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Municipalities are Waking Up to Climate Risk and That's a Good Thing.

Canadian and American cities are leading the way in disclosing climate-related financial risks and leveraging municipal green bonds to finance climate initiatives

When ratings agency Standard & Poor's (S&P) downgraded the creditworthiness of the largest municipal utility in the United States, some experts warned it could signal early cracks in the historically stable municipal bond market. But the wider consensus is that municipalities—in both the U.S. and Canada—are awakening to climate risk, a shift many see as a positive development.

In Canada, cities like Toronto, Montreal, and Vancouver are leading the way in disclosing climate-related financial risks and leveraging municipal green bonds, fixed-income investments issued by cities to finance infrastructure resilience and climate initiatives. Toronto alone had raised more than US\$1 billion in green bond issuances as of November 2023, [writes](#) the World Economic Forum (WEF).

But the heightened risk is still out there. On January 14, in an industry first, S&P Global Ratings downgraded the Los Angeles Department of Water and Power (LADWP) two notches from a very secure AA- rating to an A, which remains secure, but with vulnerabilities.

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