

Climate change affecting business assignment



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Climate change is potentially one of the biggest issues that firms are going to face in the near future. How is it going to impact business? Which industries are likely to be affected and how? Give examples. Climate change is one of the most significant emerging risks facing the world today, presenting tremendous challenges to the environment, to the world economy and to businesses. The business risks from climate change include possible future greenhouse gas regulations and emissions trading systems, changing attitudes of shareholders and consumers, evolving product markets, and actions taken by competitors.

The physical effects of climate change such as changes in temperature and weather, water availability can also affect business processes, fixed assets like buildings, and resource availability. For example, the risks of physical changes associated with climate change for the construction industry will be disruptions to construction sites and the delivery of materials as a result of extreme weather events or damage to transportation infrastructure. Also, higher temperatures may restrict the amount of time that workers can safely engage in tasks such as roofing.

Another example will be the agriculture industry. For agriculture, changes in temperature and precipitation patterns will affect the viability of the crops. Thus, drastic change in the weather conditions will cause the crops to perish. Similarly, drastic changes in the weather will affect the tourism industry. In the event of a prolonged winter, this will create opportunities for winter tourism but at the same time, spring and summer recreation businesses will suffer, i. e. beach resorts. The insurance industry also faces a number of risks arising from the physical effects of climate change.

These include higher volumes of claims and the reduced reliability of underwriting based on historical losses. However, climate change also presents new opportunities for businesses, such as participation in the emerging carbon-trading markets; use and development of new, cleaner energy resources; reputational boosts; and more. For example, General Electric has undertaken an initiative calls “ Ecomagination,” with plans to double its revenues from “ green products”??? including wind turbines and coal gasification technology??? by 2010.

Also, DuPont has committed to reducing its greenhouse gases emissions by 65 percent in 2010 compared to its 1990 levels which will in turn cause the company to have a more favourable image amongst the public and shareholder. Opportunities also exist for the insurance industry as they can adapt by developing and marketing new products, assisting homeowners and business in reducing losses by taking appropriate adaptive action, and enhancing business reputation by having a proactive attitude. In conclusion, business risks from climate change are inevitable but companies are able to pre-empt and take steps to mitigate those risks.

Despite of the risks, business opportunities may also arise from superior management of the risks associated with climate change. Companies that identify and analyze emerging risks earlier than their peers will be better positioned to avoid or mitigate potential damages. They will be less likely to make investment decisions that lock high-value assets into areas vulnerable to rising sea levels, extreme drought, severe weather events, or other projected climate change impacts, relative to companies that have not yet begun to consider these impacts.