

FSR Climate Annual Conference 2022 – 8th edition

Friday 2 December

14:00-16:15 | Session – Energy transition

Presenter: Thomas DULAK (Université Libre de Bruxelles)

Title: *The dog that didn't bark: The reaction of financial markets to the court ruling in Milieudéfensie et al. v. Royal Dutch Shell plc.*

Abstract:

This paper aims to analyse the financial markets' reaction to the ruling of the case Milieudéfensie et al. v. Royal Dutch Shell plc. On May 26th, 2021, the District Court of The Hague rendered its judgment and ordered the multinational oil and gas company to reduce its absolute carbon emissions by 45% by 2030. The lawsuit was originally filed in 2019, in a context of growing litigation against corporations for their lack of ambition when it comes to the energy transition. The court's decision sparked many reactions on social networks and in newspapers, reflecting the fact that it was the first time a company was requested to reduce its carbon emissions in line with the Paris Agreement. As climate change-related risks are increasingly discussed in the financial sphere, we aim to assess whether the financial markets' reaction mirrored the one of the media. Using the event study methodology with daily stock prices, we show that the stock price of Shell remains steady on the day of the ruling and does not show any particular trend in the following days. This result is robust to the use of different models and to the length of the period considered. We conclude by discussing the potential causes of this apparent lack of reaction from financial markets.

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Webpage and programme [here](#)