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**Climate Advocates Should
be Laser Focused on This**



S&P Global

I've repeatedly said that the climate movement needs to revamp its messaging.

A new study by S&P Global is providing a roadmap.

It outlines the cost of climate to corporations. This is a point that climate advocates need to consistently hammer home.

Pay me now or pay me later



- I'm dating myself by referring to a commercial that aired in the 1970s, but the iconic Fram Oil Filter ad perfectly describes one of the messaging strategies that the climate movement needs to emphasize.
- Forget about climate change being a crisis. That dog isn't hunting.
- The quickest way to turn adversaries into advocates is to demonstrate that doing so is financially advantageous.
- This isn't a message that will be effective instantaneously. It will take time and continued data. Luckily, S&P has started the process.



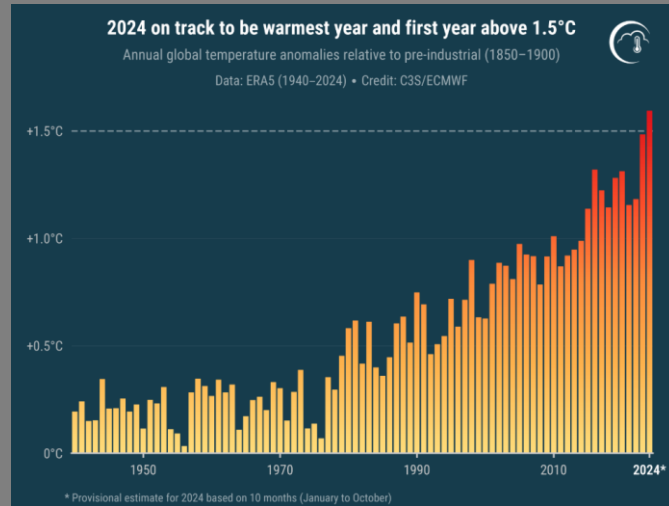
The annual price tag is enormous and growing



The study projects the costs for companies in the S&P Global 1200 index. This includes the world's largest publicly traded companies which account for 70% of global market capitalization.

In other words, it's a massive sample of the world's most significant companies.

- The study assumes no adaptation meaning that the base case for the analysis is that nothing is done to rectify the problem.
- The climate community should consider this manna from heaven.
- According to S&P, the total cost of climate physical risk to the world's largest companies is projected to reach \$885 billion in the 2030s rising to \$1.2 trillion annually by the 2050s.
- That amount makes the math simple – 1,200 companies with a collective climate physical risk of \$1.2 trillion equals a \$1 billion risk per year per company.

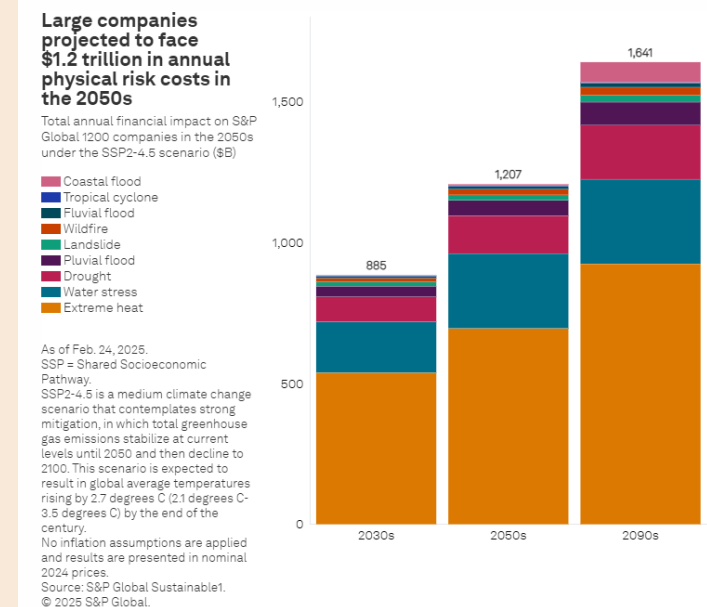


The analysis assumes that global temperatures will rise by 2.7 degrees C with the “very likely” range being between 2.1 degrees C and 3.5 degrees C.

Additionally, inflation was not factored in meaning the estimates are in 2024 dollars.

Different climate events

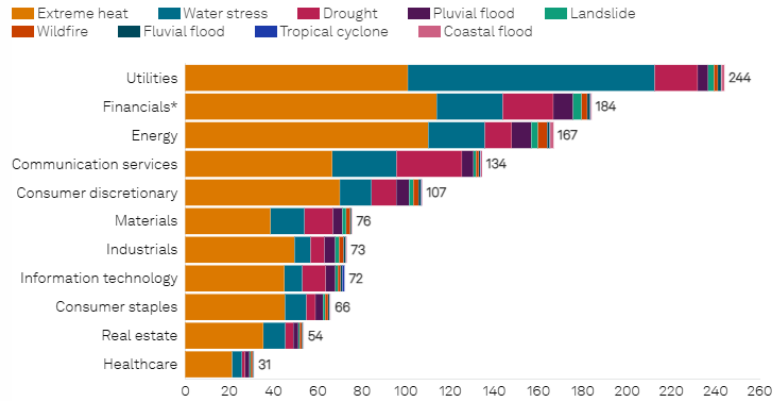
Different impacts



- By far, extreme heat is projected to have the greatest financial impact. It is projected to account for 91% of total costs in the 2030s and 2050s, and 86% by the 2090s.
- The authors noted that the cost of extreme heat is high because almost all company assets will have some exposure to elevated temperatures.
- This includes lower labor productivity, increased electric costs, and transportation disruptions.

Extreme heat, water stress and drought projected to have the largest financial impact

Total annual financial impact on S&P Global 1200 companies in the 2050s under the SSP2-4.5 scenario (\$B)

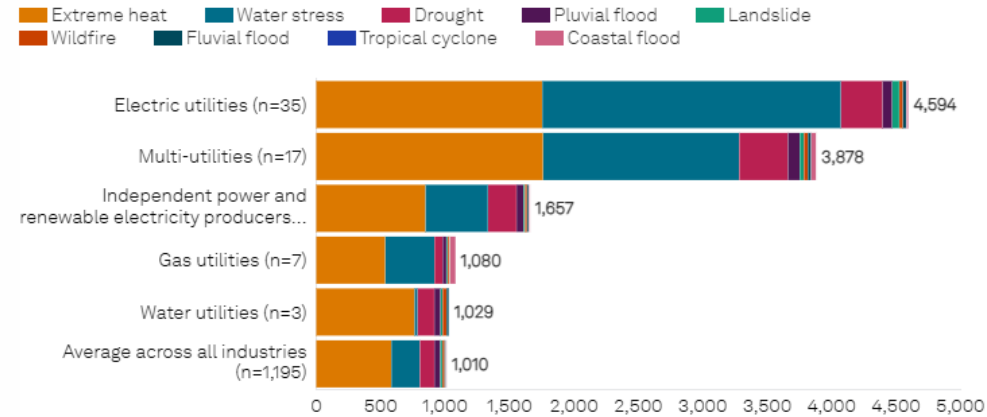


Utilities that provide both electricity and gas service are projected to incur a slightly lower risk of \$3.9 billion annually per company by the 2050s.

Different industries Different costs

An electric utility faces 4.6x higher projected financial impact from physical risk compared to the average across industries

Average annual financial impact per company for S&P Global 1200 companies in the 2050s under the SSP2-4.5 scenario, select industries (\$M)



As of Feb. 24, 2025.

SSP = Shared Socioeconomic Pathway.

SSP2-4.5 is a medium climate change scenario that contemplates strong mitigation, in which total greenhouse gas emissions stabilize at current levels until 2050 and then decline to 2100. This scenario is expected to result in global average temperatures rising by 2.7 degrees C (2.1 degrees C-3.5 degrees C) by the end of the century.

No inflation assumptions are applied and results are presented in nominal 2024 prices.

Source: S&P Global Sustainable1.

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- Remember that \$1 billion per year average cost per company by the 2050s?
- Not so for the utility sector. The average physical risk cost to an electric utility company is projected to be \$4.6 billion annually by the 2050s.
- In the case of the utility industry, at 46%, water stress is projected to have the greatest financial impact followed by extreme heat at 41%.



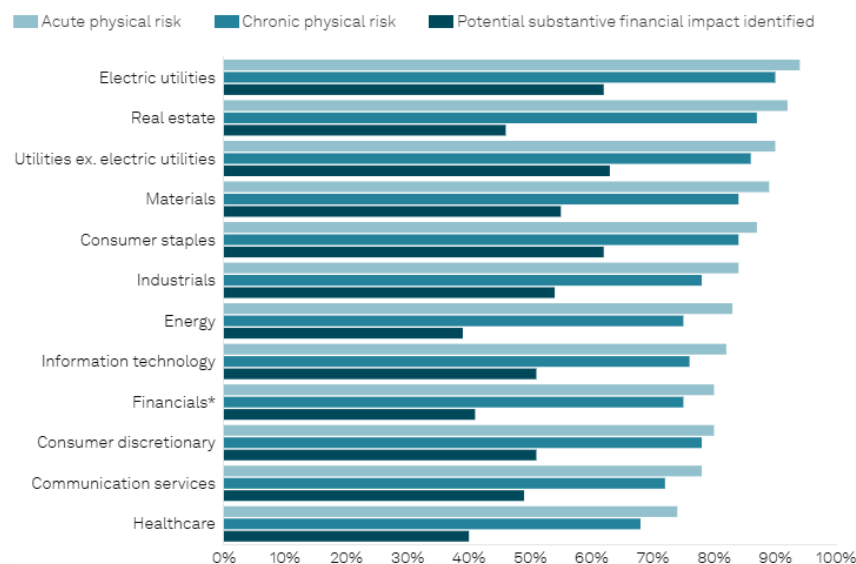
The 2024 S&P Global Corporate Sustainability Assessment (CSA) shows that climate risk management typically includes assessing for physical risks.

However, a smaller percentage of companies have identified the potential financial impacts.

Combatting climate change is a prudent financial decision

Physical risk assessment has become common practice; fewer companies identify a financial impact

Percentage of 2024 CSA participants in select industries with climate risk assessments that include acute and chronic physical risk and that identified physical risks with potential substantive financial impact



As of March 3, 2025.

SSP = Shared Socioeconomic Pathway.

Results based on responses from participating companies in the 2024 CSA assessed on the topics of climate risk management and financial risks of climate change. The sample sizes are 3,200 companies assessed on climate risk management and 2,655 companies assessed on the financial risks of climate physical hazards.

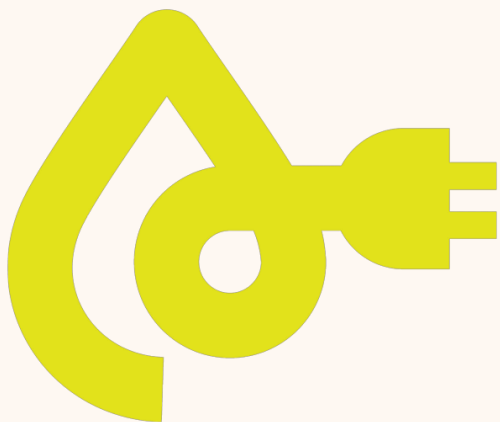
* Financial impact for the financials sector does not reflect portfolio exposure.

Source: S&P Global Sustainable1.

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- It doesn't take a PhD to figure out climate change has a negative impact on businesses.
- Yet, companies are not universally working to estimate the cost.
- Even in the utilities industry 94% analyze for physical risk, but only 62% attempt to identify the potential financial impact.

The climate community should be laser focused on convincing the corporate world that its good business to address climate change.



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Unbiased and Unfiltered

- An honest assessment of the climate change effort.
- I cover what's working – but more important - the issues/roadblocks that the industry would prefer to ignore.
- A must-read for anyone with a desire to understand what's really going on with renewable energy and climate change.



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