

Companies underestimating climate risks – KPMG

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Assessments of the expected impacts of climate change on business tend to underestimate the risks facing individual sectors, the consultancy KPMG says in a study released this month.

KPMG says reports on business impact display a "striking" emphasis on the opportunities presented by climate change rather than the risks it poses to certain parts of industry. This is especially true in the light of a "growing consensus on the significant macroeconomic costs of climate change".

The consultancy analysed 50 reports and found that climate change can expose companies to four types of risk: regulatory, physical, risk to reputation and risk of litigation. "These risks are materialising regardless of the actual rate of climate change," say the authors.

Of the reports that do point to risks to business, regulatory risk was cited most often, followed by physical risk. Physical risk was discussed overwhelmingly in terms of immediate weather-related events rather than indirect, longer-term risks like water scarcity, health impacts, and commodity price rises.

"Almost every" economic sector is exposed to significant levels of risk, KPMG said. It plots perceived risk against preparedness for 18 sectors and finds six particularly vulnerable to the effects of climate change: transport, and, separately, aviation, tourism, healthcare, financial services, and oil and gas.

Three sectors are relatively safe, it says: telecommunications, chemicals, and food and drink. But it concedes that for the food and drink sector, existing impact reports "do not give a complete picture of the issues at stake".

Companies must integrate the risks posed by climate change into their organisations, conclude the authors. Those who are willing to invest in preparation and risk management will also be best-equipped to seize the business opportunities climate change will bring, they say.