Abstract

Does the market value companies' voluntary reduction of carbon dioxide emissions through participation in the Chicago Climate Exchange (CCX)? In literature on the relationship between environmental performance and market value, it has been recognized that companies with good environmental performance have higher market values. This has been empirically tested and confirmed in studies using EPA's Toxics Release Inventory (TRI) data. In this paper, we ask the same question, in principle, for the case of carbon dioxide emissions. More specifically, using two statistical testing procedures, we examine: (1) if the stock price is increased by announcing participation in CCX; (2) if the increase in stock price is observed only for announcement company, relative to nonpolluting companies and non-CCX companies. We find that participation in CCX does not generate positive values in the stock market. We also observe that there is no apparent change of this trend till 2005. We therefore conclude that in contrast to previous studies in the case of toxic chemicals, the market has not valued companies' participation in CCX in the case of carbon dioxide emissions.

Key Words: Chicago Climate Exchange (CCX); Event Study; Abnormal Return;