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Some New US Municipal Bonds Face High Climate Risk.

What's going on here?

A wave of new US municipal bonds hit the market this week carrying serious climate and flood risks, with ICE Climate Data highlighting standout offerings from Texas, Oregon, Maine, and Louisiana well above the typical risk threshold.

What does this mean?

Municipal bonds are a longtime favorite for investors looking to back community projects, but environmental risks are climbing higher on the checklist. ICE flagged several new bonds with "high" risk scores—anything above 3.0 on its 5-point scale—measured across hazards like flooding, wildfires, and hurricanes. Brazos County MUD No. 1 in Texas, for example, launched a $15 million issue with a flood risk score of 4.2, while Oregon's Lincoln County School District and Maine's Portland Water District clocked in at 3.9 and 3.6 respectively. Both St. Tammany Parish in Louisiana and La Porte in Texas landed at 3.7 for overall total climate risk. While these assessments aren't formal credit ratings, they give a snapshot of how exposure to physical climate threats could affect long-term resilience—and remind investors to look beyond the surface when sizing up safety.

Why should I care?

For markets: *Climate risk is factored in now.*

With more granular climate data in play, investors and agencies are taking a harder look at the longer-term sustainability of muni bonds. Unpredictable weather can strain local infrastructure and tax revenues, which in turn could put pressure on repayment and yields. As physical risk scoring becomes a market fixture, investors may demand extra transparency—or price riskier bonds differently—to stay ahead of mounting climate threats.

The bigger picture: Climate trends are reshaping local finance.

Because municipal bonds support vital services, spotting high climate risk in these new offerings is a wake-up call for cities and towns. Better hazard modeling means regional climate exposures are tough to ignore, forcing local governments to plan around adaptation and resilience. That could mean new standards for transparency and risk reporting as communities navigate the next generation of public financing.

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