

ABSTRACT

The launch of the Carbon Exchange in Indonesia (IDXCarbon) in 2023 marks a significant effort in reducing greenhouse gas emissions and promoting environmental sustainability. Indonesia has ratified the Paris Agreement and implemented various regulations to reduce greenhouse gas emissions, such as Presidential Regulation No. 61 of 2011 and Law No. 32 of 2009 on Environmental Protection and Management. This study aims to analyze the stock market's reaction to the launch of IDXCarbon by using abnormal return and trading volume activity on the shares of companies listed on the Indonesia Stock Exchange (IDX).

This research is an event study with an 11-day observation period, consisting of 5 days before, 1 day during, and 5 days after the IDXCarbon launch. The objects of the study are companies that participated as buyers of carbon units in the initial IDXCarbon trading and are listed on the IDX. The method used is event study with Wilcoxon Signed Rank Test. The sample was obtained through purposive sampling, totaling 14 companies.

The results of this study indicate a significant difference in abnormal returns before and after the IDXCarbon launch. Additionally, there is a significant difference in trading volume activity before and after the IDXCarbon launch on the shares of companies that participated as buyers of carbon units. These findings suggest that the stock market reacts to environmental policies focused on reducing greenhouse gas emissions through carbon trading mechanisms.

Future researchers are encouraged to examine other events that may affect the stock market, add other variables, and extend the research period. Investors are advised to pay attention to information related to economic and non-economic events to maximize returns and adjust their investment strategies accordingly.

Keywords: *IDXCarbon, abnormal return, trading volume activity, event study, greenhouse gas emissions.*