

# Climate and other risks and their financial impact

- **Policy and legal risks:** e.g. Policies that attempt to constrain actions that contribute to climate change; climate-related litigation
- **Technology risks:** e.g. Technological improvements or innovations that support the transition to a low-carbon will affect the competitiveness of certain organizations
- **Market risks:** e.g. Shifts in supply and demand for certain commodities, products, and services
- **Reputation risks:** e.g. Changing customer or community perceptions of an organization's contribution
- **Physical risks:** e.g. Increased severity of extreme weather events, longer-term shifts in climate patterns
- **Social risks:** E.g. delays in construction or disruptions in operations due to demonstrations, low public acceptance of the project.
- **Political risks:** Currency inconvertibility, expropriation, war, terrorism, civil disturbance government breach of contract, non-honoring of financial obligations.

# Global acknowledgement: call for disclosure of climate risks

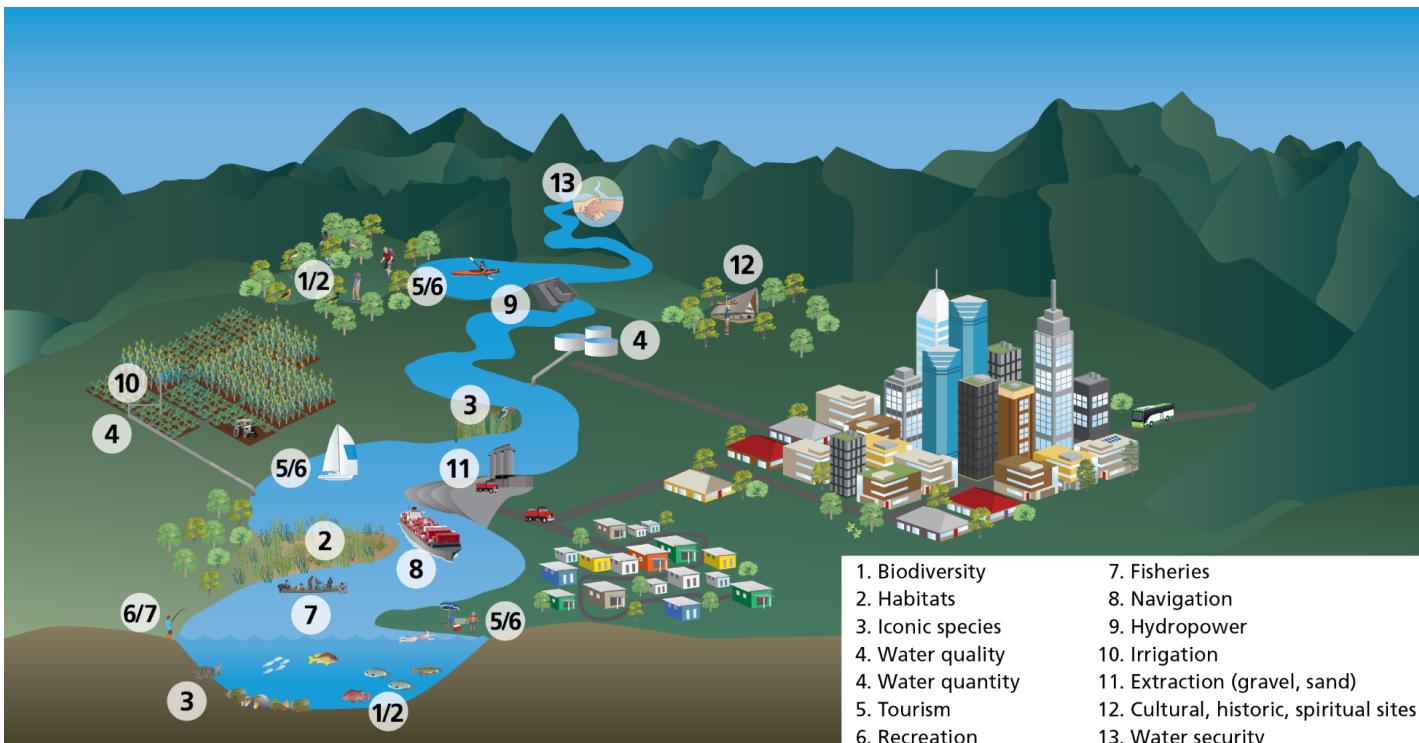
## The Financial Stability Board recommends disclosure of the financial impact of climate related risks

- Financial policymakers globally have taken interest in the implications of climate change for the global financial system, in terms of avoiding severe financial shocks and sudden losses in asset values.
- The G20 Finance Ministers and Central Bank Governors asked the ‘Financial Stability Board’ to review how the financial sector can take into account climate-related issues.
- The Task Force recommended that institutional investors and financial institutions should identify and assess financial impacts stemming from climate related risks and opportunities.

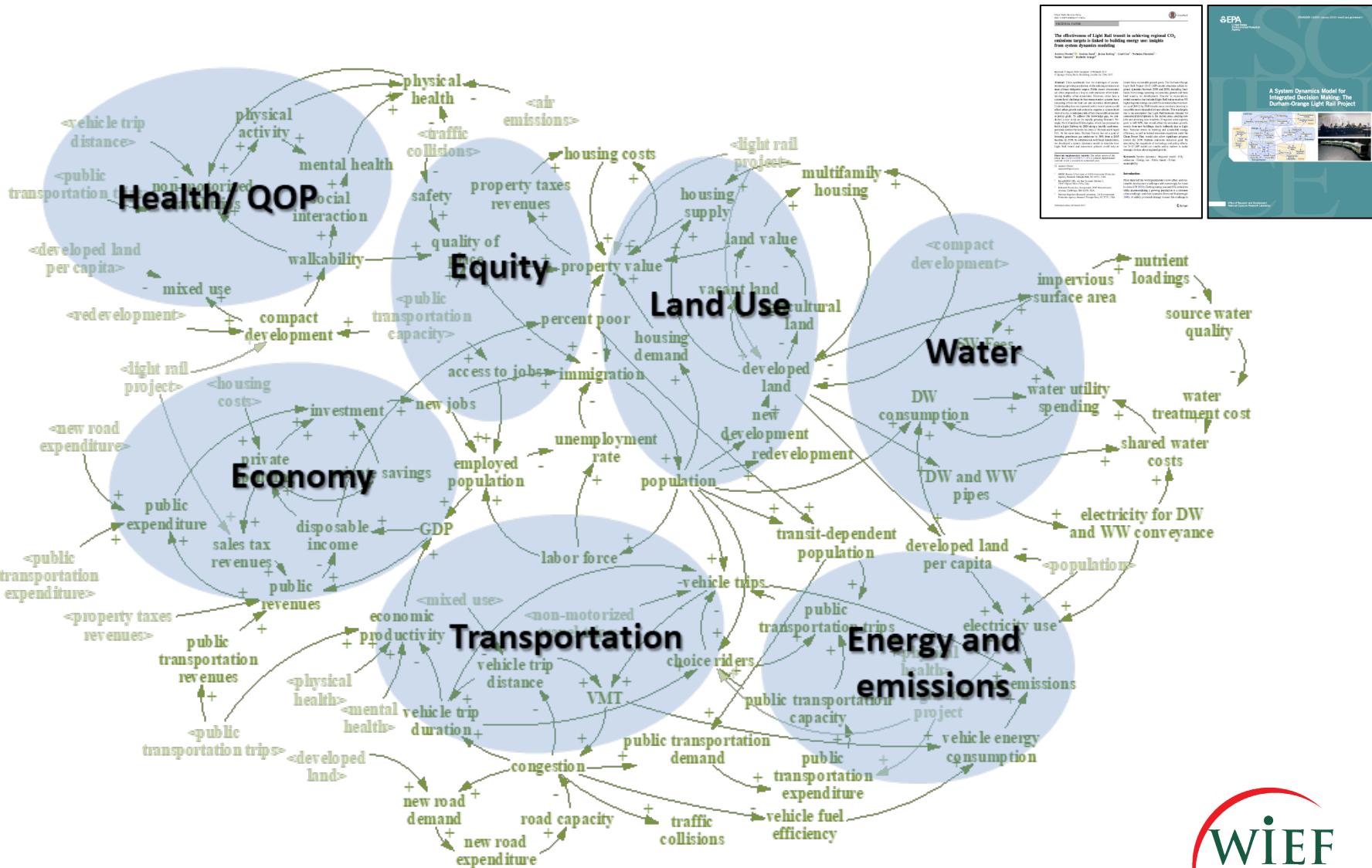


# Climate and other risks and their financial impact

- Certain risks are internal (or exogenous), others are internal (or endogenous)



# Opportunities emerge from cross-sectoral focus



# Setting the context

## The Green Economy:

- Involves several sectors
- Requires the involvement of several actors
- Has been known for a long time



# Setting the context

- Some easy solutions have been found:
  - Substitution (energy)
  - Conservation (energy and water)
- Some difficulties have emerged:
  - High capital cost
  - Resistance to behavioral change
  - Uncertainty
- All success stories are based on the identification of core strengths, peculiarities of the local context, and synergies across sectors and actors

# Opportunity

## Investments

### Avoided Costs

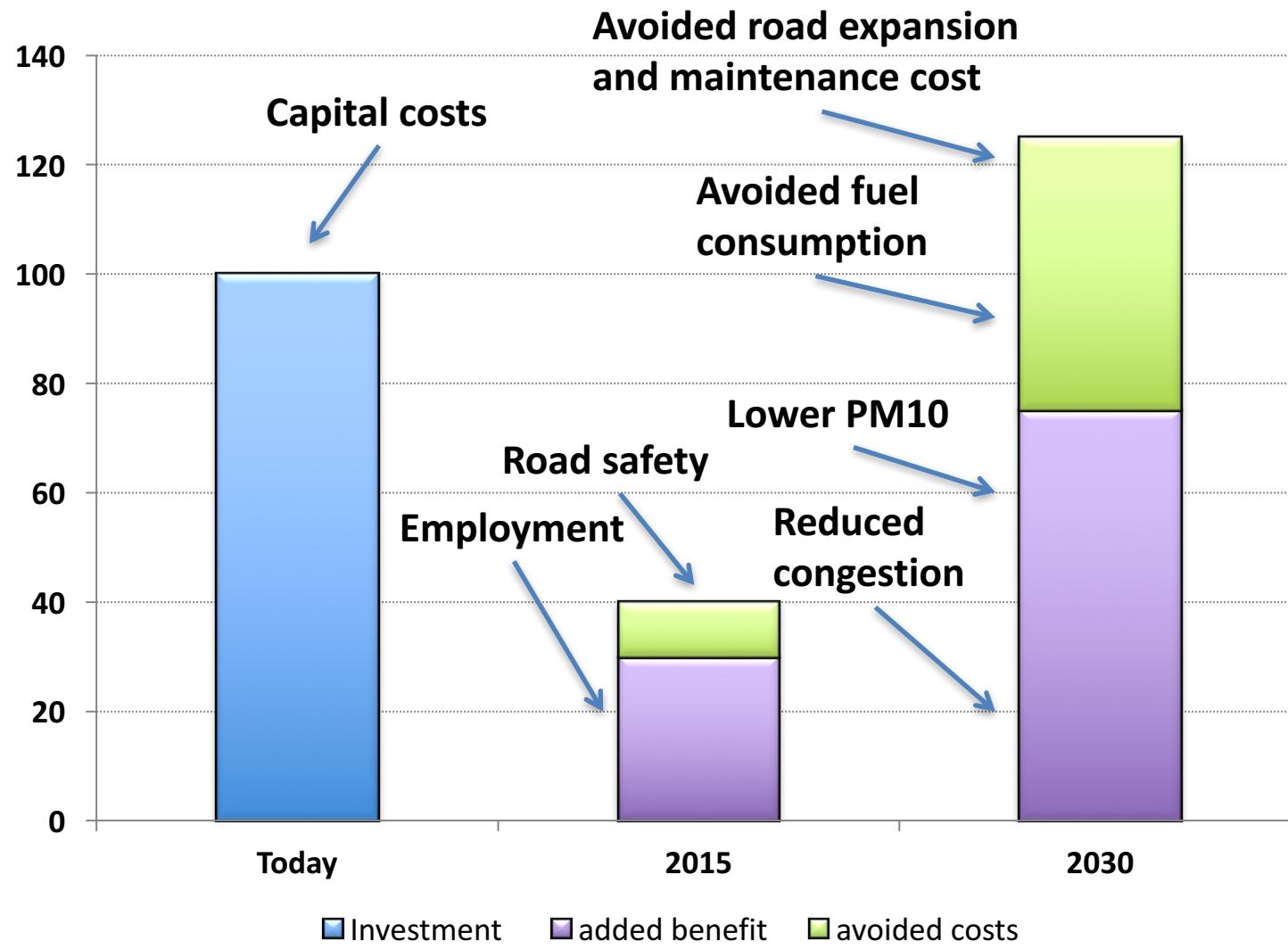
- ✓ **Environmental**
  - Remediation costs
- ✓ **Social**
  - Life and infrastructure losses
- ✓ **Economic**
  - Reduced maintenance



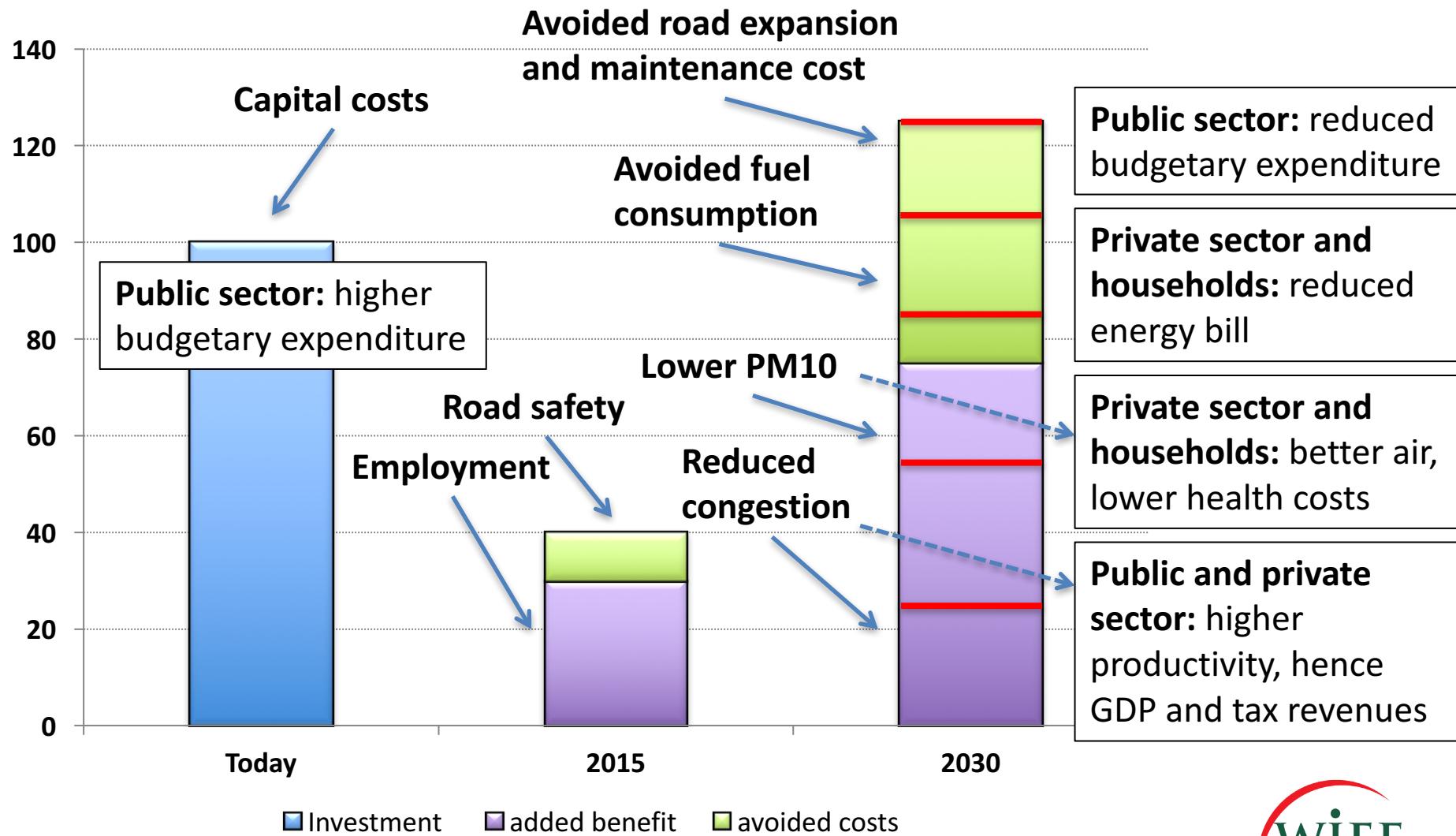
### Added Benefits

- ✓ **Environmental**
  - Ecosystem Services, emissions
- ✓ **Social**
  - Employment, income
- ✓ **Economic**
  - Productivity and GDP

# Transport infrastructure (public transport)



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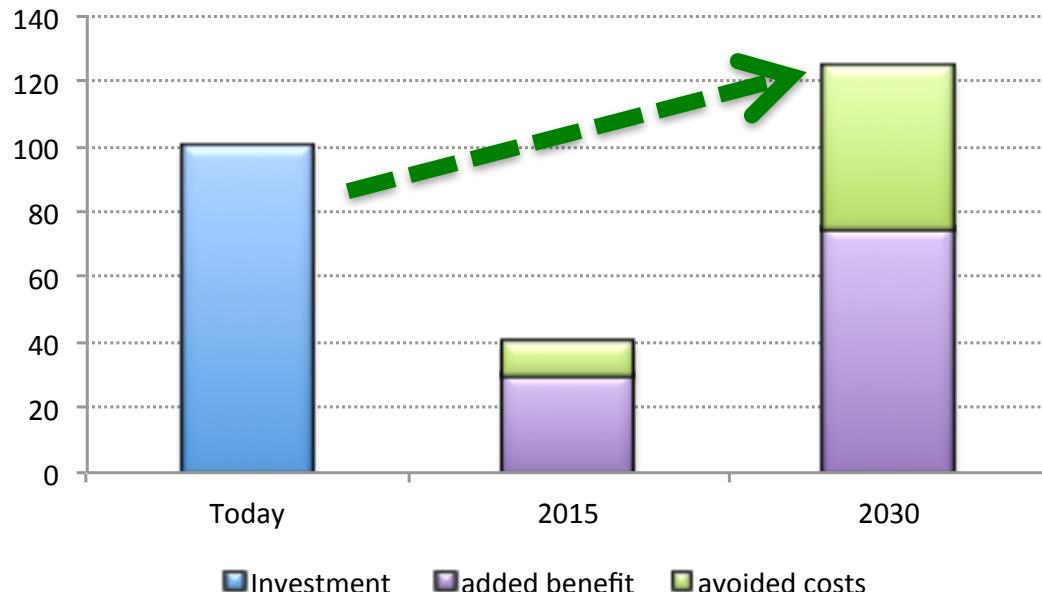


# Transport infrastructure (public transport)

Analysis to include key

economic actors:

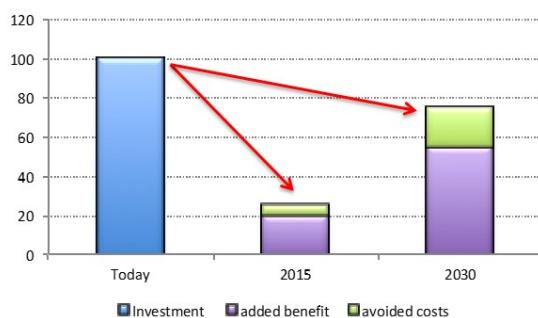
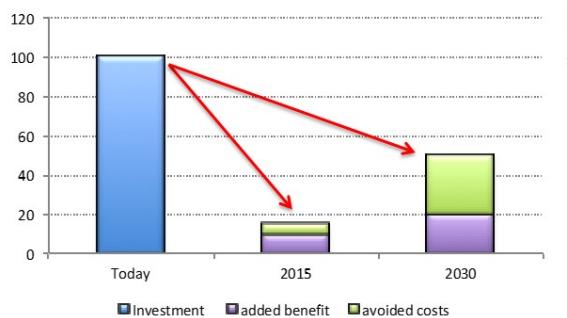
- Government
- Households
- Firms
- ...



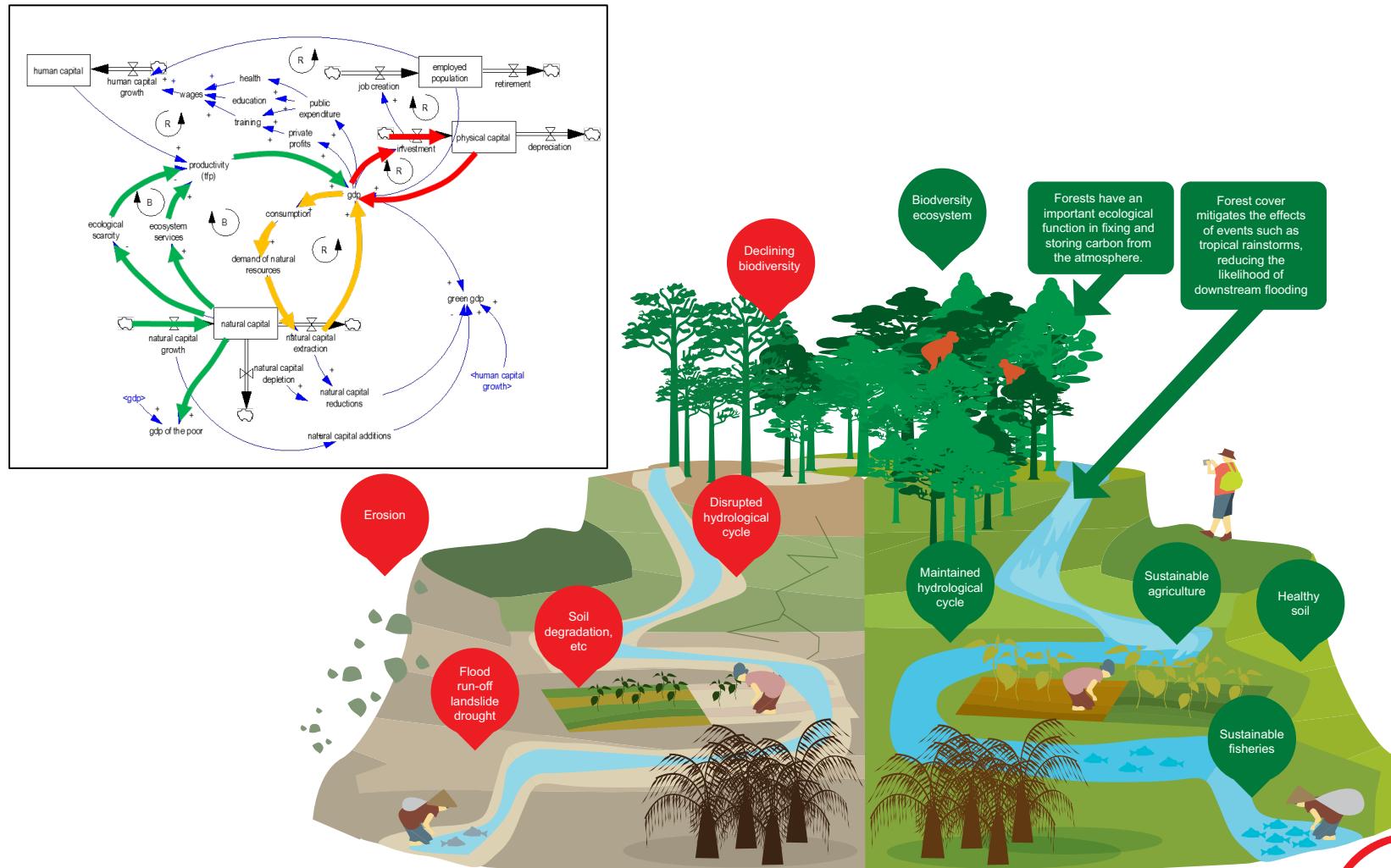
Integrated  
perspective

Public sector

Private sector

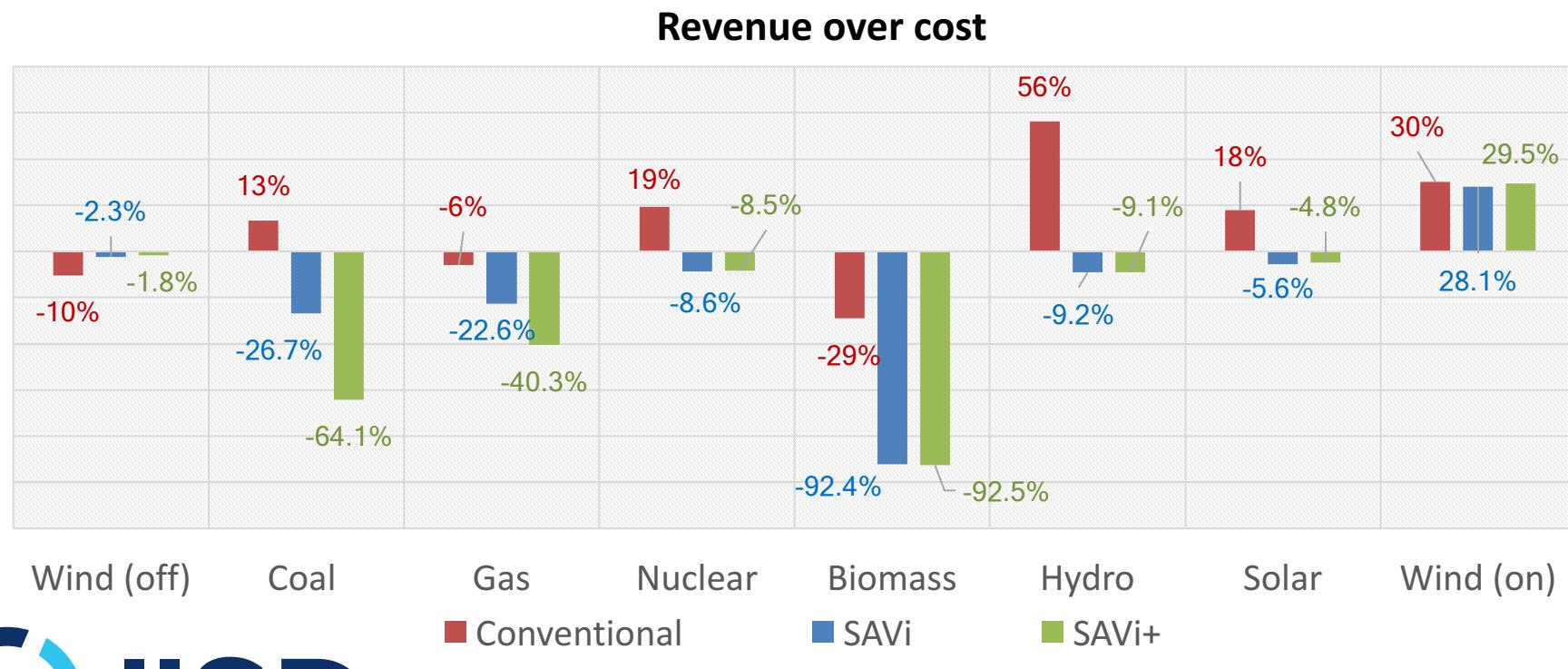


# Land use and primary sectors



# Sustainable Asset Valuation (SAVi)

- Quantitative estimation of social, economic and environmental externalities across sectors and actors reveals unexpected results



International Institute for  
Sustainable Development



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