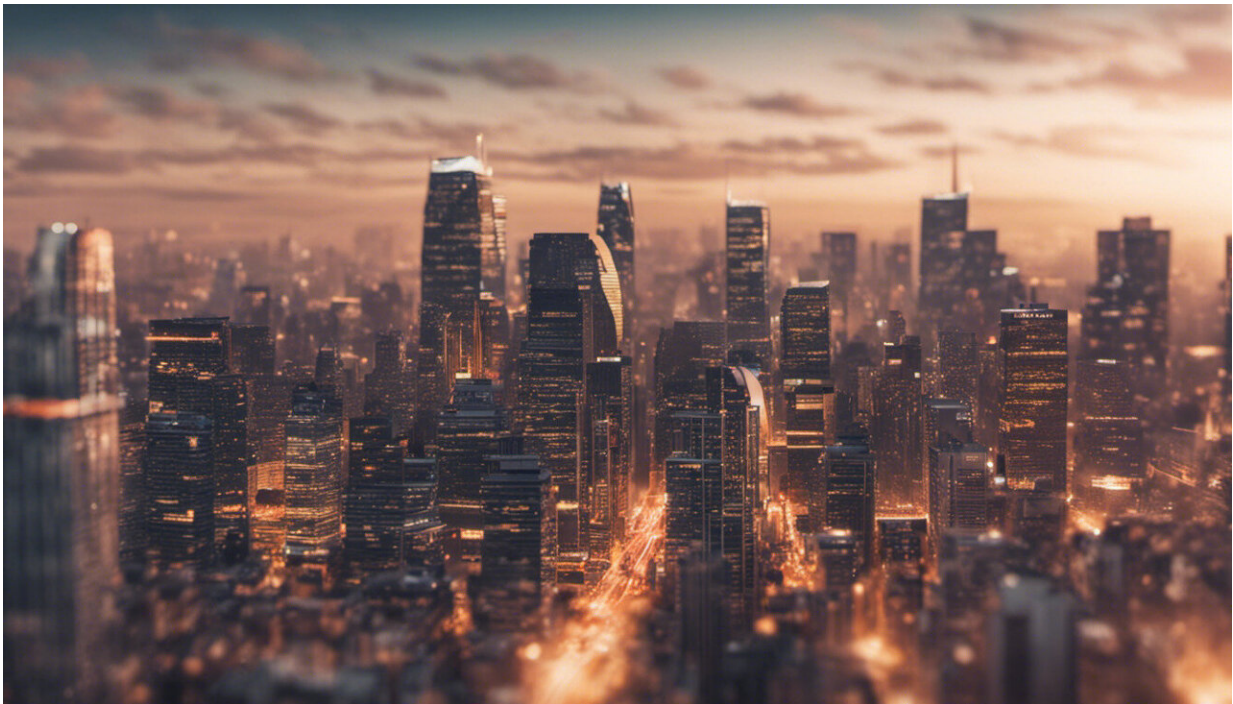


# Understanding the risks of high-carbon assets

February 12 2013

---



Credit: AI-generated image ([disclaimer](#))

The University of Oxford will today launch a new research programme to help businesses and policy-makers future proof against investments in assets that might become devalued or written off, otherwise known as 'stranded'.

Assets become stranded for a number of different reasons: they can be supplanted by greener alternatives or technological innovations, or in sectors experiencing change due to new regulations or resource constraints.

Asset stranding is currently little understood, but the implications are potentially very significant for polluting investments. The programme researchers, based at Oxford's Smith School of Enterprise and the Environment, aim to find out which assets and sectors are most at risk and evaluate how investors, businesses and policy makers can best respond to the challenges.

To mark the launch, Rt Hon John Gummer, Lord Deben, Chairman of the Committee on Climate Change, will give a lecture at the School, highlighting the need for businesses and policy makers to adapt to the new economic landscape. He said: 'Investors continue to deploy hundreds of billions of pounds into polluting and unsustainable sectors. In many cases these investments will not be worth what investors think.

'Climate change, scarcer resources, and new disruptive technologies will reduce value and strand assets. If investors better understand the risks of investing in these assets they will be attracted to greener alternatives and see them as better business propositions and safer places for their funds. The programme is doing the further research necessary to help underpin this vital transition.'

Professor Gordon Clark, Director of the Smith School, said: 'We are looking at how changes in regulation, pricing, technology, society and climate could be a risk to a range of polluting assets and how this could be a material risk to the investors and businesses involved, as well as for [policy makers](#) and regulators. Our new programme is creating a critically important space for these issues to be understood and for appropriate responses to be developed.'

The four-year research programme aims to identify high-carbon sectors and assets that could be dramatically devalued or written off. The first project will focus on the international supply chain for the agricultural sector, examining methods of transportation and production. Other studies, to be commissioned as the programme develops, are likely to include transport, power generation, real estate and a range of commodities.

Through the programme, the researchers will better understand and inform current policy debates, particularly around issues like systemic risk and financial regulation. They aim to create new, robust tools to actively understand and manage the risks of asset stranding. They will also conduct analyses of investor portfolios to build an understanding of risk exposures and develop relevant best practice case studies to inform decision-making.

Ben Caldecott is a Visiting Fellow at the Smith School and Head of Policy at [Climate Change](#) Capital, an investment manager and advisory group specialising in the opportunities generated by the transition to a low carbon economy. He said: 'The implications of an economy-wide over-exposure to fossil fuel investments could be even more severe and wide-ranging than those of the recent financial crisis. Regulators need to figure out how to make the transition from the old high-carbon economy and carefully deflate a bubble in environmentally unsustainable assets.'

Provided by Oxford University

Citation: Understanding the risks of high-carbon assets (2013, February 12) retrieved 26 June 2024 from <https://phys.org/news/2013-02-high-carbon-assets.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is

provided for information purposes only.