

'Unburnable' fossil fuels set to leave investors stranded

April 19 2013, by James Whitmore



But that's exactly what investors are doing, says a new report. Credit: Takver/Flickr

Investors are continuing to pour money into fossil fuel reserves that could end up being worthless due to efforts to combat climate change, a new report has found.

The [Climate Tracker report](#) found that investors are set to waste US\$6

trillion on fossil fuel reserves in the next ten years if they fail to account for [global carbon](#) budgets.

To keep [climate change](#) under the globally agreed-upon figure of 2°C by 2050, emissions must be kept to under 900 gigatonnes (Gt) CO₂, the report says.

If the budget is allocated according to how much each source ([fossil fuels](#), housing, transport etc) contributes to emissions, investment in fossil fuels must be limited to the equivalent 125-225 Gt CO₂ until 2050.

Last year companies invested US\$674b in developing new fossil fuel reserves. Under the new budget scenario 60-80% of this investment in fossil fuel reserves will be wasted.

Globally 200 publicly listed companies currently invest in the equivalent of 762Gt CO₂. There are further interests in undeveloped reserves which could double the size to 1,541Gt CO₂.

Professor Tony Wood at University of Melbourne said there's a disconnect between what's necessary to avoid the worst aspects of climate change, and what's actually happening, and "this report has put that disconnect into numbers."

Businesses continue to invest in these "stranded" [assets](#) because of continuing uncertainty over carbon pricing, he said. "Governments around the world have moved away from discussing climate change in a policy sense."

Energy economist Professor Barry Naughten at University of Melbourne said investors don't believe governments will put a high enough price on CO₂ emissions to cause them a problem.

"In Australia there's a lot of [confusion](#) as to whether the [carbon price](#) will be maintained in any shape or form if there's a change of government this year," he said.

The new [carbon budget](#) is higher than previous assessments because it assumes efforts to reduce non-[CO2 emissions](#) from waste and agriculture, such as methane, will increase.

Professor Wood said there were signs of hope that emissions from waste and agriculture could be reduced.

The report reveals Australian companies have interests in 26Gt CO₂, including 1Gt CO₂ in gas, 2Gt CO₂ in oil, and 23Gt CO₂ in coal.

The highest investment is via the New York Stock Exchange with 215Gt CO₂. The majority of this is invested in oil. Companies listed in London have interests in 113Gt CO₂, with a greater proportion devoted to coal.

After 2050 carbon budgets must remain very low, with only 75Gt CO₂ allowed in order to keep warming below 2°C.

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Citation: 'Unburnable' fossil fuels set to leave investors stranded (2013, April 19) retrieved 3 May 2024 from <https://phys.org/news/2013-04-unburnable-fossil-fuels-investors-stranded.html>

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