

## **Research Announcement: Moody's - Thirteen sectors with \$3.4 trillion of debt face heightened environmental credit risk**

New York, December 14, 2020 --

- » Rated debt for sectors with very high or high environmental credit risk rose 49% since 2018
- » Sectors representing \$8.7 trillion in rated debt are inherently exposed to heightened climate risk, which includes carbon transition and physical climate risk

Thirteen sectors with a combined \$3.4 trillion in debt have very high or high environmental credit risk as the transition to a low-carbon economy gathers pace, Moody's Investors Service said in its new environmental heat map report today.

Total debt held by sectors with heightened environmental credit risk rose 49% since Moody's previous analysis in 2018 and 64% since its 2015 report. Integrated oil and gas companies and automotive parts suppliers have moved to high environmental credit risk from moderate risk since 2018.

"Our analysis shows that \$8.7 trillion, or 11% of Moody's total rated debt globally, is inherently exposed to heightened climate risk," said Ram Sri-Saravanapavaan, Assistant Vice President - Analyst at Moody's. "This highlights the likelihood that the impact of climate risk on issuers' credit profiles will continue to grow as the transition to a low-carbon economy accelerates and the adverse effects of physical climate change become more evident."

Moody's report also breaks down sectors with high or very high exposure to individual environmental risk categories including: carbon transition risk, at 16 sectors with \$4.5 trillion in debt; physical climate risk, at 18 sectors with \$7.2 trillion in debt; waste and pollution risk, at 18 sectors with \$5.2 trillion in debt; natural capital risk, at eight sectors with \$747 billion in debt; and water management risk, at six sectors with \$925 billion in debt.

The \$8.7 trillion of debt with heightened exposure to climate risk is made up of the sectors with heightened exposure to carbon transition and physical climate risk, after adjusting to avoid double-counting for sectors that fall into both categories.

The report, which updates Moody's 2018 environmental heat map analysis, is based on a review of 89 global sectors totaling about \$79 trillion of rated debt.

Subscribers can access the report at: [http://www.moody's.com/researchdocumentcontentpage.aspx?docid=PBC\\_1229874](http://www.moody's.com/researchdocumentcontentpage.aspx?docid=PBC_1229874)

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