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Carbon Tracker Initiative Launches New Research Series Highlighting Risk of Stranded Assets

Research Shows Many Oil & Gas Company Capital Expenditures Have Questionable Profitability in a Carbon Constrained World

OAKLAND, CA - The Carbon Tracker Initiative issued a report today indicating that many high cost, high carbon capital expenditures by fossil fuel companies are likely to have questionable profitability in a carbon constrained world.

"Following this report, shareholders are even more concerned about stranded assets," said Andrew Behar, CEO of As You Sow, a non-profit group that promotes shareholder advocacy on energy issues. "Carbon Tracker's detailed information about the costs and carbon intensity of extraction, by key locations and provinces, provides greater precision about which companies will be the winners and losers in a world where cheap carbon is no longer an option," added Behar.

Danielle Fugere, President of As You Sow, said, "This report, in addition to the recent IPCC and National Climate Assessment reports, highlights that pouring investor money into business-as-usual fossil fuel development, in the face of increasingly destructive climate change, is a damaging investment not only for these companies, but for the economy, and for humans – none of which can sustain themselves in even a 2 degree warmer world."

The CTI report follows a recent investor movement asking companies for greater scenario planning and transparency around impacts to coal, oil and gas, and utility companies from potentially stringent climate change regulations, as well as decreased demand following from energy efficiency measures, fuel efficiency standards, and increasing competition from renewables, among others. In shareholder resolutions this year, As You Sow asked five companies – ExxonMobil, Hess Corporation, CONSOL Energy, and Anadarko – to issue reports to shareholders examining the impact of these potential scenarios, including whether reserves and related assets are likely to be stranded under such conditions. In response, ExxonMobil was the first company to issue a report.

In general, however, fossil fuel companies have not stepped up to answer investors' concerns about capital allocation planning. "We are seeing changing energy markets and, increasingly, the potential for stranded or under-utilized carbon assets, yet companies across the board are not acknowledging these growing risks and failing to conduct the planning necessary to address such contingencies," said Fugere. "Companies may believe the potential for meaningful carbon regulation is unlikely, but the impact of this scenario – stranding of reserves and dramatic loss of company value – is so high that investors deserve to know where their company falls in that scenario," said Fugere.

Even now, the oil majors are experiencing a raft of problems related to capital investment. High cost, high risk investments are not paying off as anticipated, as demonstrated by recent profit declines with Shell and, most recently, Chevron. Dwarfing these company-specific issues, all bets are off in a world of 4 to 6 degrees climate change that we are hurtling toward under business as usual investment scenarios. "Moving capital away from further fossil fuels exploration and development, and into the energy technology necessary to drive us to a cleaner, safer, more prosperous future, is the best use of investor capital," said Behar.

Previous research from Carbon Tracker showed that in 2012, oil and gas companies collectively spent an estimated $674 billion on finding and developing new carbon reserves – reserves that cannot be utilized without breaking the world's carbon budget. According to Barclays Bank, that number will rise to $723 billion in 2014. Increasing investor concern about the issue of stranded assets led to a shareholder initiative coordinated by Ceres, in which shareholders representing $3 trillion in assets under management asked 45 companies for increased disclosure about whether they are addressing carbon-related risk, the impact on capital expenditure decisions, and whether they are implementing strategies to avoid stranded assets in a carbon constrained world.

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As You Sow is a nonprofit organization that promotes environmental and social corporate responsibility through shareholder advocacy, coalition building, and innovative legal strategies. For more information visit www.asyousow.org.