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THE INFLUENCE OF ENVIRONMENTAL REGULATION POLICY RISK ON HIGH-EMISSION SECTOR' MARKET IN CHINA

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Abstract

This paper investigated how environmental regulatory policy uncertainty influenced market performance within Chinese high-carbon emission sectors. Through textual examination of leading Chinese newspapers, the researchers developed a monthly environmental regulation policy uncertainty (ERPU) indicator. Wavelet coherence methodology and wavelet quantile techniques were employed to examine relationships across temporal and frequency dimensions under varying market circumstances. Principal findings demonstrated that ERPU substantially affected market performance of high-carbon emission industries, exhibiting variable impacts across temporal periods, frequency characteristics, and market condition states. The investigation contributed through: (1) establishing a comprehensive ERPU indicator derived from Chinese media content, (2) providing fresh empirical evidence regarding environmental policy uncertainty's influence upon high-emission industries within China, and (3) delivering valuable insights enabling policymakers and investment professionals to more effectively navigate complex policy environments and implement appropriate risk management approaches.

Key words: environmental regulation policy, high-emission sectors, risk impact, time-frequency, wavelet quantile

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