

Name and affiliation:

Prof. Dr. Sanjay Patnaik: *Department of Strategic Management and Public Policy, George Washington University, Washington DC*

Title of talk:

Analyzing Firm Responses to Transnational Climate Change Regulations: Evidence on Rent-Capturing Behavior by Multinational Companies

Bio:

Sanjay Patnaik is an assistant professor in the Department of Strategic Management and Public Policy at the George Washington University School of Business in Washington, D.C. He also has an affiliation as Senior Fellow for the Initiative for Environmental Leadership (IGEL) at the Wharton School, University of Pennsylvania and serves on the advisory board for IGEL. Prof. Patnaik previously was a visiting lecturer and senior fellow in the Management Department at the Wharton School, Univ. of Pennsylvania. He earned his doctorate in business administration (strategy) from Harvard Business School in 2012. Dr. Patnaik's main research and teaching interests include among others business and the environment, climate change, environmental economics, global strategy, non-market strategy and international political economy. Prior to the completion of his doctoral studies at Harvard, Prof. Patnaik worked in investment banking and academia. Originally from Austria, he holds a master's degree in economics and computer science and a master's degree in business engineering and computer science, both from the Vienna University of Technology in Austria.

Abstract:

The presentation will focus on strategic responses by multinational companies (MNCs) and single-country firms to transnational climate change regulations. Within the empirical context of the European Union Emissions Trading Scheme (EU ETS), the world's largest regulatory program for greenhouse gases, I show that firms can use transnational regulations to capture economic rents by exploiting price differentials in the market for carbon permits in the EU. The analysis highlights that due to informational advantages, MNCs are more likely than single-country firms to use the regulatory program to capture rents even though the opportunity is available to both types of firms. My results further indicate that MNCs operating in countries with important market intermediaries that provide information on the regulatory program are more likely to capture rents than MNCs operating in countries without such intermediaries. Finally, I find that while the likelihood to use regulations to their benefit increases over time for both MNCs and single-country firms, the ability of MNCs to maintain their initial advantages over single-country firms depends on the stringency of the regulations. This study contributes to our understanding of firm responses to transnational regulations by analyzing strategic firm behavior within the context of new climate change regulations.