

Research on the Impact of Carbon Trading Policies on Overseas Investment of Heavily Polluting Enterprises

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Abstract

In recent years, low-carbon economy has become the preferred green economic development model for countries around the world. Under the background of China's "dual carbon" goal, the introduction of carbon emission trading mechanism has not only had a profound impact on the internal operation of enterprises, but also significantly changed the overseas investment behavior of enterprises, especially those heavily polluting enterprises with high carbon emission costs. This paper focuses on enterprises in heavily polluting industries (such as steel, chemicals and electricity), uses the data of overseas investment of heavily polluting enterprises from 2005 to 2023, and designs a quasi-natural experiment of carbon trading pilot by double difference method to study the impact of carbon trading policy on the overseas investment behavior of heavily polluting enterprises. The results show that carbon trading policy will promote overseas investment of heavily polluting enterprises, and this conclusion still holds after a series of robustness tests. Mechanism analysis finds that in the short term, enterprises may transfer production to countries with loose environmental regulations to form a "pollution haven" effect. As the policy runs longer, enterprises gradually adapt to the rules of the carbon market and turn their overseas investment direction to green technology innovation through technology accumulation and strategic adjustment. In addition, enterprises with limited financing will be forced to reduce overseas investment to maintain cash flow. Enterprises with strong financing capabilities have abundant access to funds, which can support them to achieve low-carbon transformation through overseas investment. Heterogeneous analysis shows that the carbon trading policy has a more significant effect on the expansion of outbound investment by non-state-owned enterprises, which may be because state-owned enterprises face a more stringent investment review system. This paper proposes several policy recommendations: first, support the innovative development of green technology in enterprises and improve the transformation and upgrading path; second, smooth the financing constraint channels and provide financial support for the outbound development of enterprises; third, actively respond to international challenges and enhance the international competitiveness of enterprises.

Keywords

Carbon Trading Policy, Heavily Polluting Enterprises, Double Difference Method, Overseas Investment