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Managing Risks from Climate Impacted Hazards - The Value of Investment Flexibility under Uncertainty

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Highlights

- A real options model for catastrophic risk mitigation investment is introduced
- The optimal project among a number of alternative projects can be selected
- The optimal investment sequence of the considered projects can also be determined
- The model can improve upon the net present value rule or a deterministic model
- For multiple projects, a deterministic or a real options model should be used

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