

Why rising sea levels pose a severe risk to investors

Global warming makes sea levels rise. Flooding increasingly impacts coastal countries, but also companies and, therefore, investors. It is high time to take action.

- Global warming causes rising sea levels worldwide.
- This development poses a risk for businesses.
- Investors should bear this risk in mind.

3 minutes to read

Shanghai submerged, New York flooded, Hamburg and parts of northern Germany under water – a scenario that certainly is possible in the not too distant future. Global warming is causing sea levels to rise. In the year 2100, they might be two metres higher than today.^[1] Not only that: According to scientific forecasts, storm flooding and other extreme weather conditions are to occur considerably more frequently in the future.^[2] What does this mean for investors?



How many people do you think will be exposed to the danger of rivers flooding in the year 2030?

24 millions

44 millions

54 millions

Source: <http://www.infrastructure-intelligence.com/article/apr-2015/climate-change-and-urbanisation-drive-huge-global-increase-river-flood-exposure>
 <<http://www.infrastructure-intelligence.com/article/apr-2015/climate-change-and-urbanisation-drive-huge-global-increase-river-flood-exposure>>

50 %

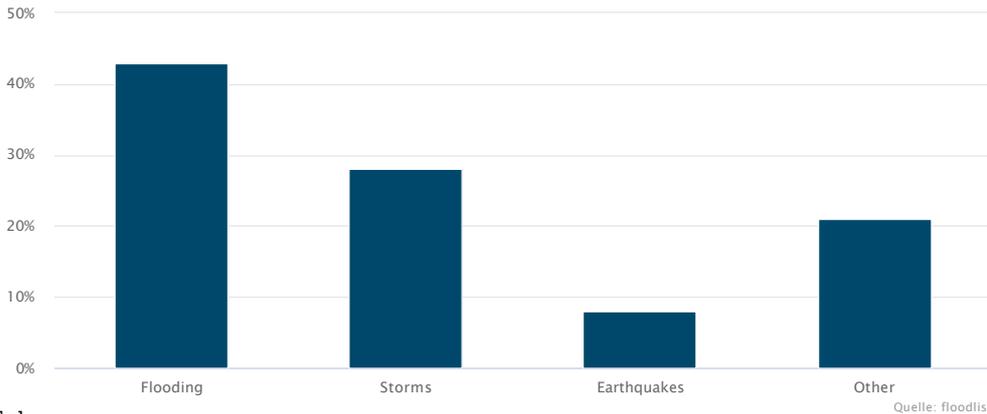
share of total costs of flooding
caused by power failures and
transport disruptions.

Enormous economic risks due to storms and flooding

Storms, flooding and similar disasters already lead to economic losses to the tune of 250 to 300 billion US dollars today – every single year.^[3] The UN estimates medium-term climate risks to the world’s biggest companies at well over one trillion dollars – businesses with a total market capitalisation of about 17 trillion dollars.^[4] Organisations like Apple, Microsoft and Samsung belong in this category. Above all, the networking of supply chains is making the consequences of this trend felt worldwide. This is shown in Taiwan and Thailand, for example, home to numerous automotive component suppliers and producers of semi-conductors who export their goods to Japan, Europe and to the U.S. Nowadays, these tech modules are built into almost every modern device, ranging from mobile phones to kitchen appliances like food processors. In 2011, heavy flooding in Thailand resulted in 800 businesses being submerged, causing production to grind to a halt.^[5] Japan’s automotive industry was likewise impacted, registering an export shortfall of over 24 percent in December 2011.^[6]

The three hazards

What kind of weather phenomenon occurred most frequently between 1995 and 2015, measured according to the total number of disasters?



End
and
2015
interactive
measured
according
to
the
total
number
of

measured according to the total number of disasters. And they also impact firms that appear to be safe at first glance.^[7] Germany’s export-driven economy, for instance, is networked across the globe. Entrepreneurs should therefore take action now, writes the business consultancy firm McKinsey with unusual bluntness.^[8]

How DWS takes account of environmental risks in its investment strategies

Professional investors have already included the need to deal with environmental risks in their investment strategies for some time in order to ensure the security of their investments. To make this succeed, they use a sustainable analysis approach.

X

DWS, for instance, has already been using a special computer program for this analysis. The ESG engine displays businesses at various stages to establish how sustainably they operate. In this context, ESG^[9] categorises the three most important aspects of sustainability: Environment, Society and good Corporate Governance. In a first stage, the engine filters out those companies from the investment universe that violate ESG criteria. In addition, the program tests the relevant businesses for their compliance with international standards and performs a ranking of the firms analysed. Since 2019, the engine has even assessed how well companies are preparing for a world without CO₂ emissions. In other words, climate risks are also analysed by the engine. The findings of the testing process are accessible to every fund manager at DWS. In this way, not only can the finance experts avoid those stragglers that are subject to climate risks; they can also select those in a targeted manner that successfully tackle the risks in question.

DWS joins initiative for a more climate resilient economy

The extent to which sustainability has meanwhile arrived in financial investing is also reflected in the establishment of the "Coalition for Climate Resilient Investment" (CRR), which over 30 finance companies have meanwhile joined, including DWS. Their declared aim is to achieve a more climate resilient global economy. This approach aims at protecting both investors and coastal cities.

[View](#)

[as](#)

[data](#)

[table](#).

More topics

Could the stock market start to slide? How the oil price affects equity markets

The attack on Saudi Arabian oil facilities in mid-September catapulted the oil price upwards for a time. Equity investors were also alarmed. Were they right?

Green bonds – in search of truly green debt issues

Investors are increasingly allocating to bonds that finance environmentally friendly projects. But this rapidly growing sector has its own black sheep.

Equities still offer the most attractive risk/return ratio

Fund manager Christoph Schmidt about solutions to the dreadful interest situation.

ESG Engine



ESG Engine

Those who invest according to ESG criteria have to take several factors into account when choosing suitable investments. The ESG Engine can provide a solution.

1. [Source: PNAS](#), "Ice sheet contributions to future sea-level rise from structured expert judgment", status as of June 2019, <https://www.pnas.org/content/116/23/11195>

2. [Source: Deutsche Asset Management](#), "Measuring physical climate risk in equity portfolios", status as of: November 2017, http://427mt.com/wp-content/uploads/2017/11/Physical_Climate_Risk_FourTwentySeven_November2017.pdf

3. [Source: UN](#), "The human cost of weather related disasters", status as of: November 2015, https://www.unisdr.org/2015/docs/climatechange/COP21_WeatherDisastersReport_2015_FINAL.pdf

4. [Source: United Nations Climate Change](#), "Major Companies Face 1 USD Trillion in Climate Risks", status as of: June 2019, <https://unfccc.int/news/major-companies-face-usd-1-trillion-in-climate-risks>

5. [Source: International Journal of Disaster Risk Reduction](#), "Flood risks and impacts: A case study of Thailand's floods in 2011 and research questions for supply chain decision making", status as of: 2014, https://www.wcdrr.org/wcdrr-data/uploads/469/Haraguchi_Lall_IJDRR.pdf

6. [Source: Leibniz Informationszentrum Wirtschaft](#), „Thailand's 2011 flooding: Its impact on direct exports and global supply chains", status as of: May 2012, <https://www.econstor.eu/dspace/bitstream/10419/64271/1/715937650.pdf>

7. [Source: Umweltbundesamt](#), „Klimawandel im Ausland trifft auch die deutsche Wirtschaft", status as of: December 2018, <https://www.umweltbundesamt.de/presse/pressemitteilungen/klimawandel-im-ausland-trifft-auch-die-deutsche>

8. [Source: McKinsey](#), "Earth to CEO: Your Company is already at Risk from Climate Change", status as of: September 2019, <https://www.mckinsey.com/business-functions/sustainability/our-insights/earth-to-ceo-your-company-is-already-at-risk-from-climate-change>

9. [Source: DWS](#), "The DWS ESG ENGINE", status as of: September 2018, <https://www.dws.com/en-hk/solutions/esg/esg-engine/>

10. [Source: DWS](#), "Measuring physical climate risk", status as of: November 2017, <https://www.dws.com/en-es/insights/global-research-institute/physical-climate-risk/>

Contact

Find the business and country specific DWS website that is suitable for your needs.

<<https://dws.com/service/Contact/>>

DWS on Social Media



All statements of opinion reflect the current assessment of DWS International GmbH and are subject to change without notice.

Forecasts are not a reliable indicator of future performance. Forecasts are based on assumptions, estimates, opinions and hypothetical performance analysis, therefore actual results may vary, perhaps materially, from the results contained here.

Past performance, actual or simulated, is not a reliable indication of future performance.

DWS International GmbH, as of 10/15/2019