
The Carbon Cost of Competitive Pressure

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Abstract

Higher exposure to competition is associated with higher carbon emission intensity, via both higher absolute emissions and lower revenues. This result is robust to using only reported emission data, excluding estimated emissions. Higher emissions in the short-term are not followed by medium-term improvements, suggesting that competition does not pressure companies to become greener. The relationship between competition and carbon emissions is stronger in areas less concerned about climate change and for less profitable firms. Higher competition is associated with a shift towards more domestic emissions and less emissions in countries with carbon pricing schemes.

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