

Using internal carbon pricing to address climate risks challenge - The case of Taiwanese enterprises

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ABSTRACT

Transition risk has become a priority for adaptive policy and measures taken by firms in response to net zero emissions around the world. Internal Carbon Pricing (ICP) is an emerging set of practices voluntarily adopted by companies to respond to progressive climate policies and regulations. The main purpose of companies adopted the ICPs is to manage carbon risks, however, the literatures lack of discussion the linkage between the ICP and climate performance/carbon risk. This study identifies the climate performance indicators, including greenhouse gas abatement, cost savings, profit creation, and carbon risk management. This study also collects the data reporting from Carbon Disclosure Project (CDP, 2019) by Taiwanese companies for empirical analysis. The results provide the evidence that the ICP significant affects climate performance/carbon risk. This will encourage more enterprises to adopt the ICP for managing climate risk. Therefore, guidance of the ICP for transition risk governance aligning with TCFD are needed, and is recommended to ensure the climate resilience in Taiwanese enterprise.

Keywords:

Net zero emissions, Carbon risk, Internal carbon pricing, TCFD.