In the summer of 2014, numerous weather events caused catastrophes throughout Scandinavia. In the wake of these events, some investors came to hold beliefs about expected future climate change that lie well outside the generally accepted scientific consensus, dramatically overweighting the probability of unlikely adverse climate scenarios. These investors traded into mutual funds that were labeled ‘green’ after 2014, but not before. This result is robust to the level of financial and environmental knowledge, as well as pecuniary and non-pecuniary motives for investing. In sum, weather calamities drive behaviorally biased investors into investment vehicles that tout environmental sustainability.

“Talking About the Weather: Understanding Household Demand for Green Investment”