

Economics of Climate Change: New Management Instruments to Reduce Climate Risks for the Public and Private Sector

Research project on behalf of the German Environment Agency

The impacts of the climate crisis become visible more and more clearly. Some impacts, such as the increase in frequency and intensity of droughts and extreme weather events can lead to high economic losses. These economic consequences of the climate crisis present a major challenge for the public and the private sector. The Paris Agreement of the United Nations Framework Convention on Climate Change (UNFCCC) addresses the physical impacts of climate change in a separate article and mentions climate risk insurance as an option for companies and states. Climate risk insurance is studied in this project as a potential and economically efficient solution.

However, risk transfer through insurance is insufficient. Companies must take risk prevention measures too. According to the current state of knowledge, consequences of the climate crisis play a minor role in the strategic scope and operational processes of many companies. The question arises how climate-related risk management should be designed and where it should be integrated (e.g. risk management, environmental management, sustainability management).

If companies in the real economy suffer financial losses or become illiquid due to the climate crisis, their capital providers will also be affected. Indirectly, consequences of the climate crisis could thus impact the financial markets. This risk can be reduced when banks and investors consider climate risks systematically. To achieve this, they need climate-relevant information about their investment objects.

Against this background, the project is investigating the following topics:

- Climate risk insurance and applicability to Germany;
- Corporate reporting and management systems on physical climate risks;
- Systematic consideration of physical climate risks in the financial sector.

This project examines the current state of literature as well as existing processes and procedures that are practiced. The project will develop concepts and recommendations and organise multiple expert workshops. Finally, tools for communicating the results to companies, banks and institutional investors will be provided.



funding:



Project data

Title	Ökonomie des Klimawandels: Neue Managementinstrumente zur Minderung von Klimarisiken in Staat und Wirtschaft [Economics of Climate Change: New Management Instruments to Reduce Climate Risks for the Public and Private Sector]
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