Stranded Assets: A Climate Risk Challenge

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Climate related factors likely to cause stranded assets

- Environmental challenges including climate change
- Changing resource landscapes
- New government regulations
- Falling clean technology costs
- Evolving social norms and consumer behavior
- Litigation and changing statutory interpretations

Natural resource dependency and exposure to stranded assets

Fossil fuel industry
60-80% of publicly listed fossil fuel reserve are “unburnable” if the world is to avoid disastrous climate change

Agriculture and forestry
Environment-related risk factors could cause material asset stranding throughout the global agricultural supply chain including natural assets

Turism industry
Countries dependent on nature-driven turism are also likely to be affected by climate change, and could see service industry infrastructure stranded by physical changes

Human capital
Human and social stranding as a result of changing agricultural patterns and stranding of fossil fuels

10% reduction in the productive capacity of natural capital could lead to a decrease of 1-4% of a nation’s GDP

Types of climate related risks that could affect financial stability

- Physical risks: arise from weather-related events, such as floods and storms
- Transition risks: financial risks from the transition to a lower-carbon economy
- Liability risks: for insurance firms from parties who have suffered loss and damage from climate change, and then seek to recover losses from others whom they believe may have been responsible

Current perspectives on risk management tools

20% think that there is adequate information to properly analyze corporate exposure to climate change

73% do not have (or do not know about) someone in their organization responsible for ensuring the consideration of relevant climate risks

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Source: Caldecott et al (forthcoming)

For more information, see: Kepler Cheuvreux (2014); Caldecott et al. (2013); Caldecott, Howarth, and McSharry (2013); Carbon Tracker (2013); and, UNEP Finance Initiative (2012)

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