Climate Change & Sovereign Credit Risk

Our sovereign bond methodology captures the effects of physical climate change in a broad set of rating factors that influence a sovereign’s ability and willingness to repay its debt. This infographic is an overview of the indicators that highlight the potential credit impact and relative susceptibility of rated sovereigns to climate risks.

Four primary transmission channels from physical climate change to sovereigns’ credit profiles

- Climate Trends
- Climate Shocks
- Primary Transmission Channels from Physical Climate Change

Sovereign susceptibility to climate change is a function of exposure and resilience

- Exposure
  - Economic Diversification
  - Geographic Location
- Resilience
  - Development Level
  - Fiscal Flexibility
  - Government Policies

Susceptibility to physical climate change of Moody’s-rated sovereigns

- Most Susceptible
- Susceptible
- Less Susceptible
- Least Susceptible
- Not Rated by Moody’s