



Pricing Physical Climate Risks

The largest climate physical risks in debt markets

AUTHOR:

Michael Penn

+44(0) 7073 0764

michael.penn@absolute-strategy.com

Additional research assistance:

Macro ESG Team

Michael Hessel

+44(0) 7073 0754

michael.hessel@absolute-strategy.com

Joe Watson

+44(0) 7073 0730

joe.watson@absolute-strategy.com

Revisiting the ASR Physical Risk Score

The ASR Physical Risk score ranks economies by their exposure to physical climate change, such as heat risk, flood risk, food and water stress. We also account for strong institutions, infrastructure and ability to adapt

Improvements to our approach

In our annual update we expand our coverage to 65 developed, emerging and frontier economies (from 48 previously), we refine and improve our physical risk inputs and show how ranks have changed versus last year

Where are the largest sovereign rating risks?

Sovereign debt credit ratings may not have fully accounted for climate risk:

-High climate risk vs credit rating: Middle East, Thailand, India, Mexico

-Low climate risk vs credit rating: UK, Canada, Eastern Europe, Nordics

RELATED RESEARCH:

[Metal winners from the clean tech rollout](#)

13th Jan 22

[3 Climate Policies for 2023](#)

6th Jan 22

[Where next for the ESG culture wars?](#)

16th Dec 22

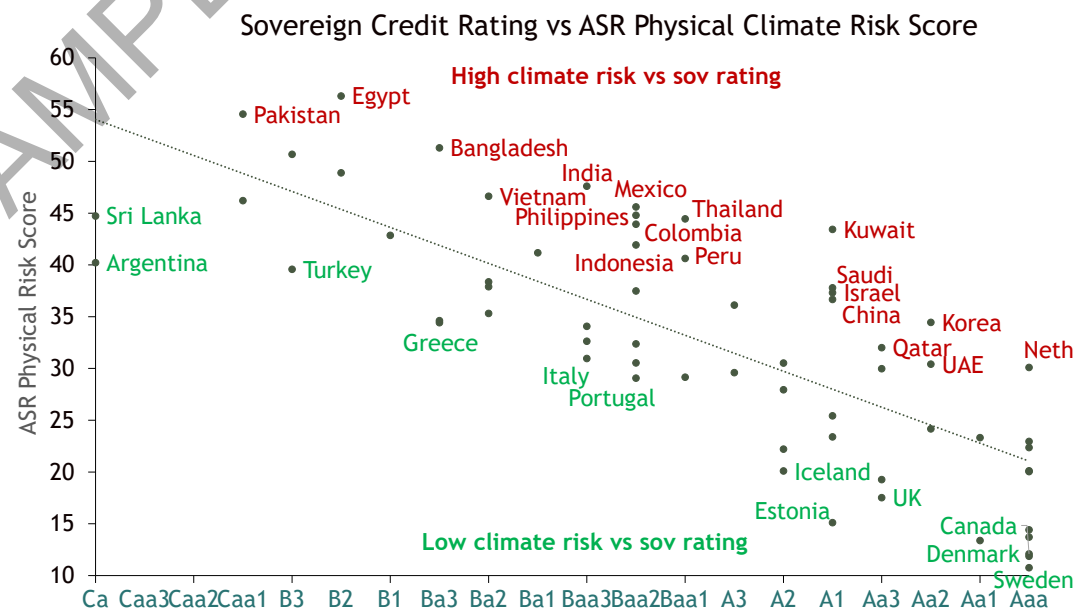
[Costs of clean energy protectionism](#)

9th Dec 22

[Climate aware long run returns](#)

2nd Dec 22

Key chart: Climate risk varies widely for similarly-rated Sovereigns



Source: ASR Ltd.