

**DO CARBON PLEDGES MOVE MARKETS? EVIDENCE FROM COP26 AND STOCK
PERFORMANCE OF NON-FINANCIAL INDIAN FIRMS**

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ABSTRACT

This study investigates the impact of climate policy announcements during COP26 on the stock market performance of non-financial firms listed on the National Stock Exchange (NSE) of India. Using an event study methodology and a multivariate regression framework, it analyzes investor responses across pollution categories, industry sectors, and firm-specific characteristics. The results show that cumulative abnormal returns (CARs) were significantly negative before and after COP26, but positive during the summit, suggesting short-lived investor optimism triggered by India's net-zero pledge. Firms in the "Red" pollution category faced consistent penalization, while "Green" firms received positive abnormal returns, indicating market preference for environmental sustainability. Furthermore, carbon intensity was a significant negative predictor of stock returns during the event window, underscoring the materiality of emissions in financial decision-making. Sectoral analysis revealed that high-emission sectors like manufacturing and mining underperformed, whereas services showed resilience. These findings suggest that investors in emerging markets like India are increasingly integrating climate risk into their strategies, though the response may be temporally limited. The study highlights the need for enhanced environmental disclosures, targeted policy interventions, and investor education to sustain market support for climate-aligned business strategies.

Keywords: Stock Market, COP26, Event Study, Carbon Emission, Climate Change

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