A Framework for Analyzing Municipal Climate Risk.

Most ESG investors would agree that climate change risk is at or near the top of their list of sustainability issues. According to the US SIF Foundation's biennial ESG "Trends Report" released Monday, climate change remains the top ESG issue for money managers, who incorporate climate change risk factors to $4.2 trillion in assets.

The long-term economic consequences of climate change span the financial, housing and infrastructure, agriculture, and geopolitical security sectors, to name a few. A 2018 report from the Intergovernmental Panel on Climate Change (IPCC) estimated that with just a 1.5°C warming of the planet, by the year 2100 economic losses globally would total $54 trillion – the combined total annual GDP of the U.S., European Union, and China.

As with most forms of extreme event risk, it is impossible to predict the exact timing, magnitude, and cost of the next catastrophe. Unlike black swan events, however, which are completely unexpected, climate risk is more of a "known unknown." While no individual natural catastrophe can be directly attributed to climate change, increasing temperatures globally create conditions that are more conducive to a higher frequency or severity (or both) of a multitude of perils, including hurricanes, severe storms, floods, wildfires, and droughts.

Continue reading.

ETF Trends

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