


Chapter 3

Impacts of Climate Risk and Energy Consumption on Financial Markets: Commodity and Sovereign Shocks in Resource Nations

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ABSTRACT

In this paper, we combined both academic and professional lenses to assess the impact of commodity price shocks and geopolitical uncertainty on sovereign country default risk, fiscal capacity, and financial instability in Commodity Exporting Countries. It uses an interdisciplinary framework with emphasis in international finance, political economy, risk management, and public policy to examines how external shocks, such as geopolitical uncertainty, reinforce sovereign risk and re-

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duce fiscal sustainability. The chapter utilizes a PRISMA-based systematic review of the literature which draws from multiple databases to identify channels through which geopolitical uncertainty leads to price and volatility shocks, increased debt spreads, and reduced fiscal space. By bringing together supports from the disciplines of economics, finance and governance, the chapter calls attention to structural vulnerabilities to export-based economies, as well as policy reforms that reflect adaptive public policy practices.

METHODOLOGY

Search Strategy and Selection Criteria

Data Source: In order to address the scholarly literature that was relevant to the study, a systematic and comprehensive search was undertaken with a number of academic databases to maximize the literature coverage. The main databases used included: Scopus-indexed journals (2012-2025), Web of Science and SSRN (Social Science Research Network). These databases were used specifically for the availability of peer-reviewed journal articles, conference proceedings, and working papers of reputable authors on studies of economics, finance, international relations, and political science related to the interdisciplinary aspect of this literature review

Keywords: An extensive and detailed combination of keywords was used to obtain the scope of relevant literature. All keywords were intentionally chosen to reflect specific primary constructs of the guiding research question. The main terms were developed to provide sensitivity to ensuring the search results remain relevant - “geopolitical risk”, “commodity price shocks”, “sovereign debt spreads”, “fiscal space”, “resource-rich countries”, “external shocks”, “performing financial markets”, “volatility spillover”, “contagion”, “asset returns”, “public of debt sustainability”; “macroeconomic performance”, “capital flows”.

Temporal Scope: The review is limited to studies with a temporal range of periods from January 2005 to June 2025. This is the range of interest, and recent studies were intended to accompany partial temporal, geographical, or methodological interests that better represent the current geopolitical circumstances, global economic changes, and developing empirical techniques. There were significant international events (e.g. the global financial crisis (2008), fluctuating commodity prices, geopolitical positioning and the consequences of COVID-19), associated to the ways of working investigated.

Inclusion criteria: A study was included if it met the stringent criteria below:

Peer-Reviewed Publication: The primary articles for the study were peer-reviewed articles in academic journals, with the academic integrity and quality ensured. Well-

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