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HOW MUCH WOULD ENVIRONMENTAL ISSUES COST? THE INTERNALIZATION OF ENVIRONMENTAL COSTS IN THE EUROPEAN TRANSPORT INDUSTRY

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Abstract

Environmental issues have over the last few years become an increasing concern for both the public and for companies, but, less is known about how companies could internalize the negative effects of environmental issues. Public regulators are taking a tougher stance with regards to environmental regulations. As regulations become stricter, firms will have to pay the cost of compliance. In this paper, we attempt to shed some light on how firms could internalize these environmental effects and what the benefits of early internalization could be. We do this by using a qualitative analysis, elaborating a case study in the Spanish road freight transport industry (i.e., international transport of goods by road) to compare the environmental behavior of the analyzed company in 2009 and its current environmental approach. By conducting interviews in two differentiated periods, the main conclusion of this study is that, as regulation becomes more stringent, environmentally proactive firms will be more capable of facing the challenge of an accurate internalization of environmental effects and consequently they could reinforce sustainable development and simultaneously reduce negative environmental impacts.

Key words: cost internalization, environmental costs, environmental proactivity, stringent regulation, transport

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