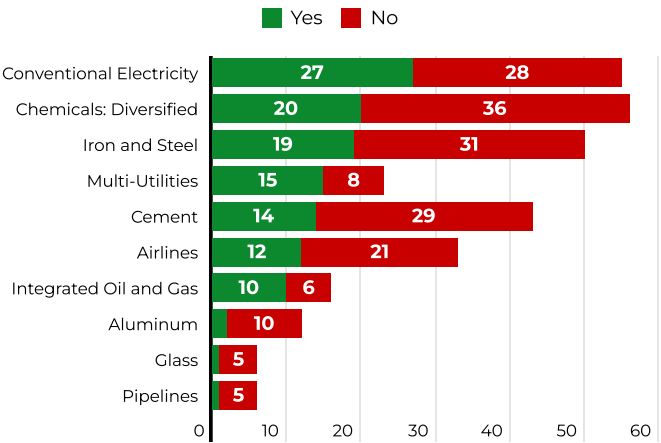
Source: ACCA (2024a), 910 responses

# 1.6 The use of carbon-related instruments is not concentrated in any subsectors

Only 121 companies (ie 40% of the sample) refer to carbon-related instruments in their financial statements (Baboukardos et al 2025). These companies, and thus their engagements with carbon-related instruments, are not concentrated in any subsectors (see Figure 1.3). Therefore, efforts to raise awareness and improve the reporting of carbon-related instruments should be made across all sectors. Collaboration among peers in the same subsector who share a common purpose for engaging with carbon-related instruments will help promote consistency of accounting treatments and reporting of information about these instruments. See section 4.4 of the research report for details (Baboukardos et al. 2025).

‘Collaboration among peers in the same subsector who share a common purpose for engaging with carbon-related instruments will help promote consistency of accounting treatments and reporting of information about these instruments.’

Figure 1.3: Number of companies that mention carbon-related instruments in their financial statements (Yes) and those that do not (No) (by subsectors)



Source: Baboukardos et al. 2025: 21

# 1.7 Implications of engaging with carbon-related instruments

Engagement with carbon-related instruments is often linked to managing a company’s exposure to climate-related risks. Companies are often asked ‘*how much does reducing carbon emissions cost the company?*’

## 1.7.1 The cost of reducing carbon emissions

Reducing carbon emissions or removing CO2 from the atmosphere incurs various costs. Not all companies are able or willing to absorb the entire costs for such activities. Some carbon-related instruments (such as carbon credits) offer an alternative whereby companies can pay other companies to carry out such carbon reduction or removal activities.

For some companies, carbon-related instruments have become a significant expenditure (as high as 6.8% of total assets). Nonetheless, the significance of carbon-related instruments (value of the instrument compared with total assets or revenues) varies considerably among

sample companies. At this point, it’s not conclusive that the value of carbon-related instruments is significant for all companies (see Table 1.1). See section 4.4.2 of the research report for details (Baboukardos et al. 2025).

The fact that some companies disclose information about carbon-related instruments even though their values appear to be insignificant (<0.01%) compared with their total assets or total revenues indicates that magnitude is not the sole determinant for recognition and disclosure of these instruments.

Disclosing information about how the company engages with carbon-related instruments and the related financial information enables users to evaluate the financial effects of engaging with these instruments and make informed decisions.

Users who consider such information as material information should proactively engage with companies on their accounting and reporting practices.

**‘The fact that some companies disclose information about carbon-related instruments even though their values appear to be insignificant (<0.01%) compared with their total assets or total revenues indicates that magnitude is not the sole determinant for recognition and disclosure of these instruments.’**

**‘Users want to understand the company’s transition plan for achieving net zero. But preparers are struggling between quantitative and qualitative factors when assessing the materiality of information about carbon-related instruments. We face the same challenge in accounting for and reporting of intangibles.’**

**‘Investors said they need information about our carbon reduction strategy and whether and how carbon allowances/credits are used. The use of carbon credits is seen as part of the delivery of the company’s strategy. They also want our ESG [environmental, social and governance] data. We provide this information outside the financial statements.’**

A synthesis of comments from roundtable participants

Table 1.1: Significance of carbon-related instruments in financial statements

| RECOGNISED VALUES                   | FREQ. | MEAN  | MEDIAN | MIN    | MAX   |
|-------------------------------------|-------|-------|--------|--------|-------|
| <i>% of total assets</i>            |       |       |        |        |       |
| Inventories                         | 17    | 0.67% | 0.51%  | 0.02%  | 2.23% |
| Intangible assets                   | 15    | 1.05% | 0.27%  | <0.01% | 6.80% |
| Other assets                        | 8     | 1.29% | 1.22%  | 0.03%  | 3.74% |
| Financial assets                    | 6     | 0.04% | 0.09%  | <0.01% | 0.37% |
| Provisions                          | 22    | 1.26% | 0.69%  | 0.10%  | 4.10% |
| Deferred income / government grants | 2     | 0.96% | 0.96%  | 0.82%  | 1.09% |
|                                     |       |       |        |        |       |
| <i>% of total liabilities</i>       |       |       |        |        |       |
| Provisions                          | 22    | 1.97% | 0.86%  | 0.19%  | 5.60% |
| Deferred income / government grants | 2     | 2.18% | 2.18   | 2.12%  | 2.24% |
|                                     |       |       |        |        |       |
| <i>% of revenues</i>                |       |       |        |        |       |
| Income / revenues                   | 9     | 0.30% | 0.08%  | <0.01% | 0.83% |
| Expenses                            | 8     | 1.91% | 1.18%  | 0.02%  | 6.82% |

Source: Baboukardos et al. 2025: 29

1.7.2 Making sense of a variety of terms describing carbon-related instruments

Our research revealed that a variety of terms are used to describe carbon-related instruments (see Table 1.2). While some terms are frequently associated with one type of carbon market, such as ‘allowance’ in the compliance carbon market and ‘credit’ in the voluntary carbon market, these associations are not always obvious. Several terms in Table 1.2 remain unclear, as their nature and purpose could not be evaluated because no definitions are provided by the companies that used them (eg ‘carbon certificates’).

We also observed variations in each term both within and across companies. For instance, the most commonly used term, ‘allowances’, had 13 different variations (eg ‘carbon allowances’, ‘emission trading allowances’, ‘EUAs allowances’). **Using variations of the same term adds an extra layer of difficulty for users trying to understand the accounting treatments and thus the financial implications of the underlying instruments. It’s unrealistic to expect users and other stakeholders in the corporate reporting ecosystem to be familiar with a variety of terms and their respective markets.** See section 4.4 of the research report for details (Baboukardos et al. 2025).

‘While some terms are frequently associated with one type of carbon market, such as ‘allowance’ in the compliance carbon market and ‘credit’ in the voluntary carbon market, these associations are not always obvious.’

‘The wide range of descriptions observed makes it difficult to understand what’s going on. This issue is more profound where a preparer generates and purchases carbon credits and uses a variety of terms. It’s difficult for the user to understand the financial effects.’

‘Carbon allowances and carbon taxes operate in a different way, but we’ve seen these terms used interchangeably. It’s confusing!’

‘Carbon credits are used in both compliance and voluntary schemes. It’s confusing when a company has both instruments at the same time.’

‘Using different terms in different jurisdictions – or within the same jurisdiction – could lead to different accounting treatments and confusion.’

A synthesis of comments from roundtable participants

Table 1.2: Frequency of terms used to refer to carbon-related instruments in financial statements

| TERM                                                                                                                                                                                   | FREQ. |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|
| <b>Allowances:</b> (Carbon, Carbon dioxide, CO2, Emissions, Carbon emissions, CO2 emissions, Greenhouse gas emission, GHG emissions, Emissions trading, ETS, EUAs, UKAs, Certificates) | 127   |
| <b>Rights:</b> (Carbon, Carbon dioxide, CO2, Emissions, Carbon emissions, CO2 emissions, Emissions, Greenhouse gas, Allocation)                                                        | 85    |
| <b>Certificates:</b> (Carbon, CO2, CO2 Emissions, Emissions, Certified Emission Reduction, Ex-Green, Grey, Energy, Energy efficiency, Verified emission reduction)                     | 36    |
| <b>Price:</b> (Carbon, Carbon emissions, CO2, Emissions)                                                                                                                               | 31    |
| <b>Credits:</b> (Carbon, Emissions, Emissions Trading Scheme, Australian carbon credit units, Offset)                                                                                  | 30    |
| <b>Cost:</b> (Carbon, Carbon emission, CO2, CO2 emission, Emissions, Greenhouse gas emission)                                                                                          | 19    |
| <b>Quotas:</b> (Carbon, Carbon dioxide, CO2, CO2 allocation, Emissions, Upstream emission reduction)                                                                                   | 17    |
| <b>Tax:</b> (Carbon, CO2, Tax on emissions)                                                                                                                                            | 13    |
| <b>Liabilities:</b> (Carbon, Emissions, Emission obligations, Environmental, Liability towards CO2 emissions)                                                                          | 11    |
| <b>Permits:</b> (Carbon, CO2, Emissions, Emission Unit, Greenhouse gas emission)                                                                                                       | 8     |
| <b>Offsets:</b> (Carbon, CO2)                                                                                                                                                          | 5     |
| <b>Other:</b>                                                                                                                                                                          | 12    |
| Carbon emission fees                                                                                                                                                                   | 2     |
| Carbon/Emissions trading                                                                                                                                                               | 2     |
| Carbon bonds                                                                                                                                                                           | 1     |
| Carbon compensation                                                                                                                                                                    | 1     |
| Carbon compliance                                                                                                                                                                      | 1     |
| Emission units                                                                                                                                                                         | 1     |
| Emission charges                                                                                                                                                                       | 1     |
| Carbon licences                                                                                                                                                                        | 1     |
| Environmental securities                                                                                                                                                               | 1     |
| Verified Carbon Units                                                                                                                                                                  | 1     |

Source: Baboukardos et al.2025: 20



Useful reference

Read about compliance and voluntary carbon markets in these reports by the International Organization of Securities Commissions (IOSCO): ■ [Compliance Carbon Markets](#) (IOSCO 2023) ■ [Voluntary Carbon Markets](#) (IOSCO 2024).

### 1.7.3 Compliance with tax regulations

The tax treatment of carbon-related instruments is often unclear. This can compromise companies' ability to be confident that they are fully compliant with tax regulations in all the jurisdictions in which they operate. For example, it's unclear whether carbon-related instruments should be treated as trading or capital items for corporate income tax purposes, or whether these instruments fall within the scope of value added tax or other consumption tax regimes, and if so whether they are treated as goods or services. In the context of corporate income tax, companies are uncertain whether expenditure relating to these instruments is deductible. Companies also want clarity on the tax treatment and the applicable tax rate on the gains from selling these instruments.

**A globally adopted set of principles for the taxation of carbon-related instruments would be beneficial for multinationals and tax authorities alike: one that is designed to ensure that sovereign tax systems maintain compatibility with each other to reduce administrative burdens and minimise the risk of double or non-taxation of carbon-related instruments.** This requires multilateral cooperation among tax authorities and taxpayers (eg companies) to sort out the principles for taxation of carbon-related instruments and defining, as clearly as possible, the instruments that are in-scope.

**‘You can’t tax something until it can be measured and then you can create a tax return form to process it on; working out which boxes you need for what numbers is impossible unless there is a common framework for measurement.’**

Jason Piper, Head of Tax and Business Law, ACCA

#### Useful reference

The [Inclusive Forum on Carbon Mitigation Approaches \(IFCMA\)](#) aims to optimise the global impact of emissions reduction efforts around the world through better data and information sharing, evidence-based mutual learning and inclusive multilateral dialogue in a non-negotiation setting. IFCMA brings together all relevant policy perspectives from a diverse range of countries to take stock of and consider the effectiveness of different carbon mitigation approaches, including both price-based and non-price-based, as tailored to different national circumstances (OECD n.d.).



# 1.8 Implications of engaging with carbon-related instruments for employees and customers

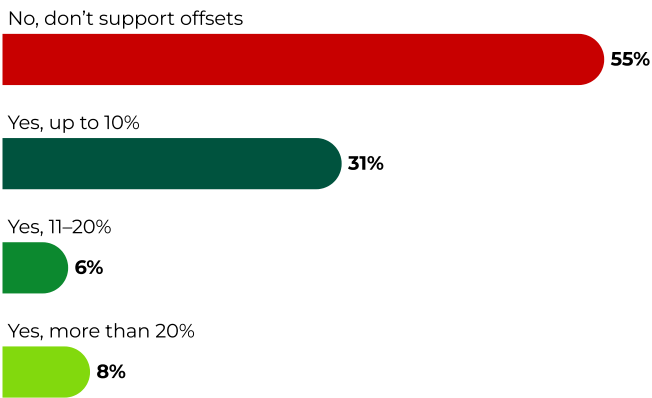
Engaging with carbon-related instruments could have different implications for employees. On the one hand, some employees see their company’s engagement with carbon-related instruments as taking action towards reducing its carbon emissions (often referred to as its ‘carbon footprint’). This can help to attract new talent and retain existing talent, though the carbon-related instruments need to be credible and should supplement the company’s other actions to reduce carbon emissions and not be the only action.

On the other hand, some employees are worried about the cost of engaging with these instruments. If the cost is not passed to customers, in whole or in part, employees may bear the cost through lower remuneration because of compressed margins.

Companies may be able to pass through part of the cost of carbon-related instruments to some customers, but they should err on the side of caution. When asked about willingness to pay more for goods and services that include the costs for carbon credits to offset carbon emissions, the majority of respondents to our poll were

unwilling to pay more (see Figure 1.4). This presents a contrast to the proportion of respondents who supported the use of carbon credits (see Figure 1.2).

**Figure 1.4: Would you pay more for goods and services that include the costs for carbon credits to offset carbon emissions?**



Source: ACCA (2024b), 1,029 responses

**‘Business-to-business (B2B) customers may associate the use of carbon credits as a symptom of inefficiency in the company’s production process and they are unwilling to pay for inefficiencies.’**

A plausible explanation is that consumers in many parts of the world were already dealing with the rising cost of living when the poll was conducted in October 2024. By extension, we expect consumers will be unwilling to pay for internal carbon prices that are embedded in the prices of goods and services, as both practices result in higher prices.

Meanwhile, business-to-business (B2B) customers may associate the use of carbon credits as a symptom of inefficiency in the company’s production process and they are unwilling to pay for inefficiencies. For example:

**‘Our customers expect suppliers like us to be carbon neutral, but they are not willing to absorb the costs for carbon credits as these instruments are not tied to the efficiency of the production process. Also, where a government allocates more carbon allowances to plants with lower carbon emissions, customers perceive suppliers that buy carbon credits [after exhausting their carbon allowances] as inefficient. This affects their willingness to absorb the costs.’**

A finance professional

Our poll indicates that those willing to pay more for goods and services to offset carbon emissions through carbon credits are likely to be prepared to pay up to 10% more than the usual price (see Figure 1.4). Interestingly, some respondents are willing to pay more than 20% over the usual price. We’re uncertain whether these goods and services have fewer substitutes.

## Useful reference

Past research indicates that consumers welcome products making ESG-related claims and are willing to pay more. Research by McKinsey & Company and NielsenIQ observes that products making ESG-related claims have recorded higher cumulative growth (in the USA) over a five-year period (2017 – 2022), versus products that made no such claims. Surveys by PwC and Bain & Company have shown consumers are willing to pay more for sustainable products, or products that are produced sustainably. Read:

- [Consumers willing to pay 9.7% sustainability premium, even as cost-of-living and inflationary concerns weigh: PwC 2024 Voice of the Consumer Survey](#) (PwC 2024)
- [Consumers Willing to Pay 12% Premium for Sustainable Products: Bain Survey](#) (Segal 2023)
- [Consumers care about sustainability and back it up with their wallets](#) (McKinsey & Company and NielsenIQ 2023).



## 1.9 Parting thoughts

**Companies should engage with key stakeholders (including employees) before using carbon-related instruments to supplement the company's other actions to reduce carbon emissions, considering:**

- the prices of goods and services could be sticky despite approval from some parts of society for using carbon-related instruments, and
- customers' willingness to absorb the cost of carbon-related instruments could change if there's no evidence that the company is reducing its carbon emissions.

Companies should also upskill a range of people including accountants, finance professionals, those charged with governance and users to help them make sense of the different carbon markets and carbon-related instruments with which the company engages, to choose credible instruments, and to facilitate effective decision making.

Our second article explores the considerations for accounting and reporting of carbon-related instruments to help everyone understand the nature, function and financial effects of engaging with these instruments.

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