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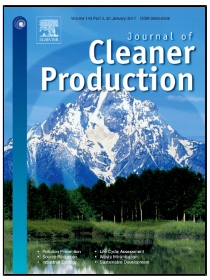

Sustainable energy systems and company performance: Does the implementation of sustainable energy systems improve companies' financial performance?

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Theme 5: Sustainable energy innovations, green products and services

Sustainable energy systems and company performance: Does the implementation of sustainable energy systems improve companies' financial performance?*

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Highlights

We propose a model that analyses the nexus between sustainable energy systems and CFP.
The adoption of sustainable energy management systems reduces CFP.
Improving Energy Efficiency does not affect CFP.
The use of renewable energy sources does not influence CFP.

Abstract

The main aim of this paper is to analyse whether the adoption of sustainable energy systems improves corporate financial performance. To this end, we obtained data from a sample of 574 multinational companies from 36 countries in the 2008-2013 period. On this data we implement a dynamic system panel data method. Our findings show that the adoption of sustainable energy systems allows firms to improve their short-term corporate financial performance while not leading them to reduce their corporate financial performance in the long term. Specifically, our results indicate that an increase in energy efficiency and the use of renewable energy sources do not significantly affect corporate financial performance. Neither does the integration of energy efficiency systems and renewable energy sources have any significant influence on corporate financial performance, while the level of implementation of sustainable energy management systems has a significant effect on short-term, but not long-term, corporate financial performance. Furthermore, other control variables, such as research and development expenditure and year, are also relevant in explaining firms' financial performance. The adoption of sustainable energy systems helps to improve corporate financial performance in the short-term but has no affect in the long-term. This might be because the monitoring of energy efficiency using key performance indicators allows firms to detect and correct failures in the production process and hence improve short-

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