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## Financial Impacts of Climate Change: Invest or Not?

It was a sunny Friday afternoon in downtown Denver, CO, and Skylar Morrison<sup>i</sup> was enjoying a much-needed break in the common area of her venture capital firm. She was one of the few investment analysts who had not yet left for the weekend, so she took a deep breath and looked out at the city's skyline. As her eyes dropped down to the streets, she noticed traffic was picking up, and thought, "I better finish answering a few final emails and then get started on my weekend."

As Morrison finished responding to what she thought was her last email, she suddenly received a message marked "urgent" from her boss, the senior director of strategic investments. It read:

"Hey, Skylar, sorry for this late day email, but our board of directors is asking about how the social cost of carbon would affect our valuation of and recommendation for VerticalFarm Co.<sup>ii</sup> I would like to have our investment decision completed by the middle of next week. Can you take the lead on this analysis and be ready to present it at the board meeting next Thursday, May 11, 2023? Again, sorry for the short notice."

Morrison was both thrilled and anxious about this quick turnaround and high-profile assignment; thrilled because as one of the younger analysts in the firm, she was always looking for opportunities to prove herself, and anxious because a few days did not seem like enough time to do a thorough calculation on the cost of carbon and climate change.

However, she responded to her boss with "Of course, will do." She began sketching out a rough roadmap for carbon calculations on a piece of paper. "How in the world am I going to estimate and incorporate the financial impacts of carbon emissions and externalities of climate change into an existing valuation?" she thought.

<sup>i</sup> Skylar Morrison is a fictional character who uses she/her pronouns.

<sup>ii</sup> VerticalFarm Company is a fictional company but representative of the type of startup a venture capital firm might invest in, depending on the social cost of carbon/climate change.

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