

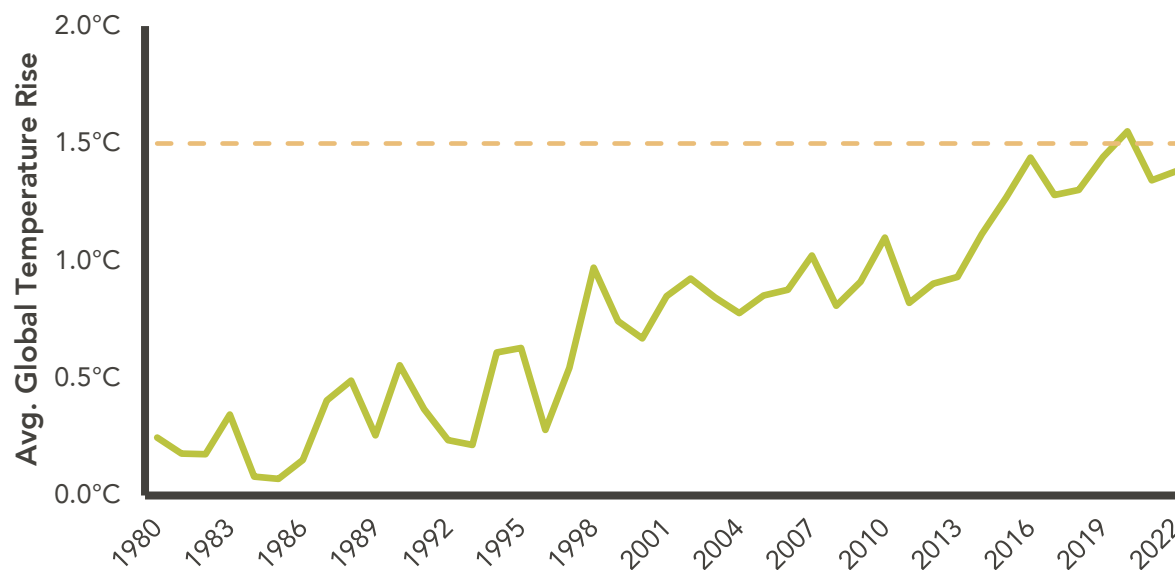
Chart of the Week

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It's Getting Hot in Here

IBRAHIM RASHID, RESEARCH ANALYST, ESG

▾ Global temperatures rising more than 1.5° Celsius is expected to trigger a series of irreversible climate impacts, including severe droughts, heatwaves, and sea-level rise



Source: IMF, FAO Temperature Change as of April 3, 2023

If global temperatures rise more than 1.5° Celsius the planet and its inhabitants could face severe consequences as a result of climate change. In 2022 — using temperatures from 1951–1980 as a baseline — the average global temperature rise was 1.4° Celsius, pushing the planet close to its tipping point. We are already experiencing more frequent and severe heatwaves, droughts, floods, and storms as well as rising sea levels and melting ice sheets. In fact, 2015–2022 were eight of the warmest years on record. The effects of rising temperatures are impacting people, ecosystems, and economies around the world and will only intensify in the coming decades unless we can bend the emissions curve and stabilize global temperatures.

To do so, the Intergovernmental Panel on Climate Change — a scientific body established by the United Nations and comprised of hundreds of climate scientists — has urged immediate, rapid, and large-scale reductions in greenhouse gas emissions. This would require systemic changes and large investments across all sectors of the economy, especially within energy, agriculture, transportation, heavy industry, and buildings.

For investors who are so inclined, there are a variety of methods to assist the cause, particularly for reducing portfolio-level climate risks as well as leveraging assets to foster society wide-decarbonization that aligns with a net zero future. Approaches can include engaging high-emitting companies to set science-based emissions reduction targets and create climate transition plans, increasing investments in “climate solutions” such as renewable energy

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infrastructure, assessing portfolios and assets for exposures to physical and transition-related climate risks, and subjecting a portfolio to climate-related stress tests and scenario analysis. Of course, all of these approaches involve trade-offs between risk, return, and impact; investors will ultimately have to decide the appropriate balance among these principles based upon overall portfolio and organizational goals. ■

Source: See [IMF data on annual surface temperature changes](#)

PREPARED BY MARQUETTE ASSOCIATES

180 North LaSalle St, Ste 3500, Chicago, Illinois 60601 PHONE 312-527-5500
CHICAGO BALTIMORE MILWAUKEE PHILADELPHIA ST. LOUIS WEB marquetteassociates.com

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