



Carbon Taxing Your Own Employees To Improve Their Energy Use

By **BEN SCHILLER**, Staff Writer

June 6, 2012

A Vermont company has created a plan in which it requires its employees to pay for their energy use. The company gives them an extra \$6,000 to help them pay. If you use less, you just got yourself a nice bonus. Would this work at your office?

It's fairly common these days for companies to incentivize environmental behavior--say, by paying employees to use public transit, rather than drive to work. And until this year, that was the sort of arrangement that Vermont-based [AllEarth Renewables](#), a solar tracker manufacturer, had for its staff. For example, it paid a \$300 benefit for people to take the bus, and offered subsidies to buy Priuses, or to make home energy improvements.

But this year it decided to do something different. Instead of directly incentivizing employees to make new purchases, it now penalizes failure to cut energy use. Under the new arrangement, called REWIRE, the company now gives all of its 25 employees \$6,000 a year to cover all their driving, electricity, and heating needs, and then charges them the equivalent of 15 cents per kilowatt hour based on how much fuel they use. Use less than your \$6,000 and you just got an extra bonus from your employer. The company has effectively introduced a carbon tax, though it is subsidizing people to pay it.

““

Everyone was strategizing in the office and in the lunch room about how to get the biggest bang for the buck.

Public affairs director Andrew Savage says the advantage of the carbon tax is that it's easy to organize, and has demonstrable impact on behavior. Soon after introducing the scheme, he says: "You immediately saw employees sharpening their pencils and figuring out how they get more of this money."

"The exciting thing is that as soon as we launched the program, everyone was strategizing in the office and in the lunch room about how to get the biggest bang for the buck, and how could they help each other."

Some employees quickly made changes. For example, one staff-member took a look at his 17 mile-per-gallon [Toyota Tacoma](#), and the 70 miles a day roundtrip, and decided he would be better off with a [Volkswagen TDI](#). He now saves about \$2,100 a year in gas, plus \$1,500 of the \$6,000 from his company.

Other employees have insulated their homes, or installed renewable energy systems--effectively halving the payback period because of the double incentive of normal cost savings, plus the savings they can accrue under the scheme. Other staff are now carpooling, hoping to save energy that way.

To take part, employees simply submit how much energy they've used on driving, electricity, and home heating, which is measured at 15 cents per kilowatt hour. That amount is taken away from the \$6,000 starting figure. Savage doesn't think employees are likely to cheat very much, and he says the plan has been easy to administer so far.

““

This program means our employees are more insulated from rising energy costs.

Aside from the satisfaction of cutting emissions, Savage argues that AllEarth is also potentially saving money by making its staff more "energy secure." "As prices go up, employees seek additional pay based on the cost of living. In a rural state, energy is a big part of what they have to pay. This program means our employees are more insulated from rising energy costs."

Although it's only been in existence five months, AllEarth is confident the scheme will keep delivering savings, and eventually become a model for other companies.

Savage is also sure companies have a role encouraging employees to save energy. "Employers have a role in incentivizing good decisions. They already give incentives for employees to be healthier, through gym memberships or health care. This isn't that different for that, except it's for energy."

CORRECTION, 06.08.12: Due to an editing error, the piece mistakenly indicated that employees at the company had to pay for energy use that exceeded the \$6,000 they were given. This is not the case.