

Do Markets Trump Politics? Evidence from Fossil Market Reactions to the Paris Agreement and the US Election

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May 2017

Abstract

The Paris Agreement was acclaimed as a milestone for climate negotiations. We evaluate its impact on the stock market value of energy sector firms. Using event study and impulse indicator saturation methods, we show the agreement had only moderate effects, perhaps because the result was anticipated. To evaluate the importance of surprise, we analyze the unexpected election of Donald Trump. Although he is on record in favor of fossil industries, we again find little effect. However, using the difference in performance of renewables versus coal as an indicator of climate adaptation, we find small but significant effects.

Keywords: Climate change; event study; impulse indicator saturation; Paris climate agreement.

JEL codes: G14, Q4, Q54

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