



# Transition Risk: A Framework for Assessing the Credit Risk

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## Abstract

Climate risk refers to the potential financial, social, and environmental damage resulting from climate change, which ranges from acute hazards like extreme weather events to gradual changes such as rising sea levels. It is a major concern for businesses, investors, and policymakers, as climate-related threats can significantly affect asset valuations, operational stability, and overall economic resilience. While the quantification of physical risk is almost univocal, through losses suffered due to extreme climate events, for transition risk, it is not. Through literature, the research aims to individuate a framework to assess a country's or company's transition risk. Scopus was used as a searcher, and two queries were set: {transition risk} AND {credit risk} OR {transition risk management} AND {credit risk}. The results show that the most used proxies are the carbon price, CO2 or GHG, and metrics of several databases. But the need to integrate these factors with other characteristics emerges, such as the company's negative impacts in terms of pollution, waste production and water usage, as well as a measure of technological adaptation delays, as circumstances capable of slowing the transition towards a more sustainable economy and threatening the medium to long-term survival of firms.

**Keywords:** carbon price, climate change, pollution, water usage, waste