

An EU Task Force Recommends Ways Companies Can Measure And Respond To Climate Change Risks

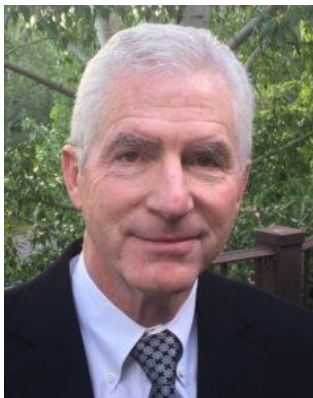
They encourage firms to align their disclosures with investors' needs

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In December of 2015, the EU's Task Force on [Climate-Related Financial Disclosures](#) (TCFD) was established by the FSB, an [international body](#) that makes recommendations about the global financial system.

TCFD provides voluntary, climate-related financial risk disclosure guidance that companies can adopt to inform investors and the public about the risks they face from climate change. Even though TCFD started in the EU, it is now becoming a part of U.S. corporate disclosures, with Verizon and Oliver Wyman and NRG Energy putting on ["how to" webinars](#) on the subject.

The task force is charged with considering "the physical, liability and transition risks associated with climate change and what constitutes effective financial disclosures across industries."



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The [task force recommendations](#) help companies understand what financial markets want from disclosure, in order to measure and respond to climate change risks and encourages firms to align their disclosures with investors' needs.

Additionally, it recommends that for highly exposed assets, companies provide data and information on their exposures to physical climate risk and opportunity, their estimates of the costs and benefits of these exposures, and the actions being taken to manage these risks.

This last recommendation is where [Coastal Risk's](#) new RiskFootprint™ technology and its B-Resilient™ business process come into play.

The RiskFootprint™ technology provides both portfolio and asset-level risk assessments for any property in the United States and many areas globally for 13-columns of risk. These risk categories include 9 columns of current risks and 4 columns of future climate risks.

Current risks include: five types of flood risks, wind, tornados, wildfires, and, earthquakes. The four future risks include: tidal flooding with sea-level rise, future extreme heat, future extreme rainfall, and risk of drought.

Coastal Risk provides its clients with a disciplined and comprehensive business process to better understand physical risks and to improve the safety and resilience of its assets.

We call this our six-step, B-Resilient™ process. Portfolio-level analysis is the first step. For assets identified with higher risks, the second step is the more detailed, RiskFootprint™ asset-level report.

The RiskFootprint™ report provides quantitative information such as inundation depths and frequencies, property elevations, maximum wind speeds, and earthquake ground-shaking potential, etc.

Understanding a building's "risk footprint" gives property owners and investors a more informed basis for specific short-term, medium, and long-range risk mitigation strategies at various cost levels.

This added level of quantitative analysis is further improved upon by Coastal Risk's unique, damage/loss calculations (Step 3), which estimate the potential economic impacts on building structures, contents and business interruptions from floods, earthquakes, tornados, and wildfires.

This information is critical to estimating the capital expenditures needed to adapt to climate impacts, extreme weather, and natural hazards.

We have found that while some property owners may have obtained "high-level" climate change risk assessments, few have any specific plans of action to mitigate those risks.

Coastal Risk doesn't leave customers hanging when they ask, "OK. That's the bad news. What do I do, next?"

We partner with property owners and investors to develop a program to accelerate their buildings' safety and resilience. This is well aligned with the US Green Building Council's Resilience Pilot Credit program.

Disinvestment by an ESG fund, for example, is a blunt instrument to apply to a company when its assets are performing financially and, it is not a large carbon emitter (e.g., mining and refining). On the other hand, targeted mitigation investments for "at risk" properties permit companies to maintain profitable assets, while making them more resilient.

For example, a major PE firm recently engaged Coastal Risk to examine flood and climate risks at a large, historic resort in South Florida. Putting a large property (with many buildings of different vintages, some over 100-years old) under a "risk mitigation microscope" was a challenge.

Our team included: climate scientists, engineers, architects, storm water and flood mitigation, and regulatory permitting experts. After careful modeling, the client was provided with specific risk mitigation recommendations and cost estimates.

Another company partnering with Coastal Risk to assess risks to properties is [American Realty Advisors](#).

Said Don Pecano, Vice President Due Diligence at ARA, "ARA has been increasingly interested in more fully understanding physical risks to our assets from floods, natural hazards and climate impacts as part of our overall Corporate Responsibility and Sustainability Program. We have worked closely with Coastal Risk to identify and dimension those risks for our existing portfolio and during the due diligence process for new investments."

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