

## Carbon Emissions and Organisational Performance: Friend or Foe?

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### Abstract

This research aims to investigate the short-term effect of carbon emissions on financial performance and market value of Aotearoa New Zealand companies. It hypothesises that the direct and indirect carbon emissions negatively affect short-term firm performance. It further posits that the relationship between carbon emission and firm performance is moderated by a firm's leverage. The study sample includes quarterly data of New Zealand listed companies from 2017 to 2021. The study uses univariate and multivariate methods such as correlation and panel regression models to test the hypotheses. The empirical results demonstrate that the impact of direct emissions on performance and market value is significantly negative. There is evidence that high direct carbon emissions reduce firms' return on equity, return on assets and Tobin's Q. Furthermore, the relationship between indirect carbon emissions on performance and market value is insignificant. Since firms are not able to control indirect emissions, these do not directly affect financial performance. The findings indicate that high-debt firms contribute to carbon emissions and decrease both firm performance and market value in the short term. This study is useful to practitioners interested in understanding the impact of carbon emissions on businesses. Additionally, the findings will assist policy makers in formulating carbon-emission policies and disclosures among New Zealand businesses.

Keywords: Carbon emissions, firm performance, market value, leverage

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