



UNIVERSITY
OF ALBERTA

CPA Speaker Series:

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Interactive Rulemaking for Environmental Regulations and Corporate Innovation: Evidence from Energy Conservation Standards

Friday, September 20, 2024

2:00 PM - 3:30 PM

Location: BUS 306

ABSTRACT

We find that under the more interactive rulemaking regime, firms file significantly more patents in technological fields related to products regulated by Energy Conservation Standards compared to patents in the control group. This effect is absent when Energy Conservation Standards are issued under a more top-down approach. Focusing on the rules issued under the more interactive regime, we find that the effect on innovation is more pronounced when the interactive process is likely more effective (i.e., when a rule receives more comments, when comments focus on technological feasibility and economic justification, raise similar issues, or express strong opposition, or when a final rule changes significantly from or becomes less strict relative to its proposed version). Under the more interactive regime, the effect of regulation on innovation is robust to a patent-level test with all patents included. Additionally, the effect exists when the patent filer is a firm, but not when it is an individual or governmental agency. This is expected, as individuals or governmental agencies rarely produce consumer products and thus are not affected by Energy Conservation Standards. Overall, these findings suggest that interactive rulemaking facilitates public participation, and as a consequence, energy rules issued under this approach significantly encourage corporate innovation activity.

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