

# Climate RiskGauge — Financial Institutions

**A global capability for evaluating the credit risk and valuation impacts of climate-related transition and physical risks for exposures to financial**

## Overview

Increased efforts to manage future economic losses linked to climate change have prompted companies to assess their financial exposure to climate change risks and conduct appropriate scenario analysis to assess resilience to climate change policies, examine the impact of financed emissions on the risk profile of counterparties, and explore opportunities for energy transition financing.

**Climate RiskGauge — Financial Institutions (CRG FI)** assesses exposures to counterparties such as banks, investment managers, and specialized and diversified financial institutions globally. Its methodology is tailored to the distinct characteristics of the financial services industry, particularly the role of financed emissions and physical risk disruptions in shaping risk and valuation outcomes.

## Niche Datasets

CRG FI leverages niche datasets from S&P Global to strengthen climate risk assessment for financial institutions, including company-specific emissions, financial impact of physical risks, and loan/investment profiles of financial institutions.

An optimized set of financial inputs from S&P Capital IQ Pro supports vast private and public company-level coverage for efficient portfolio-level analysis.

## Tailored Approach

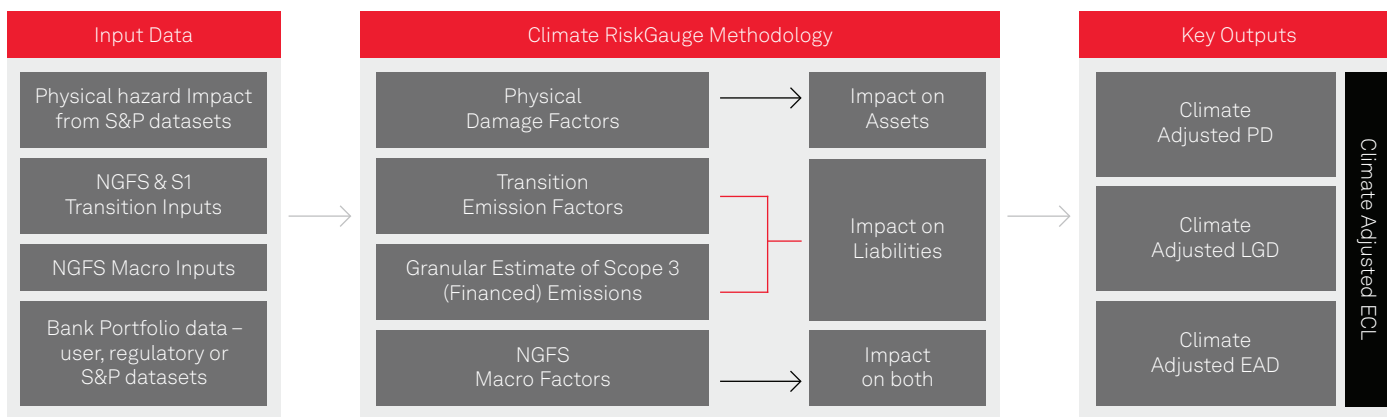
Primary inputs include the financial profile of a financial institution, such as assets, loans by industry segment, deposits, and debt data. The assets represent the total value of loans, investments, and other financial assets held, and the present value of expected future cash flows from these assets. The debt corresponds to the total liabilities of the institution, including deposits (for banks), insurance liabilities (for insurers), and borrowings.

The outputs include future climate-adjusted assets and liabilities of a financial institution, along with various debt metrics and climate-adjusted Probability of Default (PD), Loss Given Default (LGD), Exposure at Default (EAD), and Expected Credit Loss (ECL). Additionally, Climate Valuation Impact on equity and bond issuances are generated.

## Comprehensive Assessment

The impact on values for assets and liabilities is driven by financial losses of physical damage due to climate hazards, financed emissions, evolution of macro-economic factors from NGFS (e.g., interest rates and GDP) amongst other considerations.

**Figure 1: Analytical dimensions and steps integrated in CRG FI**



Climanomics is a group within S&P that puts a price on the impact of physical climate risks. EBA is the European Banking Authority.

Source: S&P Global Energy Horizon. For illustrative purposes only.

Once the assets, liabilities, and corresponding metrics are calculated, traditional Merton equations are used to estimate the PD, LGD, EAD, ECL. Climate valuation impact metrics are also generated.

## Multiple Scenarios

CRG FI enables users to select from a substantial library of Network for Greening the Financial System (NGFS) scenarios — including Phase III, Phase IV, and Phase V — or define a custom scenario by adjusting an NGFS pathway. The solution supports both stress testing and reporting requirements across multiple jurisdictions globally, and has the flexibility to align with the scenario values from the International Energy Agency (IEA).

## Efficient Delivery

CRG FI is delivered via S&P Capital IQ/ Excel® templates, designed to automate financial spreading, simplify integration into existing workflows, and avoid dependency on additional software or technology.

Please contact your S&P Global sales representative or [support.energy@spglobal.com](mailto:support.energy@spglobal.com)

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