

Evaluate the impact of climate-related scenarios on your portfolios with **Climate RiskGauge**

The prominence of environmental, social, and governance (ESG) issues today is heightening attention on the need to move to a low-carbon economy to protect society. One of the main policy tools considered by governments to facilitate this transition is the introduction, or increase, of a carbon tax that penalizes firms with greenhouse gas (GHG) emissions. Scenario analysis, which looks at different future outcomes based on alternative assumptions, provides a way to better understand the possible risks and opportunities that may arise as a result of such policies. S&P Global Market Intelligence's Climate RiskGauge enables investors and risk managers at banks and non-financial corporations to estimate the impact of a carbon tax on both public and private companies across different countries and sectors.

Assess the credit risk of climate-related carbon policies

Comprehensive solution

Climate RiskGauge estimates the impact of a carbon tax on the credit risk score¹ of firms, globally. It adopts a market-valuation approach, providing a granular, company-specific assessment for 45,000+ public companies (financial and non-financial) and several million private companies.²

Rigorous methodology

Climate RiskGauge leverages S&P Global Trucost's database of company-specific Scope 1 and 2, with potential to include Scope 3 carbon emissions. The model's primary outputs include the main financial impact (additional costs, revenues, and change in earnings) and the future market capitalization of each company in the chosen sector, scenario, and year, as well as the change in credit score (expressed in notches). For private companies, the model generates the main financial impacts, an implied current and future market capitalization leveraging standard market-valuation techniques, as well as the change in credit score. Credit score changes can be used on a standalone basis, or applied as an overlay to the current credit risk assessment provided by S&P Global Ratings or generated with other quantitative models.

Multifaceted scenarios

Trucost or user-defined scenarios may be used. Trucost scenarios are aligned with IEA³ scenarios and include slow, moderate, and fast options, spanning a period of 30 years, from 2020 to 2050. The tool considers multiple company responses and captures both risks and opportunities at an individual company level.

Flexible user options

Users may utilize the credit score notch changes in conjunction with internal credit scoring models/frameworks, or use the S&P Global Market Intelligence Credit Analytics model scores as the starting point. Projected financials may also be used independently.

¹ S&P Global Ratings does not contribute to or participate in the creation of credit scores generated by S&P Global Market Intelligence. Lowercase nomenclature is used to differentiate S&P Global Market Intelligence credit model scores from the credit ratings issued by S&P Global Ratings.

² Source: S&P Capital IQ Platform, as of September 1, 2019.

³ International Energy Agency.

About S&P Global Market Intelligence

At S&P Global Market Intelligence, we understand the importance of accurate, deep and insightful information. We integrate financial and industry data, research and news into tools that help track performance, generate alpha, identify investment ideas, perform valuations and assess credit risk. Investment professionals, government agencies, corporations and universities around the world use this essential intelligence to make business and financial decisions with conviction.

S&P Global Market Intelligence is a division of S&P Global (NYSE: SPGI), the world's foremost provider of credit ratings, benchmarks and analytics in the global capital and commodity markets, offering ESG solutions, deep data and insights on critical business factors. S&P Global has been providing essential intelligence that unlocks opportunity, fosters growth and accelerates progress for more than 160 years. For more information, visit www.spglobal.com/marketintelligence.

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