



Department SEMINARS

"Loan pricing and biodiversity exposure: Nature-related spillovers to the financial sector"

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2:00 PM

Seminar Room Bruguier Pacini, DEM



A B S T R A C T

Biodiversity loss can have direct economic impacts, as it limits the availability of natural resources and increases costs across various industries. When firms face significant risks due to biodiversity loss, their creditworthiness may be compromised. This can raise concerns for lending institutions that have extended credit to these firms, and it could lead to tightened lending conditions for borrowers.

This paper explores this hypothesis analyzing syndicated loans to firms operating worldwide and lenders domiciled in the European Union and the United Kingdom. First, we construct a country-level indicator of biodiversity exposure for EU lenders via international borrowers. We find that the exposure of EU banks to biodiversity varies between countries, depending on the level of the exposure and the loan volumes. Second, examining a longitudinal data on syndicated loans with tranches active between 2017 and 2022, we identify nature-related exposure at the level of the borrowing firm. In our sample, we observe that loan pricing is positively and significantly correlated with the level of biodiversity exposure of the borrower.

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