

KIOS Distinguished Lecture Series



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Thursday 14 October 2021, 12:00 – 13:00

Room 010, SFC07 (K0Δ07) Building, or via zoom:

<https://ucy.zoom.us/meeting/register/tJwuc-yhrzwsHdL0mJIB7dnRDKz08qSTgzW5>

The risks from climate change to sovereign debt in Europe

LECTURE ABSTRACT

The exposure of European Union sovereigns to climate risks can be acute, from extreme weather, or chronic, from the productivity effects of gradual temperature increase, increased sea levels and the transition to a low- carbon economy that results in repricing of assets. Climate-related innovations can also spur growth. These risks are priced by investors and can affect sovereign credit ratings. Governments and fiscal stability authorities have an interest in the sovereign-debt implications of climate change being transparent. To this end, I look at the exposure of EU sovereigns to climate risks, study international best practices, and describe the transmission channels from climate change to public finance. To stress testing of debt dynamics we need to link regional climate scenarios and country debt dynamics. I argue for the adoption of an architecture of narrative climate scenarios, to guide national policymaking. Narrative Scenarios can be generated using integrated assessment models. I will apply two prominent models to generate rough bounds on the extent of the risk for Italian debt from climate change. This raises issues about the models used. Coordination by EU institutions to develop regional scenarios will ensure acceptability, raise ambitions in dealing with climate risks and encourage the fiscal authorities to think of solutions. A network for climate-proofing public finance will bring together EU and member-state institutions.

BRIEF BIO

Stavros A. Zenios is Professor of Finance and Management Science at University of Cyprus, Member of the Cyprus Academy of Sciences, Letters, and Arts, Senior Fellow at the Wharton School Financial Institutions Center (USA), and Non-resident Fellow of Bruegel (Brussels). He is the author of two books and numerous scholarly articles in leading international journals in risk management, financial engineering, and management science.

He received awards for work on the performance of financial institutions and was recipient of the 2006 EURO Excellence in Practice Award for work on personal financial planning. His work on financial modeling and robust optimization is cited extensively. His book with Patrick Harker on the «Performance of Financial Institutions» (Cambridge University Press) was translated in Chinese, and in 1997 he received the INFORMS prize for his book with Yair Censor «Parallel Optimization» (Oxford University Press). He served two terms as president of UNICA - Universities of the European Capitals and Rector of University of Cyprus, where he was the first Dean of the School of Economics and Management. He also served as vice-chairman of the Cyprus Council of Economic Advisors and on the Board of the Central Bank of Cyprus.