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\$4T Municipal Bond Market Wakes Up to Climate Risk. (With Help from Trump.)

The bonds are considered a safe investment. The Los Angeles wildfires sparked concern that climate change is making them risky.

As wildfire tore through Los Angeles in January, a financial ratings company made a decision that could mark a crucial shift in how a trillion-dollar market assesses climate risk.

S&P Global Ratings downgraded the credit rating of the Los Angeles water and power utility, citing “the increasing frequency and severity” of wildfires and signaling a potential awakening of the nation’s \$4 trillion dollar municipal bond market to climate risk.

Short-term trouble followed the Jan. 14 downgrade of the nation’s largest municipal utility. The bond values fell, default risk rose and some bondholders sold at a loss. If the utility issues new bonds soon, it will have to pay higher interest rates to compensate buyers for the heightened risk.

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