Carbon Tracker Initiative

The Future of Investing: Why Investing in Fossil Fuels is Risky Business

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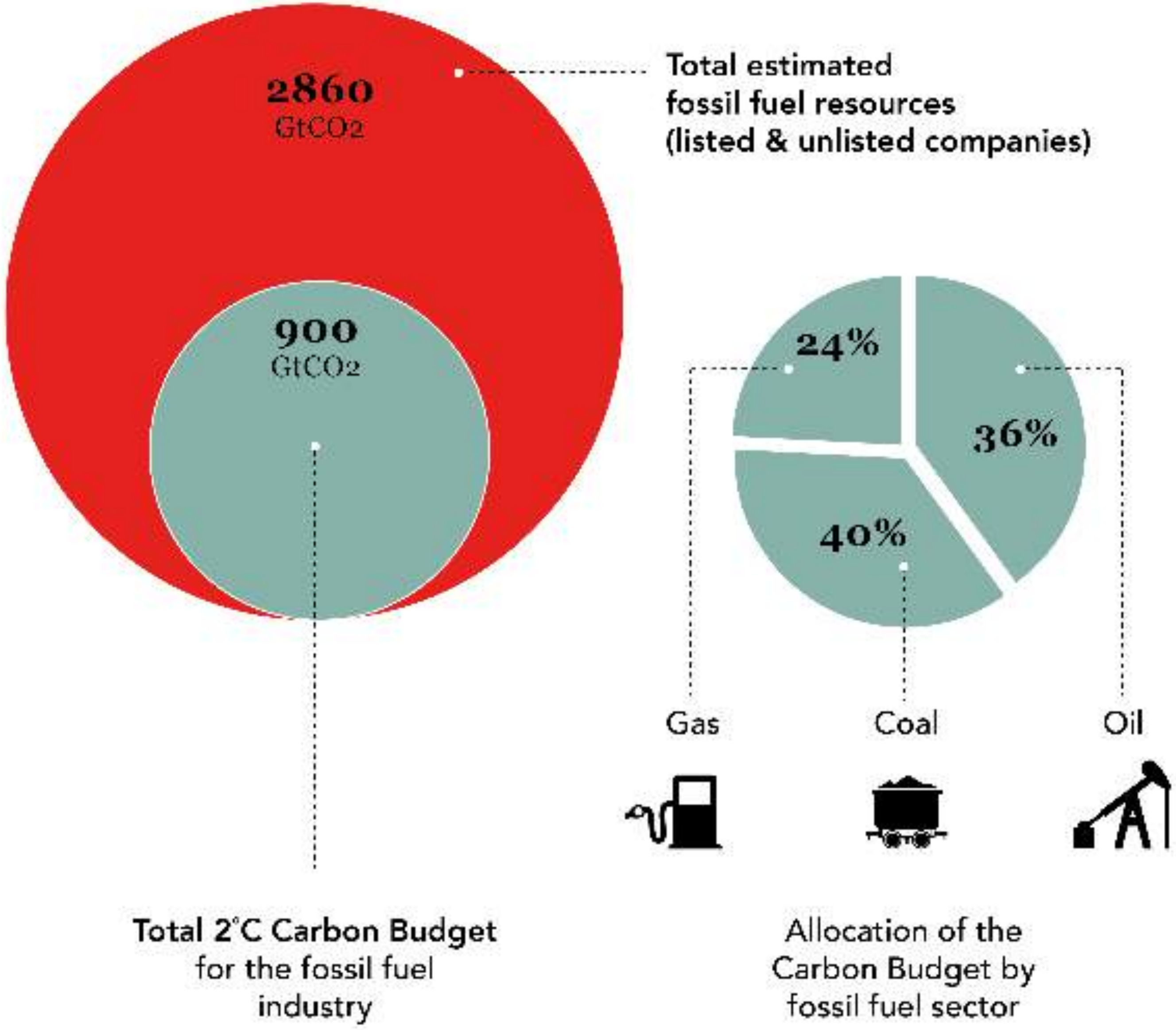
www.carbontracker.org
@carbonbubble *#strandedassets*

There is a huge overhang of carbon in our energy system



Source:
Carbon Tracker,
[Unburnable Carbon 2013](#)

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Are fossil fuel companies betting on an uncertain future?

…Yet

- BP is projecting a 24% increase in fossil fuel use by 2035
- Exxon expects a 27% increase by 2040
- Shell's 'Current Outlook' 37% to 2040
- OPEC is clinging valiantly to 54% to 2040

Companies are overstating energy demand, underestimating an increasing role for renewables and ignoring looming changes in energy.

Sources:
ExxonMobil (2016) The Outlook for Energy: A view to 2040, BP (2016) BP Energy Outlook 2035
Shell (2014) Carbon Asset Risk response, OPEC (2015) World Oil Outlook

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The $2 trillion stranded assets danger zone: How fossil fuel firms risk destroying investor returns

Oil demand peak in 2020, no need for continued growth

$1.4tn at risk

No new **coal** mines required

$220bn at risk

Growth in **gas** will disappoint, esp. capital- intensive **LNG**

$520bn at risk

> Of all the recent ideas climate change campaigners have come up with to convince the world to do more to curb global warming, none has been as potent as the concept of stranded fossil fuel assets. FINANCIAL TIMES September 30, 2015 5:19 pm

Source: http://www.carbontracker.org/report/stranded-assets-danger-zone/

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Regulators are taking increasing notice of the risk…

Mark Carney, Governor of the Bank of England and chair of the Financial Stability Board:
The abrupt transition to a low-carbon future is **'a financial stability risk'**

Stress testing, built off better disclosure and a price corridor, could act as a time machine, shining a light not just on today's risks, but on those that may otherwise lurk in the darkness for years to come." -- Mark Carney, 29th September 2015

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… and so are investors

EY survey: two-thirds of investors concerned about stranded asset risk

- 38% of Exxon shareholders & 41% of Chevron shareholders vote for 2°C stress test;
- After similar resolutions, Total & Shell release 2°C plans

Source: EY, [Tomorrow's investment rules 2.0]

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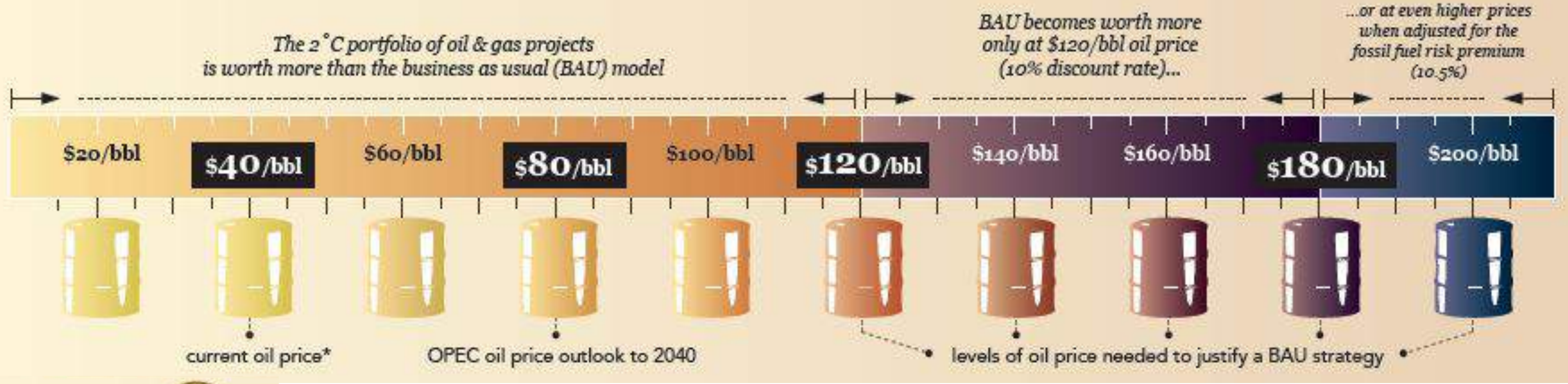
Oil majors are worth more adopting a 2°C pathway



The world's 7 oil majors could be **worth $100 billion more** by focusing on their low-cost, lower-carbon production

Source: http://www.carbontracker.org/report/fossil-fuels-stress-test-paris-agreement-managed-

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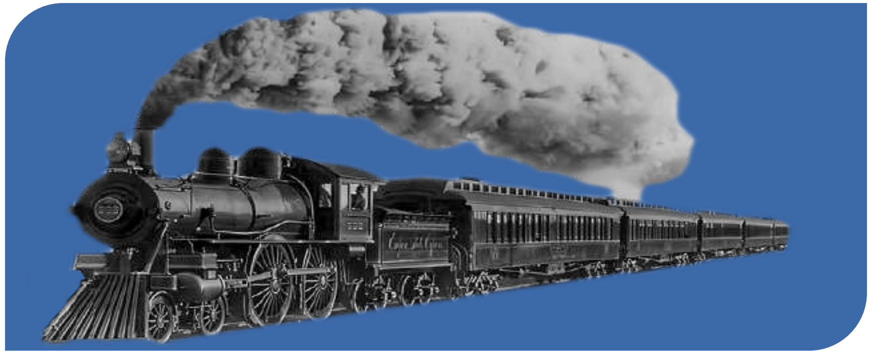
Since 2000, half the names in the Fortune 500 have disappeared



Will history repeat itself?

Source: Accenture CEO, https://www.weforum.org/agenda/2016/01/digital-disruption-has-only-just-begun/

Thank you

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