

## Going Green in Payments Creates Competitive Advantage

**With more consumers showing far greater concern about climate change, it's not surprising that payment companies have started to offer more eco-friendly cards. While some programmes seem formulaic, a few early movers have created innovative cards that really can reduce climate change. Card issuers that develop meaningful products can gain a competitive advantage.**

### Eco-Friendly Cards are Nothing New

While it might seem like eco-friendly cards have begun to proliferate only recently, they actually started more than a decade ago. In 2007, the United Nations Environment Programme Finance Initiative released a Green Financial Products and Services report focusing on initiatives in North America and Europe. At that point, "green" credit cards typically offered donations to non-profits of about 0.5 percent of each purchase. Only a handful of "green" cards existed in North America, with leaders including MBNA's Sierra Club card and Royal Bank of Canada's WWF card. In Europe, the GreenCard Visa claimed to be the world's first credit card with a programme that offset greenhouse gas (GHG) emissions from the manufacturing and use of products or services purchased with its card.

### What's New is Innovative Features

After that small start in the 2000s, interest in eco-friendly cards waned. Only a few banks continued to issue green cards and many just gave a small percentage of sales to non-profits.

Driven by consumers demanding change and by boards that have seen opportunities or risks, there has been a resurgence in eco-friendly cards in the past few years. Very importantly, a few banks have issued innovative card products that go beyond donations and have features with far bigger positive climate impacts. Some banks offset carbon emissions for purchases while others seek to change behaviours.

One of the leaders is Aspiration Bank in the US. Its tracking programme monitors the impact of spending on the planet and people, and it offers up to 10 percent cash back for spending at socially responsible businesses. It automatically offsets the carbon dioxide from every gallon of petrol consumers purchase as part of its Planet Protection program, and debit cards are made from recycled ocean plastic. The Plant Your Change programme enables consumers to neutralise their carbon emissions by planting a tree, by rounding up each purchase to the nearest dollar, and Aspiration says its community plants more trees every day than the number of trees in New York's Central Park.

Another is FutureCard, which offers 5 percent cash back on "green spending" such as taking public transport, riding a bike or buying second-hand clothes. It also works with more than 50,000 US merchants in circular fashion, plant-based products and public transport.

In Asia, DBS Bank Taiwan launched a "DBS eco card" that is made of a biodegradable polymer. To encourage consumers to use green transportation, DBS offers rewards of 5 percent for spending on vehicle sharing, scooter sharing or charging electric scooters. In India, DBS partnered with EaseMyTrip to launch an environment-friendly debit card made using 99 percent recycled PVC material. The Green Debit Card rewards customers for

adopting eco-friendly practices and encourages them to reduce their carbon footprint through programmes such as rewards for sustainable travel and tourism. Customers can also check their carbon footprint on a carbon calculator.

#### Some Cards are Less Innovative

While products such as these focus on creating big impacts by changing customer behaviour or offsetting carbon emissions, other cards have far smaller effects.

Some banks donate a small percentage of card purchases to an eco-friendly charity. HSBC in Hong Kong, for example, donates 0.1 percent of spending to the “HSBC Green Roof for Schools” programme.

An increasing number of issuers are also touting cards are made of recycled PVC, reclaimed ocean plastic or bio-sourced plastic substitutes, which are more eco-friendly than plastic cards. Indeed, card producer Thales said the weight of plastic used to produce payment cards every year is equivalent to 125 Statues of Liberty. Thales has sold 30 million eco-friendly cards made with sustainable components, including cards produced from corn or from ocean plastic collected in coastal clean-ups. Standard Chartered Bank, for example, announced the global launch of carbon-neutral credit and debit cards, which are non-plastic cards from Thales.

While the programmes are positive, they have relatively little impact. The weight of a credit card is miniscule compared to plastic bottles and other products in consumers’ lives. While donations to charities are good, the programmes don’t encourage consumer behaviour changes such as traveling less or reducing purchases that create carbon emissions. These cards have far less impact than ones with incentives to change behaviour that causes climate change or to offset emissions.

#### Gain Competitive Advantage with Eco-Friendly Cards

Since increasing numbers of consumers are concerned about climate change and want to make a difference, card issuers have an opportunity to gain competitive advantage by developing innovative programmes.

And climate is becoming a bigger issue for consumers. Research by Nielsen found that 81 percent of global respondents in their survey feel companies should help improve the environment. While millennials, Gen Z and Gen X are the most supportive, this passion for corporate social responsibility is shared across gender lines and generations. In the US, research by Escalent found that 72 percent of consumers and small business clients are interested in environmental sustainability and 69 percent favour recycled plastic debit or credit cards. And in Singapore, the UOB ASEAN Consumer Sentiment Study 2021 showed that consumers in ASEAN are more influenced by sustainability issues than ever before.

[“consumers have begun to reflect more deeply on environmental sustainability concerns and the payment card is a highly visible and important physical connection between banking brands and the customer.”](#) **Smart Payment Association, United Kingdom**

Issuers that want to gain competitive advantage may well benefit by being early movers in developing innovative eco-friendly card programmes that go beyond just donations or non-plastic cards and actually do change the world.