



Calculating Potential for Emission's Reduction via Supply Chain Contracts

Katerina Peterkova, Department of Law, Aarhus University, Denmark

ABSTRACT

Climate change remains an urgent problem of the global society despite various efforts to regulate its negative effects. Negotiations of internationally binding rules for climate change mitigation fail. National regulation among states is unequal and allows for carbon leakage from jurisdictions with stricter to jurisdictions with weaker laws. Private initiatives are criticized for weak legitimacy, effectiveness and enforcement. Market based regulation proved by the recent carbon's price drop below a bearable limit to be highly sensitive to market failures. Therefore we must seek other regulatory solutions to the climate change issue.

The paper presents a hypothesis that supply chain contracts may help to overcome this regulatory gap. It connects theoretical and empirical knowledge. Firstly, applying the legal dogmatic method, the article discusses the role of supply chain contracting in the climate change regulatory matrix. The dogmatic method is extended to all type of law, including various types of state-made/non-state, soft/hard and public/private law. Secondly, the paper demonstrates the extent of possible CO₂ reductions via supply chain contracting on a simple quantitative model built by using the empirical desk research. In relation to four selected industries, the model calculates how much carbon emissions would be saved if companies achieved their publicly proclaimed goals for emissions' reductions in their international supply chains.

The findings show that the possible reduction of CO₂ emissions among international supply chains amounts to multiple yearly emissions of developed countries. Despite this huge potential, supply chain contracting has only recently experienced increasing attention of regulators and business community. If we manage to trigger the latent potential of supply chain contracts, they may be successful where other regulatory efforts fail. The author concludes that the potential of private contracting in its full extent could be activated by adequate regulation and calls for future research in this direction.