

THE INTERNAL CARBON BANK

SBTi & Scope 1/2/3 + Internal Carbon Pricing + Marginal Abatement Cost Curve

1. The Three Frameworks Used:

SBTI & SCOPE 1/2/3

A standard for emissions: Scope 1 is what you burn, Scope 2 is the energy you buy, Scope 3 is your whole value chain — usually the biggest and hardest.

INTERNAL CARBON PRICING

Charging your own business units a real fee per tonne of carbon they emit, so carbon has a cost inside the company.

MARGINAL ABATEMENT COST CURVE

A ranked chart of every possible emissions cut, ordered from cheapest to most expensive per tonne saved.

How the Three Connect (Fusion Logic)

Scopes tell you what to count. Internal carbon pricing creates the money and the motive to cut. The abatement curve tells you which cut to buy first. Fused, decarbonisation becomes a budgeting exercise rather than a pledge.

2. Application: MICROSOFT (USA)

Background — What Happened and Why

- Public net-zero pledges are easy to announce and hard to deliver — most stall on Scope 3.
- Business units have no reason to cut emissions if carbon is free to them internally.
- Without a price, sustainability teams must beg for budget and lose to any project with a hard ROI.
- Microsoft wanted its emissions targets to actually bite inside the company.

What They Did

- Charged internal business divisions a real fee per tonne of carbon they emitted.
- Pooled that money into a fund used to buy renewable energy and carbon removal.
- Extended the price to cover Scope 3 (supply chain) emissions, not just its own operations.
- Ranked abatement options by cost per tonne and bought the cheapest, highest-impact ones first.

Applying the Fusion — Step by Step

1

Set a target covering all emissions

Microsoft's pledge sets clear deadlines across all three emission types — including its supply chain and products in use, which are by far the largest.

2

Charge each division a real carbon fee

Every division pays a fee for the carbon it emits, so emissions now show up in every budget review with an owner, not in a separate side meeting.

3

Spend the money on the cheapest cuts first

The pooled fee money buys the cheapest, highest-impact reductions first — like efficiency and clean power — while reserving some for costly future removal.

4

Extend the fee to the supply chain

Supplier emissions enter Microsoft's buying decisions and fee base, pushing the carbon price up the chain where most emissions actually sit.

The Result

Carbon stopped being a slogan and became a line item every division could feel. The internal fee made emissions a budget problem with an owner — and funded the actual reductions rather than relying on goodwill.

3. Key Takeaways

- A carbon fee turns climate strategy into everyone's budget line, which is where behavior actually changes.
- Buy cheap tons for volume; fund expensive tons to bend tomorrow's curve — a portfolio, not a choice.
- Scope 3 is where the tons are; pricing signals must travel up the supply chain.
- Use when climate targets exist but nothing connects them to divisional money.