North Star Pastoral (represented by OzEnvironmental Pty Ltd)
Submission #304

From:	Warwick Giblin
To:	fracking inquiry;
Subject:	ABC News 12 July 2017: Carbon bubble" putting $2 trillion worth of investments at risk as international climate policy develops
Date:	Wednesday, 12 July 2017 8:00:18 AM

Dear Inquiry Team,

Could you please draw the Panel's attention to the article below.

In light of the market now pricing carbon and the associated risks, it would be appreciated if the Panel could please ensure the economic analysis work being undertaken by the expert consultants addresses this important aspect.

It may well be that gas companies will struggle to secure funding to develop projects, given how rapidly the financial market is pricing in carbon liabilities.

Your response is welcomed.

http://www.abc.net.au/news/2017-07-11/financial-sector-must-factor-in-risks-of-fossil-fuel-investment/8696224?WT.mc_id=newsmail&WT.tsrc=Newsmail

By David Taylor
Posted yesterday at 9:23am

Serious concerns are being raised about how some of Australia's biggest companies are planning for a clean energy future.

Key points:

- Money in the financial market already heading towards renewables
- Australian companies choosing investments in low-emissions industries
- Lack of clear policy direction has caused a lack of investment in energy generation

Policy researchers say about $2 trillion worth of oil and gas projects could be made redundant in a carbon-constrained future.

They say there is now a push to ensure the financial sector factors in the risks of any further investment into fossil fuels.

Mark Campanale, founder of independent financial think tank Carbon Tracker Initiative, has been looking at the link between financial markets and the transition to cleaner energy.

"Investors could be mistaken in supporting continuation of a business model which will certainly have to change direction in the next decade, perhaps sooner," he said.

He said $2 trillion worth of investments were at risk as international climate policy developed — referring to it as a "carbon bubble".

"It doesn't seem credible that companies, particularly coal mining companies and their investors, and their banks, would want to deploy even more capital in developing projects that will have no future," Mr Campanale said.

Markets economist Rob Henderson said companies like Woodside, Rio Tinto and Santos were already facing increased pressure to change the way they reported on the risks they faced, as they switched to cleaner energy.

"All of the money in the financial market is heading towards renewables, and away from older technology," he said.

Mr Campanale said it was encouraging to see some climate policy leadership from Australia's financial services regulators.

"There's some positive noise coming through from Aussie financial regulators and institutional investors about how seriously they want to take climate risk," he said.

Lack of clear policy direction: economist

It does appear that the smart money in Australia has already begun to chase investment opportunities in low-emissions industries.

Media player: "Space" to play, "M" to mute, "left" and "right" to seek.
AUDIO: Listen to David Taylor's story on AM (AM)

David Buckland, who manages over a billion dollars worth of client funds, said many of their funds were already investing in "largely high quality service companies that are very low in terms of carbon emission".

But he said the current state of politics in Australia made it difficult.

"With the current structure of our Senate, a lot of horse trading has to go on for any legislation to get through," Mr Buckland said.

Economist Rob Henderson said a lack of clear policy direction coming from Canberra only made it harder for company bosses trying to understand changes to climate policy.

"That's led to a whole lot of uncertainty, and in turn that's led to a lack of investment in energy generation in Australia," he said.

Kind regards,

Warwick

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