

# Are Climate Change Risks Priced in the Stock Market?\*

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## Abstract

To answer this question, we develop a general equilibrium asset pricing model featuring climate change risk. The model particularly accounts for the different dimensions of climate change and allow us to characterize risk premia for *climate productivity risk* and for *climate policy risk*. We confront the model predictions with the data by analyzing the stock market performance of climate sensitive vs. robust industries and dirty vs. clean industries. Our results are consistent with an increasing awareness of investors for climate change risks since the beginning of the 2000s. We also show that the productivity risk and policy risk dimensions of climate change can well be separated in the cross-section of stock returns.

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