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The Effect of Regulation and Investment in Sustainable Practices on Environmental Performance and Consumer Trust: a Time Series Analysis of the Dominant Companies within the Energy Sector

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Abstract : Climate change has allegedly been attributed to a high consumption of fossil fuels, leading to severe environmental problems. The energy sector has been among the most polluting sectors for many decades. Consequently, there is a lack of trust in several energy firms, especially those in fossil fuels and nuclear energy. A robust regulatory framework is needed, and more investment in renewable energy sources is paramount for a better environmental outcome. Given the significant environmental impact of energy production and consumption in the energy sector, sustainable marketing practices have become increasingly important. Although the latter has had the lion's share in polluting the environment, much effort has been made recently to move away from fossil fuels and privilege renewable energy sources. How this shift would help rebuild trust in the energy industry is unclear. For the shift to have lasting effects, it may be essential that regulatory agencies examine how energy firms engage in sustainable investment. There is little empirical evidence on whether adopting regulating marketing practices and investment initiatives can help different organizations reduce their environmental impact and promote sustainable development. Little is known about how and whether the environmental value in firms goes beyond rhetoric, greenwashing and publicity to translate into economic gains and environmental performance. The study investigates how regulatory agencies can help energy firms invest sustainably and take sustainable initiatives even amid the energy crisis caused by the Russia-Ukraine conflict and how these sustainable practices relate to renewed consumer trust. Using data from Corporate Knights, the study, through time series, analyses the relationship between sustainable regulation, sustainable practices of energy firms from around the world and their relation to consumer trust and environmental performance over the past 20 years. It examines how their sustainable investment, energy, and carbon productivity relate to environmental sustainability and consumer trust. This longitudinal study provides empirical evidence of the interplay between regulation, trust and environmental performance. The research is grounded in institutional trust theory, which emphasizes the role of regulatory frameworks and organizational practices in shaping public perceptions of fairness, transparency, and legitimacy. Results show that organizations in the energy sector, supported by robust regulatory tools, can overcome the negative image of polluters and compete with other companies in the fight against climate change and global warming. However, to do so, energy firms should consider investing more in renewable energy sources and implementing sustainable strategies and practices that go beyond greenwashing to improve their environmental performance, thereby rebuilding consumer trust in the energy sector. Results allow regulatory regimes and organizations to learn why it is crucial for energy firms to invest in renewable energy sources and engage in various sustainable initiatives and practices to contribute to better environmental outcomes and higher levels of trust.

Keywords : consumer trust, energy, environmental performance, regulation, renewable energy sources, sustainable practices
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