

# **Bond Case Briefs**

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## **Munis Threatened By Climate Risks.**

Municipal bond investors should keep climate risks front and center when deciding where to put their money, said Adam Stern, senior vice president and co-head of research at Breckinridge Capital Advisors.

Some investors wonder why they should care about a decades-long phenomena when their bonds will mature in just a few years, but climate change is a “threat multiplier” for municipal bond investors, said the executive of Breckinridge, a Boston-based financial firm with \$41 billion in assets under management.

“The seemingly longer-term risks can have relevance today and should be included in a comprehensive credit analysis of an issuer,” Breckinridge said in a statement. “Climate events can magnify existing credit weaknesses of the bond issuer [and] events often attributed to the risks associated with climate change will likely occur more frequently and their effects will be felt more widely.”

Investors need to look at a range of factors that could affect long-term infrastructure projects that are funded by municipal bonds, Stern said.

“Some factors will have a more immediate impact than others,” he explained in a subsequent interview. “Many climate change risks are starting to rear their heads now. For instance, if bonds are to be used for maintenance of a 30-year road project, temperature changes could be a factor. Climate change risks impact everything in some way and they are going to intensify as time passes. These issues are important for retail and institutional investors.

“Retail investor are going to be looking for guidance from the advisor community about risk mitigation, and advisors are going to need more data,” he added. “If one governmental jurisdiction is doing a better job of dealing with the problems now, it will have lower costs and better outcomes for projects in the future. Investors should keep that in mind.”

Breckinridge wants more disclosure from issuers and more uniform reporting standards for different jurisdictions.

“Investors should ask issuers if they know about climate risks and ask them what they are doing about the risks,” Stern said.

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