Private Climate Governance (PCG) “occurs when private organizations play the standard-setting, implementation, monitoring, enforcement, funding, and/or adjudication roles traditionally played by government actors to address climate change adaptation and mitigation.” – from Vandenbergh, Salzman, and Light (2024), 6

Since the global agreement that climate change is a real and present threat adopted in 1992, there has been no federal pollution control legislation in the U.S. This contradicts the need for meaningful climate action, a need that becomes more pressing with each day. Inaction guarantees irreversible climate change as we continue to emit more than the planet can handle. Unfortunately, polarization has kept the public sector from acting swiftly and seriously enough. Recognizing the pressing need for decarbonization, the private sector has begun leveraging their capacities to circumvent political gridlock. Steps like reporting emissions, expanding environmental standards, and investing in climate adaptation and mitigation that are usually associated with governments are being taken by the private sector. For example, as the SEC continues to battle in the courts for emissions reporting requirements, the Carbon Disclosure Project (CDP) collects annual, voluntary climate reports from over 23,000 companies, representing more than half of global market value. Similarly, as international law struggles to adapt to oceans, the Marine Stewardship Council imposes relatively strict environmental requirements on 16% of all wild-caught seafood. In both cases, private companies are voluntarily submitting to enhanced climate rules without the pressure of legal liability.

But why would companies choose to devote additional resources to climate initiatives if they are not required by law to do so? Businesses are fundamentally profit-seeking ventures, so altruism – even if that is the motivator for some – is an insufficient answer. Professor Michael Vandenbergh writes that companies are motivated by “a mixture of efficiency, resource supply, competition, and reputational goals,” in addition to “altruistic preferences or norms.” Given the diversity of reasons for adopting PCG, Vandenbergh explains further that, “the motivations of the participants are less likely to be a valuable criterion [for defining PCG] than the function or outcome of the activity.” So what outcomes are profit-seeking ventures looking to accomplish from their PCG activities? One factor is long-term planning. Companies realize that climate change threatens smooth operation through supply chain disruptions, damage to capital, and increased risk of extreme weather that slows or stops production. Companies have an incentive to mitigate their own contributions to climate change to avoid its worst, longest lasting effects. In so doing, they protect their future earnings.

Another reason is the positive public image they receive from branding themselves as climate-conscious. Surveys suggest that over 60% of Americans are concerned about climate change, so they may be more likely to buy from companies that share and act on that concern. Admittedly, studies have found mixed results concerning consumers' actual habits, even if they have climate-friendly intentions. On the flip side, companies may be subject to naming-and-shaming campaigns if they refuse to adopt climate policies. For example, a global campaign calling out Shell for their plans to drill in the Alaskan Arctic coerced the company to abandon the project. Companies can pre-empt negative publicity by voluntarily enacting climate policies. Concerns that PCG represents "wokeness" are unfounded given these and many other material benefits for companies.

Some worry that permitting the private sector to lead environmental efforts engrains a problematic distribution of authority. PCG is not a panacea, and public institutions will have to play a significant role to avoid catastrophic climate change. The goal of PCG is to be a wedge that keeps our actual emissions as close to a sub-1.5° C trajectory as possible. It should not necessarily crowd out public efforts, and in most cases, adding legal requirements would only strengthen PCG activities. The crux of this critique lies in the profit-seeking nature of private companies. If environmental goals conflict with profit maximization it is likely that financial motives will override sustainability. For instance, analysis of three major "socially responsible" mutual funds that represent up to 30% of the U.S. equity market found that they regularly voted against environmental initiatives. Even non-profit ventures like the Marine Stewardship Council can be influenced by financial posterity since their funding comes from licensing the certification seal, so they may be inclined to more liberally accept applications. Similarly, the Roundtable on Sustainable Palm Oil (RSPO) has come under fire for not enforcing important deforestation policies. It is notable that four of the RSPO's five founders were among the largest palm producers in the world. The challenge is that these companies are driven by the motivation to maximize production. Monoculture (exclusively growing one crop on a large plot of land) is the most productive, but also most environmentally harmful, method of growing palm. So, there is an inherent conflict of interest between the company's main purpose and their environmental goals; when those companies are also responsible for making and enforcing their own standards, they suffer from an intense conflict of interest that may make the standards more permissive of environmental degradation.

These difficulties must be handled, but it does not imply that profit-focus must be antagonistic to climate governance. Consider the model of polycentric governance, popularized by Nobel Prize-winning economist Dr. Elinor Ostrom to describe how different levels of community interact to govern public resources. According to this model, additional layers of governance can be mutually supporting. Even taking the least sympathetic look at private certification systems – that they do nothing to actually improve companies' relationships with their environment – we still find meaningful contributions.

For instance, the fact that there are any internationally recognized standards is a massive leap forward. International law has been largely impotent at inducing private companies to respect strict environmental regulations. Simply concentrating the most influential actors in a single "community" (of them and their certified peers) can encourage them to improve standards amongst themselves. For instance, if just one company in a professional community imposed stricter guidelines than their peers, they would have an incentive to push that whole community to adopt the same standard. On the other hand, if all members of that community are lagging, then outside actors have a single target for their own influence campaigns.

It is critical to remember that PCG will not solve the climate crisis, but as climate change progresses amid widespread public inaction, it can be an important tool. Its critics identify important challenges, but those challenges ought not push us to disengage. Instead, so long as public institutions approach climate apathetically – or even antagonistically – it will be important to understand, improve, implement, and monitor private climate change adaptation and mitigation initiatives.