

# A Study on the Impact of Carbon Emission Trading Pilot Policies on Corporate ESG Performance

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## **Abstract**

Whether or not China can realize the goal of "dual-carbon" strategy on schedule depends on the depth of practice and implementation path of market players in the process of green transformation. Through the market-based pricing mechanism and economic incentives, the environmental rights and interests trading system innovatively applies the Coase Theorem to environmental governance, realizing a paradigm breakthrough in the system from administrative control to economic leverage-driven carbon emissions. This mechanism effectively reshapes the paradigm of corporate environmental responsibility fulfillment and breaks through the limitations of the traditional administrative command model of environmental protection supervision in the core areas of pollution control and carbon emission reduction. As the core institutional arrangement of the system, the carbon emissions trading pilot mechanism has already formed mature operational experience in developed countries, but its applicability in the context of economic transformation in developing countries has yet to be empirically tested. This paper firstly explores the possible impact of the carbon emissions trading pilot policy on the ESG (Environmental-Social-Internal Governance) performance of high-carbon emitting firms from a theoretical perspective, and subsequently conducts an empirical analysis to verify the hypotheses. Specifically, based on the policy environment of China's carbon emissions trading pilot program from 2009 to 2021, this study selects representative high-carbon emitting listed companies during this period as the research object, and adopts a multi-temporal double-difference model to investigate the impact of carbon emissions trading policy on corporate ESG performance, the relationship between the two, and their mechanisms. The results of the study show that the carbon emissions trading pilot policy can indeed effectively stimulate the good ESG performance of high-polluting enterprises, mainly through promoting enterprises to improve the level of green technology innovation and reducing the enterprise financing constraints to enhance the ESG performance of enterprises, which has a positive impact on the ESG performance of enterprises. Finally, this paper combines theoretical analysis and empirical results to put forward relevant policy recommendations from the government and enterprise levels respectively, which provides valuable theoretical support for an in-depth understanding of the carbon emissions trading policy and promotes the practice of establishing a national unified carbon market.

## **Keywords**

Carbon Emission Trading Pilot, ESG Performance, Green Technology Innovation