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INVESTORS CONTINUE TO PRESSURE ENERGY COMPANIES TO DISCLOSE CARBON ASSET RISK

Investor pressure is stemming from their fear of losing the market value of investments due to stranded assets.

A group of investors with AuM of over USD200bn filed shareholder resolutions with ten energy companies including Exxon Mobil (XOM US), Devon Energy (DVN US) and FirstEnergy (FE US), requesting disclosure of their strategies for competing in a low-carbon future.

The fossil fuel companies were asked to assess the risk of stranded assets and the physical risk from the impact of climate change in a low-carbon scenario.

The appeal, spurred by an ongoing effort led by Ceres and the Investor Network on Climate Risk (Sustainable Insights: Edition 24), focuses on the firms' risk of carbon-intensive assets losing their value as market forces and potential regulation threaten demand for fossil fuels and related infrastructure.

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NATURAL GAS LOSES ITS LIGHT AS UTILITIES SWITCH BACK TO COAL

Steep increase in the price of natural gas makes coal power more competitive. EIA expects coal to account for 40% of power generation within three years.

A prolonged winter has driven US utilities to switch back to relatively-cheaper coal from natural gas. Natural gas prices, currently at a four-year high, have risen 58% compared to a 13% increase in coal prices.

According to Bloomberg, an average US natural gas plant can make a profit of USD3.04/MWh compared to a profit of USD31.58/MWh for the typical coal-fired generator. The EIA estimates that within three years, coal's share of power production could climb to 40.3% from approximately 39% in 2013, while gas's share is poised to drop to 27.0% from 27.5%.

According to the IEA, coal is slated to be the fastest-growing energy source in the world, rising 2.3% per annum through 2018, and poised to dethrone crude oil by 2020. This is despite the EIB, EPA and EBRD's efforts to phase out the fossil fuel as an energy source as reported in Sustainability Insights – Edition 1, Edition 8, and Edition 21.

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50% OF FI ASSET MANAGERS INCLUDE ESG FACTORS IN DECISIONS: UK PPF

UK PPF states that it is too early to determine whether incorporating ESG factors results in better returns.

At least 50% of fixed income asset managers incorporate ESG factors to some degree into their analysis and decision-making processes, yet the PPF mentioned that it is too early to identify if incorporation will yield better returns. Less than 20% of fund managers were rated 'green' in the UK Pension Protection Fund's (PPF) Integrated Responsible Investment (RI) rating system.

This rating system has proved effective in the three years it has been running, with the majority of the PPF's fund managers having "taken steps towards better alignment with the PPF's RI policies, and RI reporting has significantly improved in quantity and quality".

The PPF did not disclose how its own external asset managers, who administer the fund's GBP14.9bn of assets (70% are in fixed income), performed in its study.

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