

# ESG In Credit Ratings

## October 2023

ESG-Related Rating Actions Hit A 2023 Monthly Low

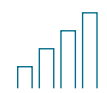
S&P Global  
Ratings

*This report does not constitute a rating action.*

### By The Numbers: September 2023 ESG-Related Credit Rating Actions

#### Total ESG-driven credit rating actions, September 2023 versus August 2023

▲ Increase  
▼ Decrease



**10** ▼  
All credit  
rating actions



**2** ▼  
Positive  
rating actions



**8** ▼  
Negative  
rating actions

#### September 2023 positive rating action breakdown

##### Key factor



**2**  
Health and  
safety

##### Key sector



**2**  
Corporates and  
infrastructure

##### Key regions



**1**  
Asia Pacific



**1**  
Latin America

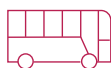
#### September 2023 negative rating action breakdown

##### Key factor



**6**  
Risk management,  
culture, and oversight

##### Key sector



**6**  
U.S. public  
finance

##### Key region



**6**  
North  
America

ESG-related rating actions are those where ESG credit factors were a key driver of the decision to change a credit rating, outlook, or CreditWatch status. S&P Global Ratings considers ESG credit factors to be those ESG factors that may influence the capacity and willingness of an issuer to meet its financial commitments. Rating actions include changes in ratings, CreditWatch placements, and outlooks, as well as withdrawals, in September 2023. ESG--Environmental, social, and governance. Source: S&P Global Ratings.

### Key Takeaways

- Total ESG-related rating actions decreased to 10 in September from 16 in August, marking a year-to-date low, as negative actions continued to lead positive ones, by four to one.
- Governance factors remained the primary driver, with seven rating actions, followed by social factors with three.
- Six of the seven governance factor-related rating actions in September were negative, with the largest concentration being risk management, culture, and oversight.

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# ESG Research Highlights

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## **Sustainability Insights: Managing Renewables Risk Is Increasingly Integral To U.S. Power Utilities Credit Quality**

**Oct. 9, 2023**

Investments in renewable power sources are supporting energy transition in the U.S. power sector. Renewables typically have negligible variable costs, but the required technologies as well as transmission and storage needs, among other factors, could boost capital costs and weaken a utility's financial metrics in the long term. Intermittent power production and a changing regulatory landscape could create operational risks that may require adaptation by U.S. power utilities to stabilize credit quality amid the sector's evolution toward renewable generation sources.



## **Sustainability Insights: Research: Decarbonizing Chemicals Part One: Sectorwide Challenges Will Intensify Beyond 2030**

**Sept. 5, 2023**

The interim decarbonization targets (typically by 2030-2035) of the chemical companies we rate are technically feasible without materially disrupting the sector's cost structures, and with limited financial impacts. Decarbonization over that time frame could largely rely on energy efficiency gains and the electrification of certain processes. It will also hinge on external factors such as the availability of sufficient renewable energy. Inconsistent regulation across regions, in globalized chemical markets, could create uncertainties and diverging effects.



## **Sustainability Insights: Research: Decarbonizing Chemicals Part Two: The Credit Risks And Mitigants**

**Sept. 5, 2023**

There is no quick fix to decarbonize the chemical sector. The sector's numerous (over 70,000) and heterogeneous products, and dependence on carbon-based fuels and feedstock, create risks relating to decarbonization technology, costs, and regulations. We assume that companies will benefit from the future technological evolution and development of decarbonization options, thereby mitigating some credit risks. Decarbonization could create new markets and applications for some chemicals. While we see potential risks for chemical companies, in our view the sector's credit risks are currently manageable under existing regulatory policies.

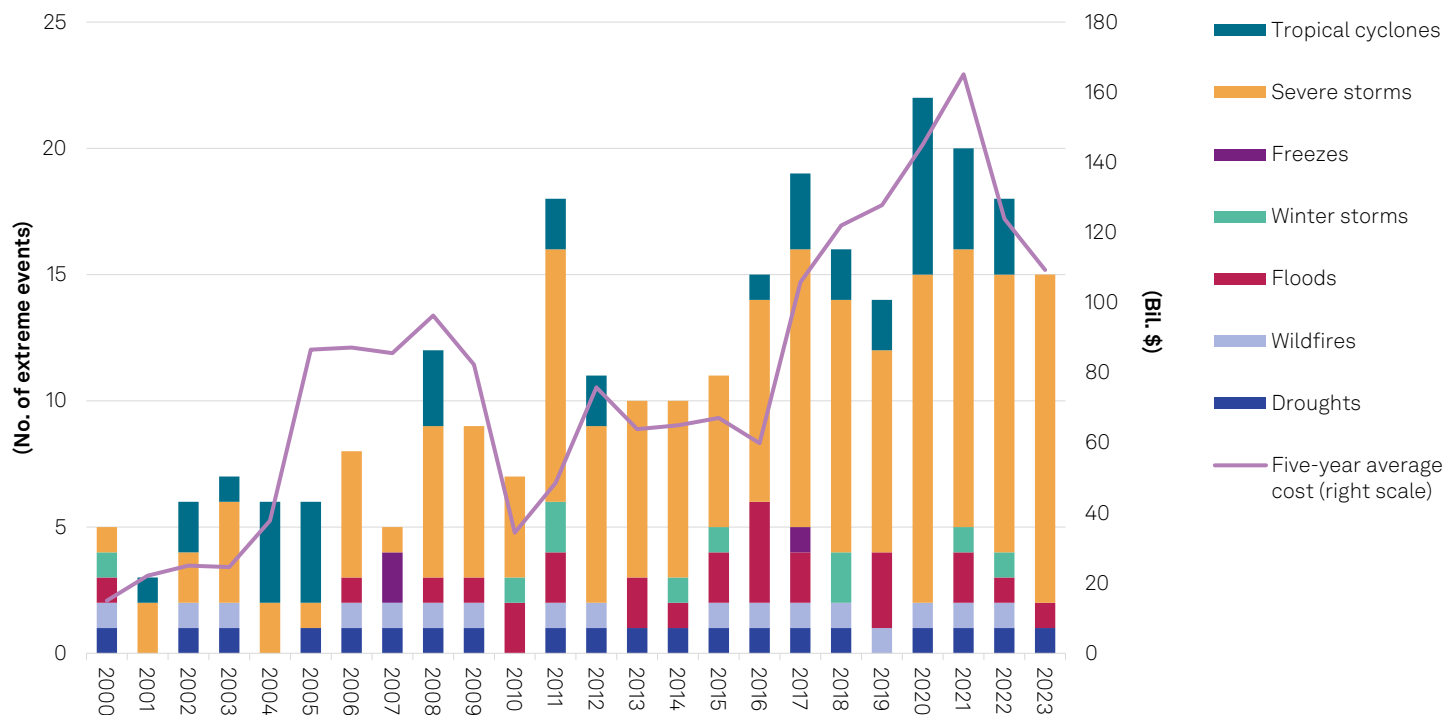
# Chart Of The Month

## Managing Renewables Risk Is Increasingly Integral To U.S. Power Utilities Credit Quality

The U.S. electric power industry is in transition, seeking to decarbonize its fuel sources for environmental stewardship, regulatory requirements, or financial and economic reasons. While many utilities are developing plans to add renewables, others are taking a cautious approach.

### The pace of increasing extreme weather events puts focus on reducing carbon emissions

U.S. billion-dollar disaster events, 2000-2023



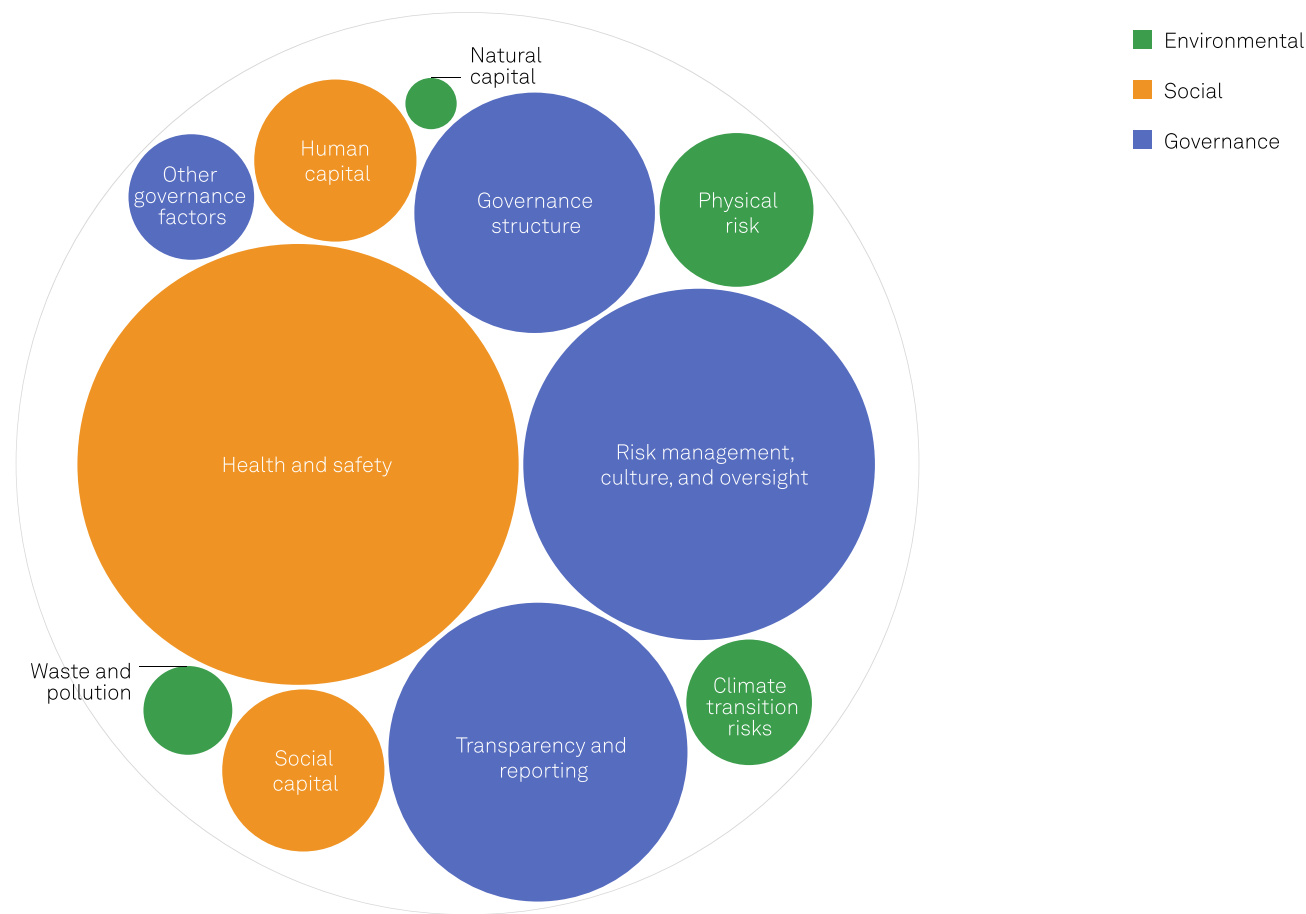
As of Aug. 8, 2023. Costs are CPI-adjusted, 2021 USD. Includes extreme weather events with estimated costs of at least \$1 billion. Each event is attributable by its end date. Sources: National Centers for Environmental Information, National Oceanic and Atmospheric Administration (NOAAA).

For more, see "[Sustainability Insights: Managing Renewables Risk Is Increasingly Integral To U.S. Power Utilities Credit Quality](#)," published Oct. 9, 2023.

# 2023 ESG Credit Rating Actions

The following section provides a summary of key ESG credit rating action trends in 2023. S&P Global Ratings includes an explicit reference in its credit rating rationales when one or more of the below ESG factors were a key driver behind a change to the credit rating, outlook, or CreditWatch status. We consider ESG credit factors as those ESG factors that can materially influence the creditworthiness of a rated entity or issue and for which we have sufficient visibility and certainty to include in our credit rating analysis. They are not an assessment of an entities' sustainability profile or ESG performance. This newsletter provides additional data and insights on ESG credit factors that have been key drivers behind changes to our credit ratings.

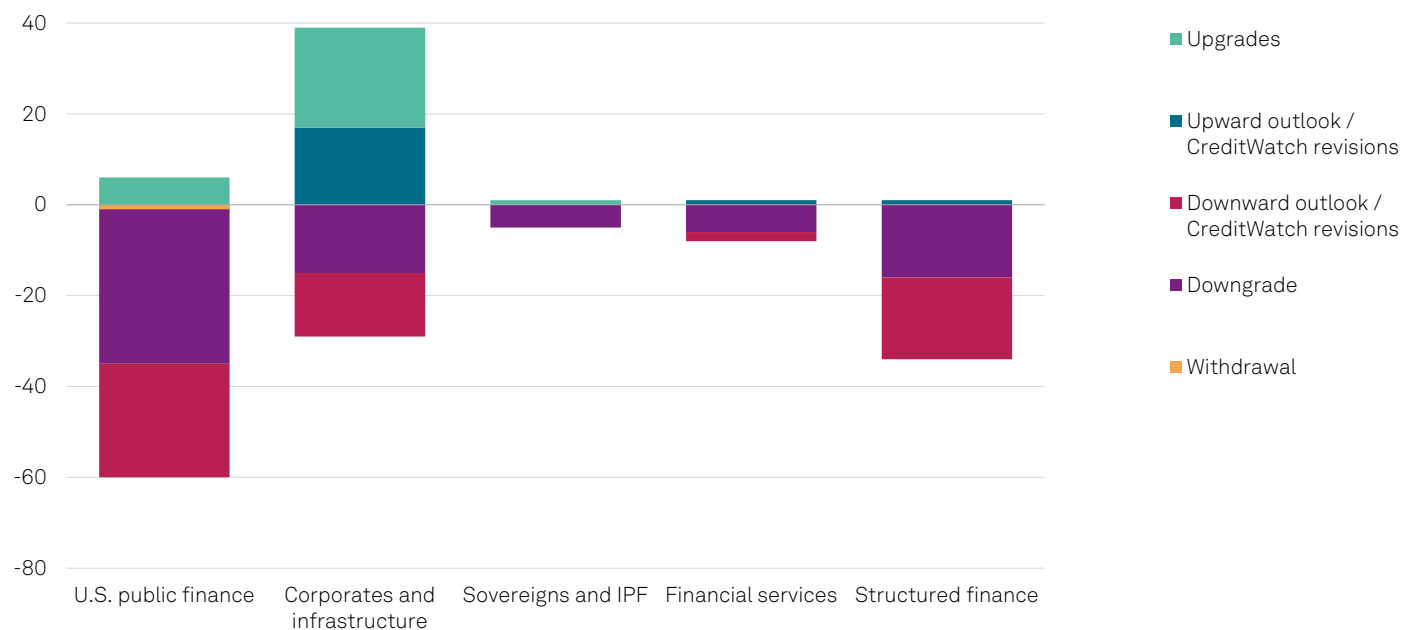
## Leading ESG factors driving credit rating actions as a proportion of total tagged factors Year-to-date



Data as of Sept. 30, 2023. Bubble size is determined by the occurrence of factors between January and September 2023. In instances where multiple ESG factors were recorded as the main drivers of the credit rating action, each is counted for the purposes of this infographic. ESG--Environmental, social, and governance. Source: S&P Global Ratings.

## ESG-related credit rating actions by type

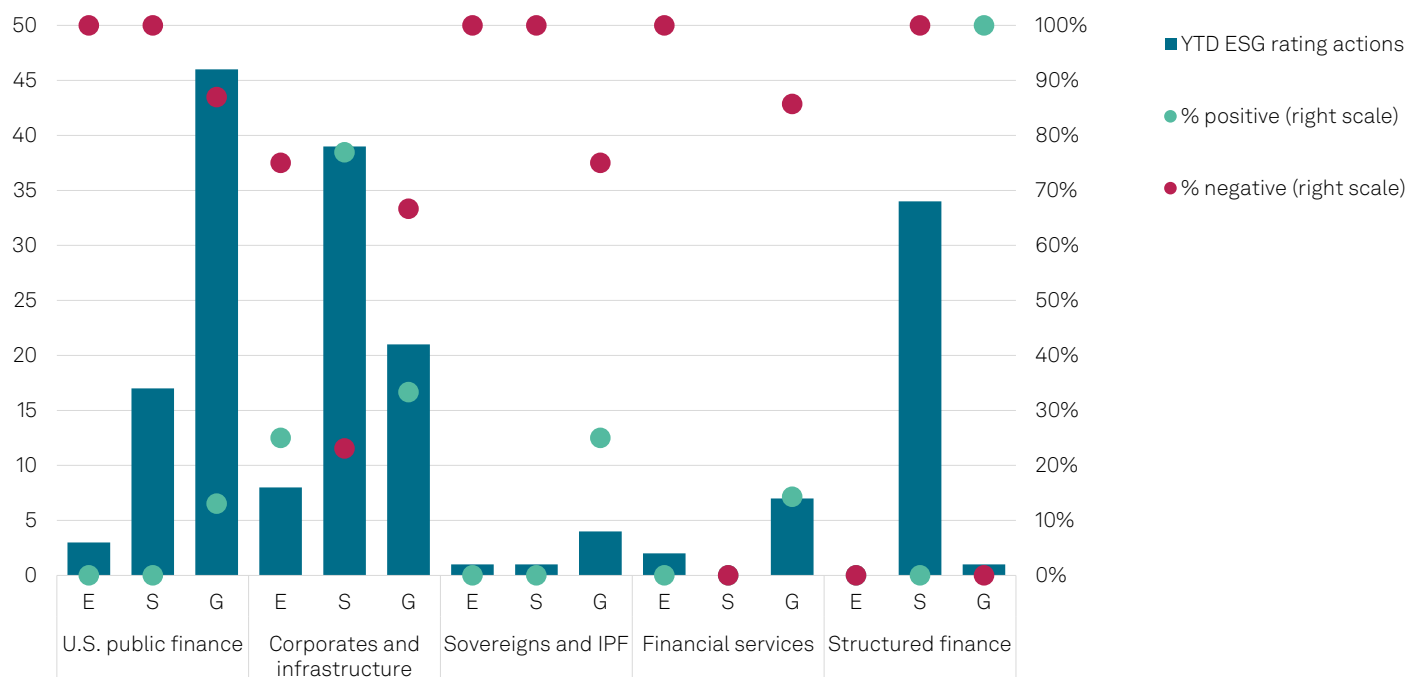
Number of actions, year-to-date



Data as of Sept. 30, 2023. Structured finance actions relate to ESG impacts by transaction (tranche), while for other sectors the impact is measured on the issuer credit rating. Downgrades, downward outlook/CreditWatch revisions, and withdrawals are shown as negative numbers for purposes of this chart. ESG--Environmental, social, and governance. Source: S&P Global Ratings.

## ESG-related credit rating actions by sector and factor

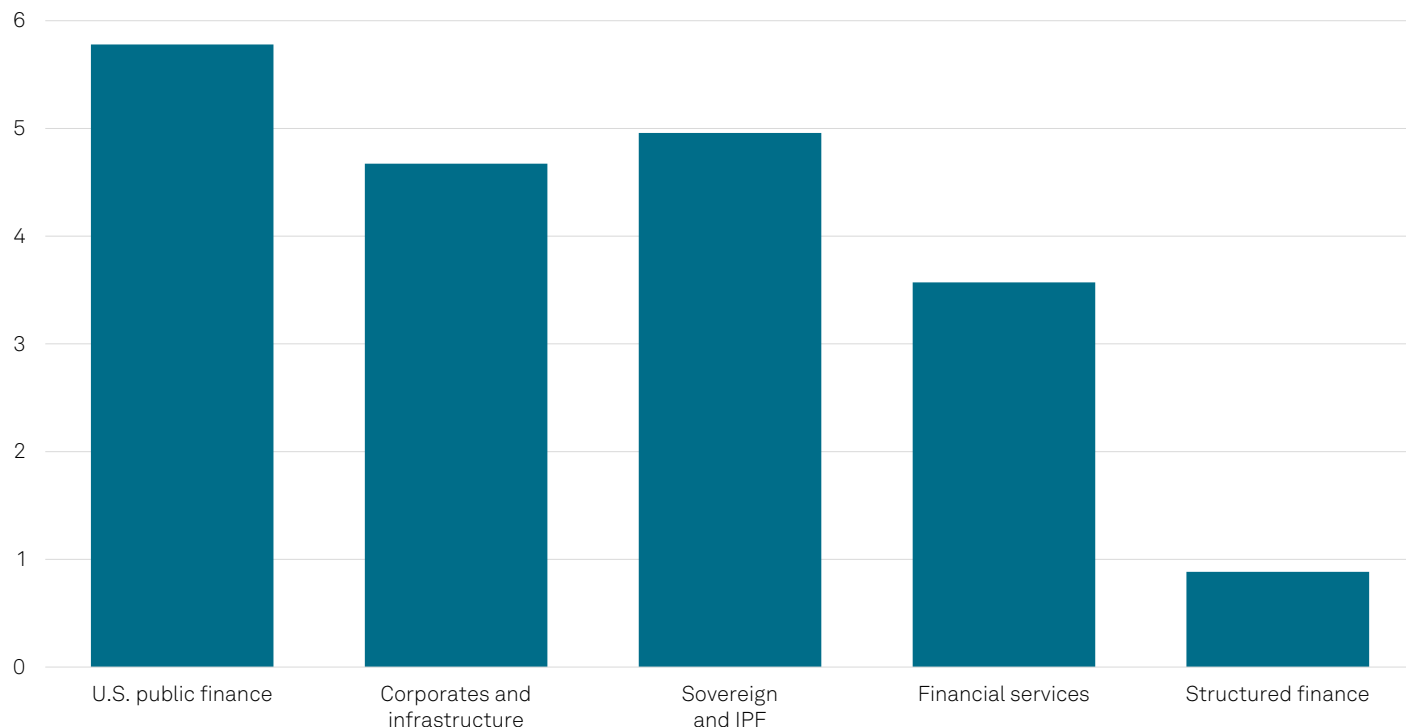
Number of actions, year-to-date



Data as of Sept. 30, 2023. Rating actions include rating, CreditWatch, outlook changes, and withdrawals. Structured finance actions relate to ESG impacts by transaction (tranche), while for other sectors the impact is measured on the issuer credit rating. ESG--Environmental, social, and governance. IPF--International public finance. YTD--Year-to-date. Source: S&P Global Ratings.

## ESG-related rating actions as a percent of total

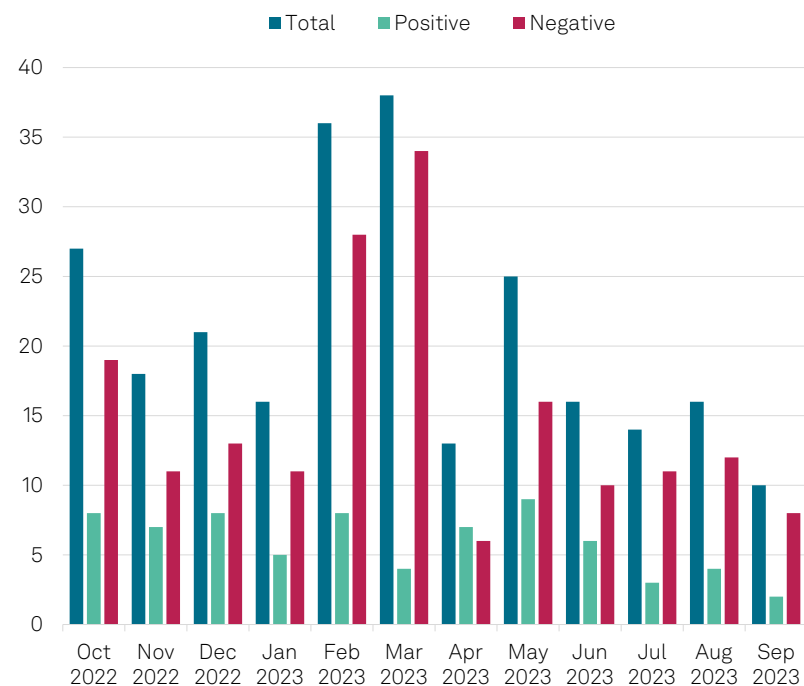
%, year-to-date



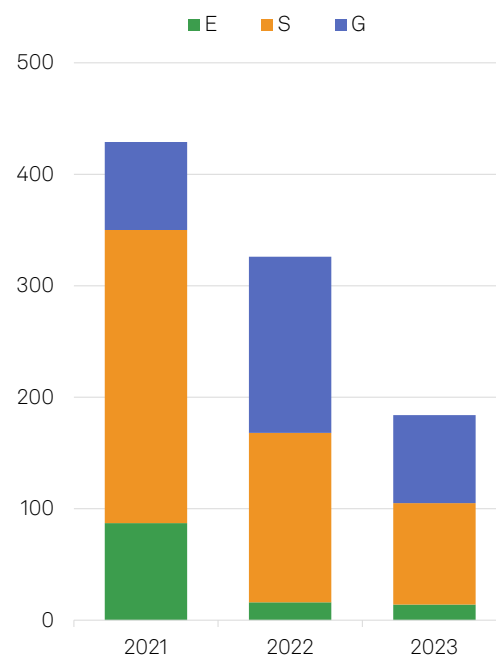
Data as of Sept. 30, 2023. Total rating actions exclude affirmations, withdrawals, and new ratings, including instances where multiple rating actions exist. ESG--Environmental, social, and governance. IPF--International public finance. Source: S&P Global Ratings.

## ESG-related credit rating actions

Number of actions, trailing 12 months



Number of actions, year-to-date



Data as of Sept. 30, 2023. Positive actions include upgrades, CreditWatch positive placements, upward outlook revisions, and upgrades with outlook revisions. Negative actions include downgrades, downward outlook revisions, CreditWatch negative placements, downgrades with outlook revisions, and withdrawals. ESG--Environmental, social, and governance. Source: S&P Global Ratings.

# Appendix

## ESG-related credit rating actions

Year-to-date

	U.S. public finance	Corporates and infrastructure	Sovereigns	International public finance	Financial services	Structured finance	Total
Downgrade	34	15	0	5	6	16	76
CreditWatch negative	18	1	0	0	1	18	38
Downward outlook revision	7	13	0	0	1	0	21
Upgrade	6	22	0	1	0	0	29
Upward outlook revision	0	17	0	0	1	0	18
CreditWatch positive	0	0	0	0	0	1	1
Withdrawn	1	0	0	0	0	0	1
<b>Total ESG-related rating actions*</b>	<b>66</b>	<b>68</b>	<b>0</b>	<b>6</b>	<b>9</b>	<b>35</b>	<b>184</b>
Environmental§	4	12	0	1	2	0	19
Social§	19	40	0	1	0	34	94
Governance§	66	27	0	4	10	2	109

Data as of Sept. 30, 2023. \*Rating actions include rating, CreditWatch, outlook changes, and withdrawals in January-September 2023. Structured finance actions relate to ESG impacts by transaction (tranche), while for other sectors the impact is measured on the issuer credit rating. §The sum of environmental, social, and governance actions may exceed total ESG-related rating actions because some actions are influenced by multiple factors. ESG--Environmental, social, and governance. Source: S&P Global Ratings.

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