

Extreme weather events put \$84 billion of Indian bank debt at risk



An increase in extreme weather events such as floods, droughts and cyclones risk souring debt worth more than Rs 6.19 trillion (\$84 billion) at India's biggest financial institutions.

That's according to leading nonprofit environmental disclosure platform CDP. State Bank of India, the country's largest lender, HDFC Bank, IndusInd Bank Ltd. and Axis Bank Ltd. are among the institutions that reported [climate](#) risks to CDP in 2020, it said in its annual report released Wednesday.

The banks flagged exposure to environmentally sensitive businesses including cement, coal, oil and power. They also listed the effects of cyclones and floods on loan repayments in farming and related sectors. Lenders accounted for 87% of the total risk, valued at about \$97 billion, across 67 top Indian companies that responded to CDP.

“Climate is the biggest risk to businesses in the long run. Financial institutions are beginning to understand it,” said Damandeep Singh, New Delhi-based director of CDP India. “As investors look at funding companies based on environmental, social and governance disclosures, we’ve seen many more companies report climate change risk.”

The potential harm to agriculture echoes concerns raised by India’s central bank about the impact of climate change on farming, a sector that employs more than half of its citizens. At the same time, the world’s third-biggest emitter of greenhouse gases is relying on coal to help drive its post-Covid recovery. The dirtiest fossil fuel could remain its dominant energy source in the coming decades.

CDP, which gathered the data on behalf of 515 investors with \$106 trillion in assets, said it received responses from 220 small and large Indian companies.

State Bank of India, which is facing concerns from shareholders and investors over its proposal to help fund the controversial Carmichael coal mine in northern Australia, valued its total climate risk at Rs 3.83 trillion. The bank said it may “indirectly face reputational risks, should it be involved in lending to environmentally sensitive projects which may have significant public opposition.” SBI didn’t respond to a request seeking comment.

The second-highest risk was flagged by HDFC Bank, which estimated it had Rs 1.79 trillion of assets in danger -- a 24% increase from 2019. It said its calculations took into

account compensation it would have to pay to employees in case of flooding and its exposure to farming, cement, coal, oil and power.

Smaller private banks IndusInd, Axis and Yes reported lowered climate change risk compared to last year at Rs 466 billion, Rs 75 billion and Rs 20 billion respectively, citing more diversified portfolios.

India was second in the Asia Pacific and sixth globally among CDP's ranking of countries whose companies committed to science-based targets for net-zero carbon emissions, the report showed. More than 50 Indian companies said they are preparing for future policy and regulatory changes by voluntarily committing to cutting their carbon footprint.

Increased investor pressure and stronger disclosure norms are compelling Indian companies to address climate concerns, the CDP report said. Almost all of companies reported board-level oversight of climate-related issues, while some 84% said climate-related risks and opportunities led them to alter plans for products and services.

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