# Climate risk forecast drives urgent shift in investment strategies



As climate volatility intensifies, the financial world is beginning to grapple with the reality that climate risk is no longer a distant concern but a pressing factor reshaping investments and market dynamics. The World Meteorological Organization (WMO) recently released a forecast indicating an 86% chance that, between now and 2028, at least one year will exceed the critical threshold of 1.5°C above pre-industrial levels. This threshold marks a critical juncture where extreme weather events such as heatwaves, storms, and droughts are expected to occur with increasing intensity and unpredictability. The forecast can be viewed not merely as a warning but as a pivotal moment for investors, signalling the urgent need to revise how capital is allocated and risks are managed.

Historical precedents indicate that periods of system failure—such as the 2008 financial crisis or the defensive geopolitical responses during World War II—were followed by significant adjustments in policies and financial strategies. Today, as weather patterns become less predictable, investors face an urgent question: Will adjustments to climate risk be made reactively, following catastrophic failures, or proactively, based on foresight and planning? According to experts, there is a growing belief that systemic climate shocks are not merely hypothetical but inevitable, and the speed of adaptation will determine both market stability and community resilience.

Doron Telem, ESG Lead at KPMG Canada, has reiterated that even if corporate leaders do not publicise their concerns regarding climate change, they are acutely aware of its implications for investment strategies. In a recent survey by the Pew Research Center, it was found that 74% of Americans have experienced extreme weather this past year, with 77% supporting stricter building codes in high-risk areas. This increasing public consciousness mirrors the recognition among investors that climate resilience must be ingrained into organisational frameworks, rather than viewed as a sideline consideration.

As the climate crisis escalates, so too does the frequency of extreme weather events. The 2024 WMO report revealed that that year was the hottest recorded, showcasing over 150 severe weather incidents globally, resulting in damages exceeding $229 billion. Such losses have led to a shift in investor behaviour, with many now prioritising sectors deemed sustainable or resilient rather than those traditionally viewed as secure. Robin Castelli, formerly of Citi, has argued that current financial models inadequately account for "fat-tail risks," which can manifest simultaneously across multiple systems. Investors left using traditional, outdated models risk significant losses during periods of volatility.

Castelli envisions a necessary recalibration of these models, urging investors to acknowledge the interconnections between climate variability, litigation, and transitional pressures which could reshape entire markets almost overnight. Insurance companies such as State Farm are already adjusting their exposure in regions like California and Florida due to the rising risks associated with wildfires and hurricanes. This trend is indicative of a broader market realignment that is likely to persist as climate conditions worsen.

What investors must now recognise is that the old paradigm of short-termism and transactional politics is increasingly at odds with the long-term strategies required to adapt to an evolving climate landscape. Transition finance, initially seen as a niche focus within ESG investing, is becoming a core strategic element. Castelli emphasises that a mindset shift is necessary; climate risks should be seen as integral to investment strategy rather than peripheral challenges.

This growing recognition of climate risk also opens avenues for new investment opportunities. Projections suggest that nearly $3–5 trillion will flow into transition-linked capital annually by 2030, focusing on sectors from renewable energy to carbon credit markets. Innovative financial instruments, including those designed around climate-linked insurance, are beginning to emerge, highlighting the potential for dynamic adaptation in investment approaches.

In this rapidly evolving scenario, capital markets are at a crossroads. Investors who can incorporate the increasing factors of climate volatility and resilience into their strategies may well find themselves on the forefront of what is becoming a definitive movement towards sustainable investment. The challenge remains: how swiftly and effectively will the financial world pivot to embrace these emerging realities, transforming potential risks into opportunities?

## Reference Map:

* Paragraph 1 – [[1]](https://www.forbes.com/sites/globalcitizen/2025/05/31/why-the-latest-climate-risk-forecast-should-change-how-you-invest/), [[2]](https://www.wmo.int/news/media-centre/global-temperature-likely-exceed-15degc-above-pre-industrial-level-temporarily-next-5-years)
* Paragraph 2 – [[1]](https://www.forbes.com/sites/globalcitizen/2025/05/31/why-the-latest-climate-risk-forecast-should-change-how-you-invest/), [[3]](https://www.pewresearch.org/science/2024/07/23/americans-extreme-weather-policy-views-and-personal-experiences/)
* Paragraph 3 – [[1]](https://www.forbes.com/sites/globalcitizen/2025/05/31/why-the-latest-climate-risk-forecast-should-change-how-you-invest/), [[6]](https://www.voanews.com/a/record-breaking-heat-likely-to-continue-in-2025-accelerating-climate-change-/7918237.html), [[7]](https://www.wmo.int/news/media-centre/wmo-report-documents-spiralling-weather-and-climate-impacts)
* Paragraph 4 – [[1]](https://www.forbes.com/sites/globalcitizen/2025/05/31/why-the-latest-climate-risk-forecast-should-change-how-you-invest/), [[5]](https://www.reuters.com/sustainability/cop/arctic-warming-seen-three-times-global-average-years-ahead-un-weather-agency-says-2025-05-28/)
* Paragraph 5 – [[1]](https://www.forbes.com/sites/globalcitizen/2025/05/31/why-the-latest-climate-risk-forecast-should-change-how-you-invest/), [[4]](https://www.ft.com/content/1bf97b4f-786a-4277-8901-df84a6971488)
* Paragraph 6 – [[1]](https://www.forbes.com/sites/globalcitizen/2025/05/31/why-the-latest-climate-risk-forecast-should-change-how-you-invest/), [[3]](https://www.pewresearch.org/science/2024/07/23/americans-extreme-weather-policy-views-and-personal-experiences/)
* Paragraph 7 – [[1]](https://www.forbes.com/sites/globalcitizen/2025/05/31/why-the-latest-climate-risk-forecast-should-change-how-you-invest/), [[3]](https://www.pewresearch.org/science/2024/07/23/americans-extreme-weather-policy-views-and-personal-experiences/), [[2]](https://www.wmo.int/news/media-centre/global-temperature-likely-exceed-15degc-above-pre-industrial-level-temporarily-next-5-years)

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## Bibliography

1. <https://www.forbes.com/sites/globalcitizen/2025/05/31/why-the-latest-climate-risk-forecast-should-change-how-you-invest/> - Please view link - unable to able to access data
2. <https://www.wmo.int/news/media-centre/global-temperature-likely-exceed-15degc-above-pre-industrial-level-temporarily-next-5-years> - The World Meteorological Organization (WMO) forecasts an 80% chance that, between 2024 and 2028, at least one year will temporarily exceed 1.5°C above pre-industrial levels. This indicates a significant acceleration in global warming, with potential severe impacts on ecosystems and human societies. The WMO emphasizes the urgency for enhanced climate action to mitigate these risks. Notably, the likelihood of such temperature exceedances has increased steadily since 2015, highlighting the escalating challenge posed by climate change.
3. <https://www.pewresearch.org/science/2024/07/23/americans-extreme-weather-policy-views-and-personal-experiences/> - A Pew Research Center survey reveals that 74% of Americans experienced at least one form of extreme weather in the past year. Additionally, 77% support stricter building standards in high-risk areas. This widespread public concern underscores the growing recognition of climate-related risks and the need for proactive measures to enhance community resilience against extreme weather events.
4. <https://www.ft.com/content/1bf97b4f-786a-4277-8901-df84a6971488> - The Financial Times reports that the WMO predicts a 70% chance that, between 2025 and 2029, global average temperatures will temporarily approach or exceed 2°C above pre-industrial levels. This projection suggests worsening climate trends and potential breaches of the Paris Agreement's targets. The report highlights the need for urgent global action to address the accelerating pace of climate change.
5. <https://www.reuters.com/sustainability/cop/arctic-warming-seen-three-times-global-average-years-ahead-un-weather-agency-says-2025-05-28/> - Reuters reports that the WMO forecasts the Arctic to warm at more than three times the global average over the next five years. This rapid warming is expected to accelerate ice melt and sea-level rise, with significant implications for global climate patterns and coastal communities. The report underscores the urgency of addressing climate change to mitigate these impacts.
6. <https://www.voanews.com/a/record-breaking-heat-likely-to-continue-in-2025-accelerating-climate-change-/7918237.html> - Voice of America reports that the WMO warns record-breaking heat is likely to continue in 2025, further accelerating climate change. The agency emphasizes the need for greater international cooperation to address extreme heat risks, as global temperatures rise and extreme heat events become more frequent and severe. This highlights the pressing need for global action to mitigate climate change.
7. <https://www.wmo.int/news/media-centre/wmo-report-documents-spiralling-weather-and-climate-impacts> - The WMO's State of the Global Climate report documents that 2024 was likely the first calendar year to be more than 1.5°C above the pre-industrial era, with a global mean near-surface temperature of 1.55°C above the 1850-1900 average. This marks the warmest year in the 175-year observational record, highlighting the escalating impacts of climate change on a global scale.