

Repealing the “Green New Scam”: Impacts of the 2024 U.S. Presidential Election on Green Stock Prices

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October 10, 2025

Abstract

We study the impact of the 2024 United States presidential election on the financial performance of green firms in the U.S. and abroad. The election of President Donald Trump marked a pivotal moment in the global green transition and presents a rare opportunity to test the predictions of recent theories of climate politics. We first confirm that, contrary to predictions of political lock in, the election resulted in a sharp decline in the value of U.S. green firms. Next we show that, contrary to theories of reciprocal cooperation or collaborative advantage, Chinese firms *gained* in value following the U.S. election result. In contrast, German firms, like their U.S. counterparts, experienced declines in expected profitability. Our results suggest that existing theories understate the importance of competition to the political economy of decarbonization: rather than global retrenchment, markets anticipated an uneven redistribution of advantage across national green industries.

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“It was just announced—this is a big announcement—it was just announced that the budget deficit is now expected to be \$2 trillion. \$2 trillion. That’s all of this Green New Scam stuff. You know the Green New Scam? Let’s build a windmill on every corner. A windmill that doesn’t work. ‘Darling, I’d like to watch television.’ ‘I’m sorry. The wind isn’t blowing tonight.’ ”

Donald Trump at a Philadelphia Rally in June 2024

1 Introduction

The re-election of Donald Trump in 2024 marked a pivotal moment for the global green transition. Trump promised a number of times on the campaign trail that he would repeal the “green new scam”: a collection of legislative and regulatory efforts passed under the Biden administration intended to put the U.S. on track to meet its Paris Agreement emissions reduction targets and to boost U.S. industrial competitiveness across green sectors. Trump’s election thus signaled a dramatic reversal of U.S. climate policy, and his victory provides a rare opportunity to test the predictions of several recent theories of climate politics. In this research note, we use an event study framework to estimate the effects of Trump’s election on market valuations of green firms in the United States and abroad. By tracing investor responses to the election, we bring credible evidence to bear on three prominent theories from the literature on decarbonization politics.

First, theories of political lock-in suggest that green industrial policies, unlike traditional market-based instruments, can create durable constituencies that reduce the likelihood of policy reversal (Meckling et al. 2015; Breetz, Mildenerger and Stokes 2018; Cullenward and Victor 2021; Gazmararian and Tingley 2023). Subsidies, tax credits, and direct investment in green industries generate new economic incentives for both voters and firms to defend these policies once in place. From this perspective, Trump’s threat to repeal the Inflation Reduction Act (IRA) and related policies should lack credibility:

the value of firms operating in subsidized industries should remain unaffected by the election result. Investor expectations should reflect the view that the political and economic foundations of U.S. green industrial policy are too entrenched to be easily reversed.

Second, Trump’s vow to dismantle the IRA and roll back federal climate initiatives fueled widespread concerns about global climate backsliding, reflecting scholarly theories of reciprocity in international climate cooperation. Theories of reciprocal cooperation predict that when a major emitter defects from climate ambition, others will follow suit, fearing both competitive disadvantages and political costs (Rowan 2025; Akin and Mildenberger 2020; Tingley and Tomz 2014). In this view, U.S. retrenchment will not only stall domestic progress but also risks undermining global momentum toward a green transition.

Third, recent scholarship highlights the collaborative and transnational nature of decarbonization, emphasizing supply chains that connect firms in the United States, Europe, and China (Nahm 2021). Innovation and cost reductions in low-carbon technologies rely on production networks that span national borders, allowing firms in different regions to embrace specialization and to learn from one another. From this perspective, U.S. retrenchment threatens not only domestic firms but also the productivity and profitability of firms embedded in global green supply chains. Although the mechanisms differ from reciprocity, the prediction is similar: U.S. withdrawal from its climate commitments should reverberate across the international economy, undermining the value and profitability of green firms worldwide.

We test each of these three predictions using an event study of the stock market performance of green firms in the United States, China, and Germany. We estimate the abnormal returns of publicly traded firms in key green sectors, including solar, wind, electric vehicles, and lithium-ion batteries. By focusing on a narrow window of days around November 5, 2024, we are able to isolate market responses to the election outcome from broader economic trends. Abnormal returns to firm stock prices are a standard tool in

financial economics, offering a widely used measure of how new information reshapes investor perceptions of firm profitability (Kothari and Warner 2008). Within political science, these methods have often been used to assess the credibility and expected evolution of policy changes in the international economy (Wilf 2016; Kucik and Pelc 2016; Bayer, Crippa and Genovese 2025; Voeten 2025). In the present context, the event study framework enables us to assess whether investors anticipate policy continuity, retrenchment, or broader international spillovers in the wake of Trump’s election victory.

We show that each of the three predictions highlighted above are falsified in the case of the 2024 election. Contrary to expectations of political lock-in, market valuations of green firms listed on U.S. stock exchanges fell sharply following the 2024 presidential election. While commentators disagreed on the likelihood of full repeal in the months following the election, market actors themselves reacted with alacrity. Theories of reciprocity or collaborative advantage fare little better: rather than undermining the value of green firms globally, the 2024 election had heterogeneous impacts on firms headquartered in the U.S.’ two main industrial competitors. Chinese firms saw an increase in value following the election—likely reflecting expectations of declining support for U.S. competitors—while German firms experienced a decrease in value. All three of these results are precisely estimated and robust to alternative specifications and estimation strategies.

This work contributes to theories of global climate politics and particularly the resilience of green supply chains to political headwinds (Cory, Lerner and Osgood 2021; Allan and Nahm 2025). We provide an empirical test of three recent contributions to the climate politics literature, highlighting the shortcomings of each account to predict the market behavior in the wake of Trump’s election. Our results are particularly valuable in assessing the potential for political lock-in: while a number of recent studies explore why the hoped for political pressures to maintain the IRA failed to materialize, these studies across the board provide evidence of this failure in the form of a null hypothesis (Gazmararian, Jensen and Tingley 2025). In contrast, we provide a positive test of market

expectations regarding the failure of green constituencies to prevent policy rollback.

In the following sections we describe the data and methods we employ and subsequently the results of our analysis. We conclude with a discussion of why existing theories may have failed to accurately predict the reactions of financial markets to Trump’s election: these accounts under-estimate the importance of strategic competition in shaping the emerging global green transition.

2 Data and Methods

We employ an event study framework to estimate the effect of the 2024 U.S. presidential election on investor expectations about the future performance of renewable energy firms. Doing so allows us to estimate shifts market beliefs about the likely profitability and value of green firms following the election of Donald Trump. Since Trump was expected to repeal the IRA, the design explores the consequences for global decarbonization when the United States retreats from a pro-renewable energy policy program.

We utilize daily stock prices from Compustat Global and Compustat North America, accessed via Wharton Research Data Services. In the corporate finance literature, unanticipated stock price returns signal changes in beliefs as a reaction to unanticipated actions like the election results, and are related to shareholders’ estimation of future firm value (Kothari and Warner 2008). We estimate abnormal market returns by modeling daily stock prices using the Fama-French three factor method (Fama and French 1993). The observed difference between our predicted stock price and the realized price after the election is our estimate of a firm’s abnormal return.

We obtain data for firms in the six months leading up to the election, May 1 2024 to November 5 2024, as well as the post-election period until December 31 2024. We focus on firms that trade on the New York Stock Exchange and the NASDAQ in the United States, the Shanghai and Shenzhen Stock Exchanges in China, and the Frankfurt

Stock Exchange in Germany. To identify firms likely to be affected by any change in U.S. climate policy, we study firms in the solar (NAICS code 221114), wind (NAICS code 221115), electric vehicles (NAICS code 336320), and battery manufacturing (NAICS code 335910) sub-sectors.¹ The Fama-French Factors for each trading day are obtained from Kenneth French’s website.²

For our baseline specification we employ an estimation window of the six months prior to Trump’s election. Alternative specifications employ sixty or thirty day windows. In all cases we drop the five days immediately prior to the election in order to minimize anticipation effects. In order to model firm profitability during the pre-treatment period, we regress each green firm’s daily stock price on the three Fama-French factors, resulting in a firm-specific model of market value. For firm i listed on an exchange in country c on day t , our estimating equation is,

$$\text{Price}_{c[i]t} = \beta_0 + \beta_1 RM_{ct} + \beta_2 SMB_{ct} + \beta_3 HML_{ct} + \varepsilon_{c[i]t}.$$

The Fama-French model accounts for the excess risk that value and small-cap stocks face as a result of their higher cost of capital and greater business risk. Each market (America, Europe, emerging) has different factor adjustments.³ The term RM_{ct} is the market rate of return, SMB_{ct} is the size premium (small versus big), and HML_{ct} is the value premium (high minus low).

With this model in hand, we predict stock prices for each firm during the days immediately following Trump’s election (the “event window”). In our most stringent specification we define the event window as a single day. However alternative specifications also aggregate over three and five day windows immediately following the election. In all cases, firm

¹This NAICS classification encompasses all battery manufacturing, which also includes batteries manufactured with brown technologies. We independently verified whether or not each firm within this NAICS code is involved in lithium ion or other next generation battery manufacturing and included only those firms in our sample for which there is strong evidence of green production.

²See https://mba.tuck.dartmouth.edu/pages/faculty/ken.french/data_library.html.

³While the American and European Fama-French factors are available daily, the emerging market factors, which we use to estimate Chinese firm profitability, are only available on a monthly basis.

i 's abnormal return is equal to the difference between the observed stock price $\text{Price}_{c[i]t}$ and the stock price predicted by the market model, $\widehat{\text{Price}}_{c[i]t}$. This abnormal return corresponds to unanticipated shifts in stock prices resulting from the information conveyed to investors by the outcome of the election.

We aggregate firm-level abnormal returns to the sector-exchange level and report average abnormal returns for firms listed on Chinese, German, and American stock exchanges, as well as pooled sector-country results. Our estimate of the sampling variance for the average abnormal returns following the election is calculated as the mean variance of abnormal returns observed during the (pre-treatment) estimation window for each industry-exchange. We drop any estimates for which stock price data is available for fewer than two firms within the industry-exchange pair.

3 Results

Figure 1 presents the estimated abnormal returns to U.S. green firms. The left-most coefficient corresponds to U.S.-wide (country-level) abnormal returns. The right-hand set of coefficients correspond to exchange-level estimates. The country-level results make clear the negative impacts of Trump's election on the expected performance of U.S. green firms. In all three sectors for which data is available—electric vehicles, green batteries, and solar panels—we estimate a precise negative impact of the election on expectations of future value. Results from the two main U.S. exchanges tell a similar story with one exception: we estimate a precise positive abnormal return to green battery firms listed on the New York Stock Exchange.

Figure 2 presents estimated abnormal returns to Chinese (top) and German (bottom) firms. In contrast to the impacts on U.S. firms, we estimate positive and precise impacts on the expected profitability of Chinese firms in three out of four industries: electric vehicles, green batteries, and solar panels. Our estimates for producers of wind turbines

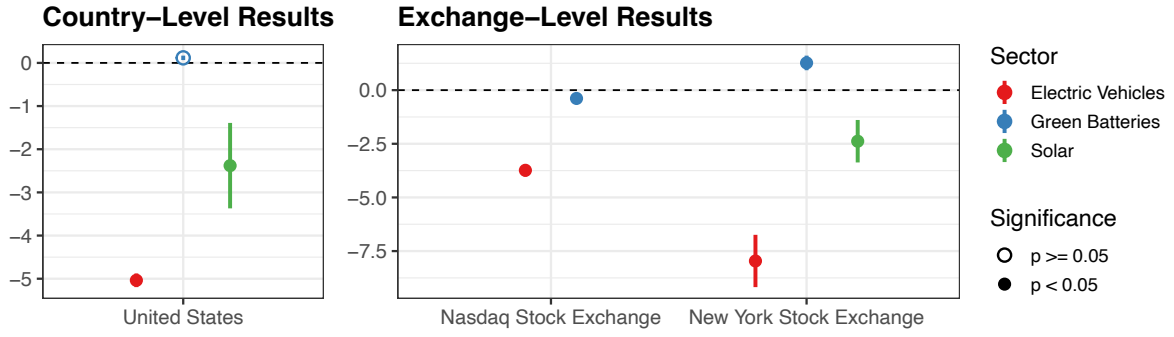


Figure 1: Election Induced Abnormal Returns to American Green Firms

are noisy and close to zero. The results for German firms on the other hand look more similar to the U.S.: we estimate precise negative changes in profitability for electric vehicle and wind producers both in the aggregate and at the exchange level. Effects on green batteries and solar producers are mixed and close to zero.

Shifts in investor beliefs were substantial following the election. For example, the price of electric vehicle firms in the U.S. fell approximately 0.2 times the industry's pre-treatment standard deviation in stock prices. For solar firms, the effect is even starker: prices declined 1.03 times relative to standard market volatility. In China, renewable markets buoyed, as solar prices increased by 0.42 standard deviations relative to pre-treatment prices, electric vehicle firms increased in valuation by 0.5 standard deviations, and green battery firms enjoyed an increase in expectations equal to 0.65 standard deviations of pre-treatment prices. Effects were smaller in Germany, perhaps due to its dual reliance on American and Chinese green supply chains. There, solar stock prices declined by 0.02 standard deviations, electric vehicle prices by 0.14 standard deviations, and wind stock prices by 0.3 standard deviations.

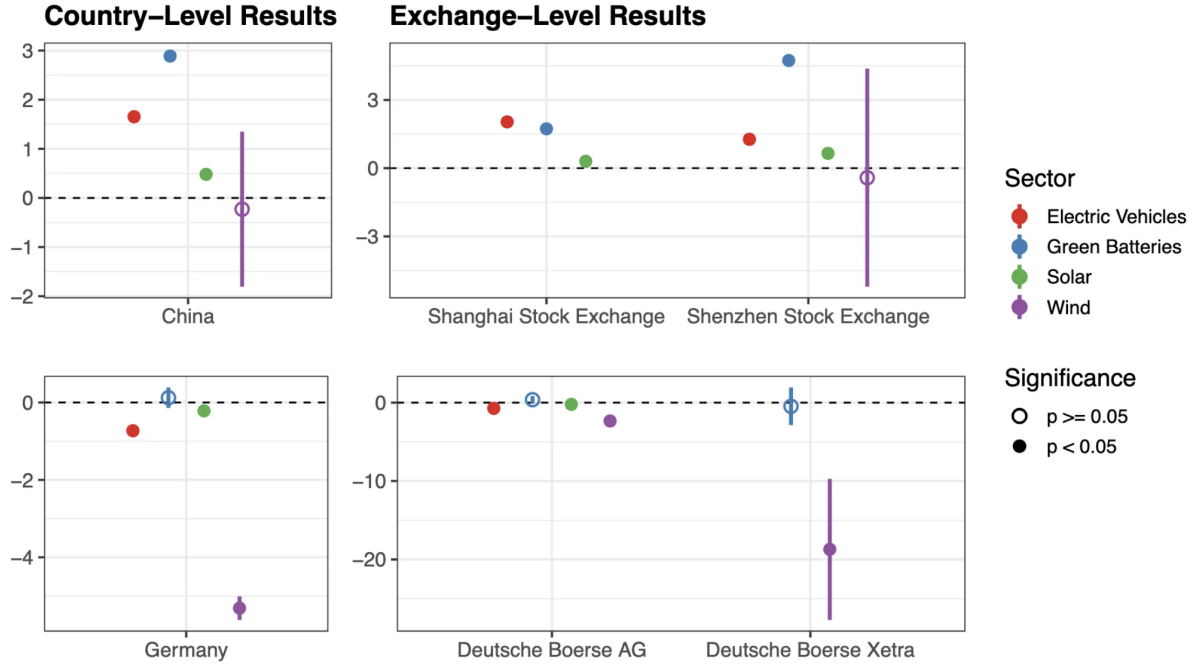


Figure 2: Election-Induced Abnormal Returns to Chinese (top) and German (bottom) Green Firms

4 Discussion

Taken together, our results show that none of the three leading theories of climate politics accurately anticipated market responses to Trump’s re-election. Contrary to expectations of political lock-in, U.S. green firms lost value despite the presence of entrenched subsidies and manufacturing investments under the IRA. Predictions of climate reciprocity also proved misleading: rather than provoking global retrenchment, U.S. defection coincided with gains for Chinese firms and mixed outcomes in Europe. Finally, theories of collaborative supply chains overstated the vulnerability of global production networks, as investors did not uniformly mark down foreign firms integrated with U.S. producers.

One explanation is that these frameworks underestimate the salience of geopolitical competition: markets interpreted U.S. withdrawal as an opportunity for Chinese firms to consolidate industrial leadership while weakening their American rivals. More broadly, the

findings suggest that theories built around policy durability, reciprocity, or transnational interdependence need to be supplemented with attention to how industrial rivalry and strategic competition shape expectations about the future of the green transition.

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