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Firm-Value Effects of Carbon Emissions and Carbon Disclosures

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Based on a systematic analysis of an extensive data set, the article presents views of climate change, constructions of the future development of the oil sands and organisational responses to climate change. While these have been discussed in previous research, the key contribution of this article is to link them together as this reveals interesting dynamics related to climate change. However, including all these elements in one article seems to come at the expense of providing a detailed description. In particular, what I would have liked to read more about is that to what extent do views of climate change include perceptions of future; and how is the frame climate change as non-issue legitimised in the context of Alberta oil sands? Here and there the presentation of the results mostly relies on the reader’s own interpretation as quotes as presented without further clarification. The article also misses a section discussing limitations and generalisability of the results.

All in all, Lê demonstrates the complexity and ambiguity surrounding climate change in an intriguing way. The most interesting conclusion discusses how strong constructions of the future narrow the repertoire of business responses and may inhibit change, whereas a more nuanced and open construction of the future does not rely on simple solutions and includes an ability to adapt and to change according to what is required. To conclude, Lê aptly warns against firm risking their ability to change as this is crucial in the context of climate change.

References

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Firm-Value Effects of Carbon Emissions and Carbon Disclosures
Matsumura, E. M., R. Prakash and S. C. Vera-Muñoz

With the increasing occurrence of natural catastrophes and extreme weather events being attributed to the emission of greenhouse gases and other pollutants, the topic of carbon disclosure is one that deserves much attention. This paper seeks to shed light on the value-relevance of carbon disclosure and how carbon emissions can affect firm value. As noted by the authors, unlike prior studies which examine firm disclosures of sulphur dioxide (SO₂), carbon emissions pose a more challenging problem as (1) measurements of carbon emissions are inherently less accurate and involve a certain degree of estimation and (2) the reporting of carbon emissions was not mandatory prior to the implementation of the Greenhouse Gas Reporting Program (GHGRP) in 2009.

To account for this, Matsumura, Prakash, and Vera-Muñoz utilise hand-collected carbon emissions data from 2006 to 2008 to examine the impact of carbon emissions on firm value. As these disclosures of carbon emissions were voluntary, as part of the Carbon Disclosure
Project, Matsumura et al. correct for self-selection bias by jointly estimating the decision to disclose carbon emissions and the effect of carbon emissions on firm value. In doing so, their findings indicate that higher levels of carbon emissions have a detrimental effect on firm value, with every additional thousand metric tons of carbon emissions being associated with an average decrease of $212,000 in firm value. This indicates that capital markets recognise the costs associated with carbon emissions and firms are penalised accordingly for higher levels of emissions.

Matsumura et al. then seek to address why firms continue to disclose their level of emissions if they are being penalised by the capital markets for their carbon emissions. By using propensity score matching, the authors find that (1) the mean value of firms, which choose to disclose their carbon emissions, are at least greater by $5.06 billion on average, than their non-disclosing counterparts, while (2) the difference in median values is at least $2.1 billion.

This paper provides evidence on the value-relevance of carbon emissions/disclosure for firms and is likely to have implications for both investors and managers. Matsumura et al. illustrate that such carbon disclosures are priced into firm value by capital markets and failure to incorporate ‘greener’ initiatives will ultimately have a detrimental impact on these firms. In showing that firms are also being penalised for the non-disclosure of carbon emissions, the results of this paper are of concern for regulators as well, justifying the implementation of the GHGRP in 2009. Future research in this area should also explore the relationship between carbon emissions and firm value under the new mandatory disclosure regime and possibly examine the impact of assurance and reporting quality of these carbon disclosures.

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Corporate Accountability and Human Rights Disclosures: A Case Study of Barrick Gold Mine in Tanzania
S. Lauwo and O. J. Otusanya
Accounting Forum, 2014, 38(2), pp. 91–108

This paper discusses issues surrounding human rights in a transnational mining corporation in one of the poorest countries in the world. Tanzania is a developing country that provides international companies with the benefits of high financial returns on their investments, whilst the country’s goal is to advance employment, the economy and a respect for human rights in a way that contributes to the installation of foreign investments.

The main argument of the article evolves around the exploitation of developing countries’ neo-liberal policies, for example, tax concession, incentives and stabilisation clauses by multinational companies. It debates the politics of pursuing the neo-classical economics of maximising wealth in a place of social battle against poverty and better quality of life. The authors argue that the installation of political support for the Tanzanian mining sector reinforces shareholders wealth and silences matters of human rights. They illustrate their claim both with examples of tax avoidance and tax planning of their case study organisation (Barrick Gold Mine) in Tanzania and information from the publically available materials produced by Barrick Gold Mine.
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