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 CO₂ 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 CO₂ 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.

S&P Global Market Intelligence is a division of S&P Global (NYSE: SPGI), which provides essential intelligence for individuals, companies and governments to make decisions with confidence. For more information, visit www.spglobal.com/marketintelligence.

Data as of November 2019.

Oliver Wyman is a global management consulting firm and is not an affiliate of S&P Global, or any of its divisions.

Copyright © 2020 by S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved.

These materials have been prepared solely for information purposes based upon information generally available to the public and from sources believed to be reliable. No content (including index data, ratings, credit-related analyses and data, research, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of S&P Global Market Intelligence or its affiliates (collectively, S&P Global). The Content shall not be used for any unlawful or unauthorized purposes. S&P Global and any third-party providers, (collectively S&P Global Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Global Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content. THE CONTENT IS PROVIDED ON "AS IS" BASIS. S&P GLOBAL PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Global Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

S&P Global Market Intelligence's opinions, quotes and credit-related and other analyses are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P Global Market Intelligence assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P Global keeps certain activities of its divisions separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain divisions of S&P Global may have information that is not available to other S&P Global divisions. S&P Global has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

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 PD credit model scores from the credit ratings issued by S&P Global Ratings.

S&P Global may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P Global reserves the right to disseminate its opinions and analyses. S&P Global's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge) and www.ratingsdirect.com (subscription), and may be distributed through other means, including via S&P Global publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.