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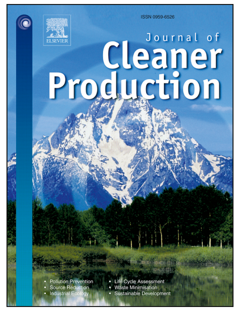

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Corporate Preferences for Domestic Policy Instruments under a Sectoral Market Mechanism: A Case Study of Shanxi Province in China

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Abstract: Understanding corporate preferences for domestic policy instruments is crucial to designing and planning the sectoral market mechanism in China. Based on a detailed overview of nine domestic policy instruments under the sectoral market mechanism, this paper evaluates corporate preferences and identifies their relationship with potential determinants through an ordinal logistics model. The data was collected from 113 respondents in all 11 prefecture-level cities of Shanxi province, China. The results show that providing economic incentives is the most preferable policy for companies. The policy instrument in which installations with voluntary targets receive tradable units is not recommended unless the inequity in the distribution of responsibility could be reduced or alleviated effectively. If the government applies a mandatory policy, it is more effective to give companies mandatory targets and to allocate tradable units to them in order to offer more flexibility. This paper discusses policy implications in designing domestic policy instruments based on the determinants that impact corporate preferences.

JEL classification: D22; O13; P28; Q43; Q48; Q53; Q58

Keywords: Sectoral market mechanism; Domestic policy instruments; Policy preference; Company; China

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