

Using Credit Cards Can Impact Climate Change, So Choose the Right One

Does the credit card you choose and use really impact carbon emissions and the climate at all? It turns out that it does, in a multitude of ways.

Why Credit Cards Matter for Climate Change

First, the bank that issued your card makes money from every transaction. How? A percentage of every transaction goes to the card issuer. The merchant where you shop pays a percentage of your transaction to financial institutions too. In the US, for instance, the merchant pays an [average](https://www.fool.com/the-ascent/research/average-credit-card-processing-fees-costs-america/) of 2.24 percent. That money may fund activities related to loans to fossil fuel companies.

When you pay a fee for your card or pay interest on your balance, you're also increasing the card issuer's revenue from your card.

As the US Federal Reserve [found](https://www.federalreserve.gov/publications/files/ccprofit2023.pdf), bank earnings from credit cards are almost always higher than returns on other activities. Whereas banks make an average return of 1.4 percent on their total assets, the return on credit cards was nearly three times higher at 4.7 percent. The bank uses the revenue to fund its activities. And when those activities include loans to fossil fuel companies, your spending is related to carbon dioxide (CO₂) emissions.

And perhaps surprisingly, simply swiping your card at a terminal results in 5.33 grams of CO₂ emissions. Tapping your mobile phone on a terminal leads releases 4.93 grams. (Using cash is worse, at 10.57 grams per transaction). How? A detailed 79-page [report](https://www.global.jcb/en/press/news_file/file/240322.pdf) by payments giant JCB on cards in Japan calculated CO₂ emissions at every stage, from card production through terminal usage to data centre emissions for sending transaction data back and forth. In Japan alone, digital payments transactions caused 137,895 tonnes of CO₂ emissions in a single year.

How to Pay in Line with Your Climate Values

If card transactions cause so much CO₂ emissions, what can we do to pay in line with our climate values? After all, we can't suddenly stop buying things altogether.

The first step is to consider how much we're buying and how to reduce our purchases. Do we really need the fast fashion shirt we'll wear one time, an extra snack, or another indulgence? While we do need food and clothes and the other basics of life, maybe we can cut out some of the unnecessary frills.

When we do make purchases, we can consolidate them into a single larger purchase rather than lots of small ones. It's easy to click-to-buy as soon as we see an ad on social media or a deal when we're doing an internet search. Rather than buying one item at a time, we can combine purchases in our weekly grocery shopping or pool our online purchases together. Having them delivered together rather than one by one cuts emissions too.

Along reducing the number of payments, we can offset our purchases by choosing an eco-friendly card in the first place. Indeed, banks issue cards that help you calculate your carbon footprint, get benefits for reducing it and offset the purchases you do make. They give discounts or cash back at eco-friendly businesses, for example, or allow you to round up the purchase amount to give money to plant trees or offer rewards for reducing emissions.

Eco-Friendly Card Issuers do Exist

Are there really card issuers that help consumers offset their emissions? A few examples show what's possible. In the US, for instance, Aspiration [offers](#) a carbon-neutral credit card that gives cashback of 1 percent on purchases for customers who achieve a zero-carbon footprint, tracks the carbon offset on purchases and plants trees when they make purchases. FutureCard

customers earn 5 percent cashback on climate-friendly purchases and can earn FutureCoins by completing [Missions](#) such as opting for public transit. In Switzerland, the Climate Credit Card Cornèrcard has a climate-[carbon footprint calculator](#) designed to influence climate-neutral shopping by monitoring a customer's purchases and then delivering climate impacts by investing in projects that support emission reductions. Operating in a multitude of countries, [Revolut](#) has a sustainability plan and has joined Tech Zero to work with other tech companies to fight the climate crisis.

Of course, it's also important to look at whether the bank that issues the card is itself a responsible player. Along with reading the bank's sustainability report, you can also look for banks in a list at the [Fossil Free Banking Alliance](#) or look at the [Science Based Targets](#) initiative (SBTi) "Companies Taking Action" [list](#) showing showing financial institutions' Net Zero targets.

While it might seem surprising that how often you make purchases and which card you use can affect your carbon emissions and carbon footprint, every action has an impact and changing what you do actually can mitigate climate change.