Avoiding Stranded Assets

Can we avoid locking our investments into unsustainable economic activities?

Continued investments in a fossil fuel-centered energy system—and especially in such forms of “extreme energy” as tar sands, Arctic oil deposits, shale oil and gas, and mountaintop-removal coal—will lock societies onto a dead-end path. Scientists are warning that the bulk of the world’s proven fossil fuel resources can never be touched if the world wants to avoid runaway climate change. Further investing in them—and thus enlarging the carbon “bubble”—exposes not only energy companies and fossil fuel exporters to incalculable risk, but also pension funds, municipal authorities, and others who invest in such companies for long-term financial returns. Absent alternative policies, the world may confront an unpalatable choice between climate chaos and economic doom.

"Visionary management of policies, companies, and investments is needed to ensure that new investments are consistent with environmental health and resilience, and that economies are weaned, smoothly and efficiently, off investments that are harmful to sustainability.”

An analysis of stranded assets—such as investments in fossil fuel extraction, production, and transport infrastructure—can help to reveal the potential profile of a transition path forward.