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How Climate Change May Be Reshaping the Landscape for Municipal Debt Issuances.

In an era marked by intensifying wildfires, rising seas, and increasingly severe weather, climate change may be transforming how America looks and lives — and soon, how municipalities borrow to grapple with the evolving realities of a changing environment. Even though the science is clear about climate change and the costs are mounting, the evolution of the municipal bond markets seems slow across the nation. However, for investors in municipal debt, this disconnect raises a critical question: How long can climate risk go unpriced for their risk appetite?

In this article, we will take a closer look at the impact of climate change on municipal & state governments and the progress towards evolving municipal debt landscape thus far.

The Mounting Toll of Climate Change

Let's start with the facts. According to the National Centers for Environmental Information, the United States experienced 27 separate billion-dollar disasters in 2024, costing a total of \$182.7 billion and resulting in hundreds of deaths. Compare that with the 1990s, when the country averaged fewer than six such disasters per year.

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