

# China's Response to Carbon Neutrality

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## Abstract

Climate change and carbon dioxide emissions reduction are attracting an increasing attention among policymakers globally. Many developed and emerging economies have committed to reducing carbon dioxide emissions and have implemented climate change policies in recent years. The relationship between environmental regulations and market performance has been widely discussed in existing literature. However, limited research is undertaken to examine the market response to environmental protection initiatives. In September 2020, China announced its carbon neutrality initiative that the country, which is the second largest economy in the world, will peak its carbon dioxide emissions before 2030 and achieve carbon neutrality by 2060. Our study investigates the impact of this event on China's stock market by using both the constituent stocks of the CSI 300 Index and those of the later established SEEE Carbon Neutral Index. Results indicate that stocks with a carbon-neutral concept respond positively to the Government's climate change commitment.

**Keywords:** Carbon Neutrality, trading behaviour, stock performance.