

Uncertain climate regulations -- why corporations still invest

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Firms and corporations frequently need to take investment decisions without knowing if future regulation will support or threaten their investment. This is especially true in energy intensive industries that face high uncertainty on future climate policies. For example in the electricity industry, the optimal investment choices of firms are dependent on the design of future climate regulations.

It is often thought that firms will react by adopting a "wait and see" strategy in order to stave off spending any unnecessary capital on unstable or uncertain investments. The latest research from the [Journal of Management Studies](#) shows that this is not necessarily the case, and firms do not always postpone such investments until the last possible moment.

Previous research has usually explained corporate decision making with either economic or social logic. This study creates a link between the two schools of thought that is vital to understand why firms invest in spite of large regulatory uncertainties and how firms manage the challenge of reducing their carbon foot print.

The study establishes a chain of evidence how the necessity to comply with social expectations drive investments in the electricity industry. Furthermore, it uses an economic rational to show that firms that expect to reap benefits from investing before other, slower competitors, or those that recognize internal synergies with other house investments, are often more likely to react and invest sooner rather than later.

Source: Wiley ([news](#) : [web](#))

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