What Do You Think About Climate Finance?

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Macroeconomic and Financial Implications of Climate Change
Climate Change Risk (Stroebel and Wurgler, JFE 2021)

- Sheds light on perceived relative importance of climate risks, pricing, discount rates, and catalysts of change.
- Survey of selected 861 finance academics, professionals, and public sector regulators and policy makers:
  - 55% Faculty; 9% Public Sector; 36% Private Sector.
  - 72% North America, 14% Europe, 7% Asia, 7% ROW.
  - 59% Work in Climate Finance.
  - Concerned about the Climate: 59% High; 31% Low.
Climate Change Risk (Stroebel and Wurgler, JFE 2021)

In the stock markets most familiar to you, how do prices currently reflect climate-related risks?

- Not enough, 60%
- Correct, 21%
- No opinion, 16%
- Too much, 3%
Climate Change Risk (Stroebel and Wurgler, JFE 2021)

- Similar responses in real estate markets and insurance markets
- Broadly similar across roles: “Not enough” highest among private sector participants (73%); lowest among faculty (54%)
- People working on climate finance topics more convinced it’s not correctly priced (68% vs. 49%)
Climate Change Risk (Stroebel and Wurgler, JFE 2021)

- “Please rank the general importance of these climate-related risks to typical businesses and investors over the next 5/30 years”
- Displaying the average rank [5 = Most Important; 1 = Least Important]

→ While regulatory risk is perceived as most important in the next five years, physical risk is the most important within 30 years
“Which mechanisms do you think are most important in moving corporations to reduce their climate risk exposures and/or carbon footprints?”

Displaying % in top-3 [Choose at most three]

- Carbon taxes: 52%
- Institutional investors: 48%
- Government subsidies: 43%
- Customers: 41%
- Non-financial regulation: 27%
- Financial regulation: 22%
- Banks/creditors: 16%
- Employees: 6%
- Individual investors: 5%
- Nothing will lead to change: 0%
- Voluntary: 0%

Several potential catalysts of transitional climate risk realizations
Climate Change Risk (Stroebel and Wurgler, JFE 2021)

- Private sector views institutional investors and customers as strongest force for change
- Public sector views carbon taxes and government subsidies as strongest force
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- Top research topics that should be studied:
  - Effects of government incentives to mitigate/adapt to climate change
  - Pricing of climate risk in financial markets
  - Effect of climate change on financial stability