S&P Global
Market Intelligence

Evaluate the impact of climate-related scenarios on your portfolios with Climate Linked Credit Analytics

Climate change is prompting investors to consider plausible climate-related scenarios and evaluate the potential impact on their portfolios. One of the main policy tools considered by governments to facilitate the transition to a low-carbon economy is the introduction of a carbon tax that penalizes firms with greenhouse gas (GHG) emissions. Scenario analysis provides a way to better understand the possible risks and opportunities related to climate change and GHG policies. As such, S&P Global Market Intelligence, in consultation with Trucost, part of S&P Global, and Oliver Wyman, developed Climate Linked Credit Analytics. This capability enables investors and risk managers at banks and non-financial corporations to estimate the impact of a carbon tax on companies across different sectors.

Developing the Climate Linked Credit Analytics in consultation with these two firms that are in the ESG space enables users to leverage our expertise in credit risk assessment and time-tested models, while capturing many essential aspects of climate risk and the impact on credit risk.

A global capability to assess the credit risk of climate-related carbon policy issues

Comprehensive solution

Climate Linked Credit Analytics provides two complementary tools:

- A fundamentals-driven view generates a company-specific credit score assessment for 1,200+ public and private upstream oil and gas companies on the S&P Capital IQ platform. This helps users better understand the connection between climate scenarios and specific balance sheet, cash flow, and income statement items
- A market-driven view utilises CO_2 emissions data and future market capitalisations, providing the score notch change (signalling an improvement or decline in credit quality) on 34,000+ public companies

For companies with limited financial disclosures, we have developed a mechanism to create proxies based on comparative peer analysis. In addition, users can perform an analysis based on pre-defined scenarios or by customizing their own.

Rigorous methodology

Climate Linked Credit Analytics employs Energy Information Administration (EIA) data on average CO_2 emissions by fuel type, as well as granular information on company-specific fuel production.

The scenario tools automatically extract the relevant financials and scores from our Credit Analytics offering and the S&P Capital IQ platform to evaluate a single company or multiple companies at one time.

Multifaceted scenarios

The tools provide users with the ability to access a wide range of scenarios, with options covering:

- Specific carbon tax levels
- Multiple carbon pricing paths
- Several implementation dates out to 2050
- Abatement costs
- Transition opportunities

Flexible user options

Users may utilize the notch change in conjunction with internal credit scoring models/frameworks, or use the Credit Analytics model scores as the starting point.

Projected financials may also be used independently of the scores and put into internal credit scoring platforms, or used in our scoring models.

About S&P Global Market Intelligence

At S&P Global Market Intelligence, we know that not all information is important—some of it is vital. Accurate, deep and insightful. We integrate financial and industry data, research and news into tools that help track performance, generate alpha, identify investment ideas, understand competitive and industry dynamics, perform valuation and assess credit risk. Investment professionals, government agencies, corporations and universities globally can gain the intelligence essential to making business and financial decisions with conviction.

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CONTACT US

The Americas

+1-877-863-1306

Europe, Middle East & Africa

+44-(0)20-7176-1234

Asia-Pacific

+852-2533-3565

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