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## **S&P Sustainability Insights: The Credit Materiality Of Physical Climate Risks Is Uneven Across Asset Classes**

### **Key Takeaways**

- Since April 1, 2020, less than 1% of our rating actions globally have stemmed from physical climate risks, indicating that such risks have not widely altered the creditworthiness of rated entities.
- That said, some sectors are more vulnerable to such credit risks based on the fixed location of economic bases or assets such as governments and infrastructure (utilities and transportation).
- Furthermore, in a scenario where extreme weather events become more frequent or severe, limitations on insurance coverage arise, authorities reduce capacity to finance disaster recovery, and rebuilding costs rise, physical climate risks could become more uniformly material to credit ratings.
- We believe that, in general, forward planning and adaptation to climate change could preserve economic bases in the long term, although emerging markets will likely remain the most exposed due to difficulty in funding and preparing for the impacts of physical climate risks.

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