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Investors ask fossil fuel companies to assess how business plans fare in low-carbon future

Coalition of 70 investors worth $3 trillion call on world's largest oil & gas, coal and electric power companies to assess risks under climate action and 'business as usual' scenarios

BOSTON, MA – October 24, 2013 – A group of 70 global investors managing more than $3 trillion of collective assets today launched the first-ever coordinated effort to spur the world's 40 top oil and gas, coal and electric power companies to assess the financial risks that climate change poses to their business plans.

Recent studies by the Intergovernmental Panel on Climate Change and the International Energy Agency have suggested that, in order to achieve the international goal of limiting global warming to 2˚C, the world will need to live within a set carbon budget, and a significant portion of proven global fossil fuel reserves will need to be left in the ground. The world is currently, however, on a path toward global warming of 4˚C or more, which the World Bank warned must be avoided in order to prevent catastrophic climate change impacts.

The investors, most of them based in the United States and Europe, sent letters to the fossil fuel companies last month, requesting detailed responses before their annual shareholder meetings in early 2014. Investors signing the letters include California's two largest public pension funds, the New York State and New York City Comptrollers, F&C Management and the Scottish Widows Investment Partnership.

"We would like to understand [the company's] reserve exposure to the risks associated with current and probable future policies for reducing greenhouse gas emissions by 80 percent by 2050," the investors wrote. "We would also like to understand what options there are for [the company] to manage these risks by, for example, reducing the carbon intensity of its assets, divesting its most carbon intensive assets, diversifying its business by investing in lower carbon energy sources or returning capital to shareholders."

According to the *Unburnable Carbon* report, in 2012 alone, the 200 largest publicly traded fossil fuel companies collectively spent an estimated $674 billion on finding and developing new reserves some of which may never be utilized. This initiative highlights the opportunity to redirect this capital, rather than it being wasted on high carbon assets that could become stranded.

“The world is taking climate change seriously and global pressures to reduce fossil fuel use will only grow stronger,” said Jack Ehnes, CEO of the California State Teachers’ Retirement System (CalSTRS), the nation’s second largest public pension fund with $172 billion under management. “As long-term investors, we see the world moving toward a low-carbon future in which fossil fuel reserves that companies continue to develop may actually become a liability, which could take a toll on shareholder value.”

“Demand for coal has been falling in key markets. Climate policy and economic changes in Asia mean this trend could soon become permanent. Analysts tell us that demand for oil could weaken too before long,” said Craig Mackenzie, Head of Sustainability at Scottish Widows Investment Partnership – one of Europe’s largest asset management companies. “Companies must plan properly for the risk of falling demand by stress-testing new investments to minimize the risk our clients’ capital is wasted on non-performing projects.”

“There’s a real appetite among our clients to invest in companies that are innovating to address climate change,” said Dr. Julie Gorte, Senior Vice President for Sustainable Investing at Pax World Management Corp., a sustainable and responsible asset management firm that serves individuals, financial advisors and institutional investors. “Tackling climate change is both a business risk and opportunity, so it is in the interest of energy companies and utilities to assess, disclose and develop strategies to mitigate carbon asset risk.”

As of October 23, investors had received preliminary responses from 20 companies. Detailed answers to the investors’ questions will come in follow-up responses. Participating investors are asking their peers to support this effort, which is being called the Carbon Asset Risk (CAR) initiative. The effort is being coordinated by Ceres and the Carbon Tracker initiative, with support from the Global Investor Coalition on Climate Change.

“Fossil fuel companies are the biggest sources of carbon pollution by far, which means they are also uniquely positioned to lead the world in responding to global climate risks,” said Ceres president Mindy Lubber, speaking during a call with reporters today.

"Many of the responses investors have received from the companies thus far acknowledge that there is a legitimate risk issue around carbon reserves, and companies are open to continued engagement from the investor community to determine the scope,” added Mark Fulton, a member of the Carbon Tracker’s Advisory Board and a Ceres adviser. “Fossil fuel companies will prove to be more responsible stewards of capital in the future if they take action now to manage the risks posed by climate change.”

For more information on carbon asset risk, visit www.carbontracker.org.

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About Ceres

Ceres is a nonprofit organization mobilizing business and investor leadership on climate change, water scarcity and other sustainability challenges. Ceres directs the Investor Network on Climate Risk (INCR), a network of over 100 institutional investors with collective assets totaling more than $12 trillion. Ceres also directs Business for Innovative Climate & Energy Policy (BICEP), an advocacy coalition of nearly 30 businesses committed to working with policy makers to pass meaningful energy and climate legislation. For more information, visit http://www.ceres.org or follow on Twitter @CeresNews.

About Carbon Tracker initiative

The Carbon Tracker initiative is a non-profit company established by its directors to align the capital markets with efforts to tackle climate change. Carbon Tracker has demonstrated the incompatibility of current capital expenditure plans in the energy sector with delivering emissions reductions to improve air quality and prevent climate change. This was captured in its 2013 report: 'Unburnable Carbon: Wasted Capital and Stranded Assets' Learn more at www.carbontracker.org or follow on Twitter @carbonbubble.