Can Multinational Enterprises be Energy Transition Intermediaries?

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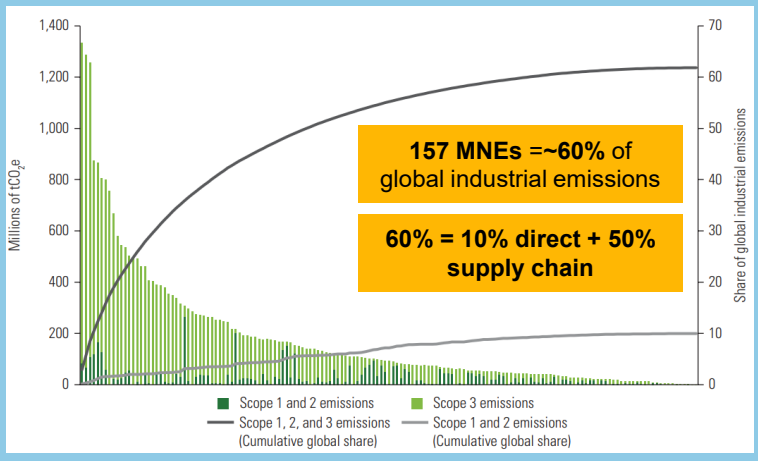
INTRODUCTION

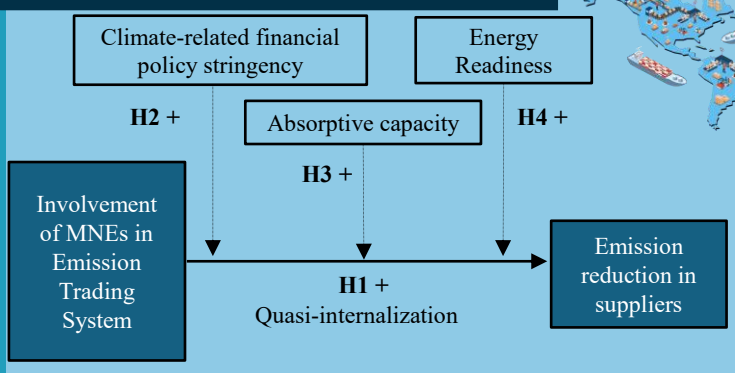
This study examines how Multinational Enterprises (MNEs) act as intermediaries in accelerating host-country decarbonization. I hypothesize that MNEs facilitate decarbonization through quasi-internalization (controlling without owning) strategy; and energy transition resources, financial policy environments, and absorptive capacity moderate this mechanism. The EU Emissions Trading System is used as a quasi-natural experiment to assess how MNEs can create spillover effect of climate policy on decarbonization performance in their unregulated suppliers. The study provides insights for managers and policymakers to leverage MNE capabilities for global energy transitions.

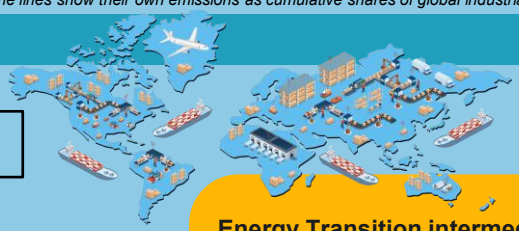
Global Industrial Emissions of the Supply Chains of Large MNEs, 2021



Sources: World Bank calculations based on CDP 2022a and OECD 2023.
Note: Scope 1: direct emissions from owned or controlled sources. Scope 2: indirect emissions from the generation of purchased electricity, steam, heating, and cooling consumed by the firm. Scope 3 emissions: indirect emissions (not included in scope 2) that occur in the firm's value chain
A total of 157 companies are identified based on Climate Action 100+. Each bar represents one MNE, while the lines show their own emissions as cumulative shares of global industrial emissions.

THEORETICAL BACKGROUND





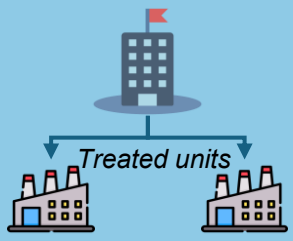
Energy Transition intermediaries facilitate sustainability transitions by transferring knowledge, aligning diverse stakeholders, mobilizing resources, and promoting innovation adoption and systemic transformation.
Internalization: MNEs strategically leverage resources across national borders via quasi-internalization (controlling without owning).

METHODOLOGY

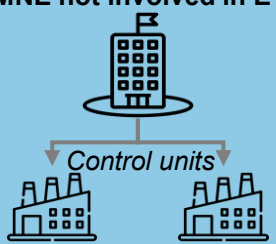
Matched difference-in-difference

Using EU Emissions Trading System as a quasi-natural experiment

MNE involved in in ETS



MNE not involved in ETS



PRELIMINARY RESULTS

1. **A positive impact** of the inclusion of MNEs into the ETS on the decarbonization performance of unregulated suppliers
2. **Moderating roles** of energy transition readiness of host country and home country, stringency of climate-related financial policies of host country and home country, MNEs' absorptive capacity

CONTRIBUTION

Integrate transition and internalisation theories

Offer insights for firms and policymakers aiming to accelerate decarbonisation

Reveal structural barriers or policy weaknesses constraining MNEs and local firms' engagement in sustainability transitions.

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