

## BIG OIL CHALLENGES INVESTORS' CONCERN OVER STRANDED ASSETS

### Institutional investors clash with oil companies over fossil fuel risks

Oil giants, notably Shell and ExxonMobil, responded in detail to [investors' concern about stranded assets](#), saying that they do not believe that their assets will become "stranded" according to a recent *Economist* article. Under advisement by the Carbon Tracker Initiative, Institutional investors with a collective USD 3 trillion assets under management asked the 45 largest oil companies how climate change may affect their business which rely on the price of fossil fuels remaining high. The oil companies came back saying energy demand is up and will continue to grow as population increases along with national incomes. ExxonMobil asserts that

fossil fuels will account for three-quarters of demand in 2040. Both oil giants also reject the notion that governments will do anything to reverse this trend, either by constraining carbon with a tax or enacting a cap and trade policy.

Lastly, Shell asserts that while "proved reserves life" (proven reserves divided by the rate of production) is only 11.5 years, its current value will be unaffected by regulatory limits in 20 or 30 years. "Although an oil project may run for decades, the payback period, the company says, is concentrated in its early years, so it will have paid its way long before tough laws come in (which of course Shell thinks will not happen)." Some investors are criticizing this response, claiming that the companies need to diversify.

### QUOTE OF THE WEEK

"The marginal cost of water is rising around the world," says Christopher Gasson, publisher of Global Water Intelligence. "Previously, water was treated as a free raw material. Now, companies are realizing it can damage their brand, their credibility, their credit rating and their insurance costs. That applies to a computer chipmaker and a food company as much as a power generator or a petrochemicals company."

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## NUCLEAR PLAN IN JAPAN CLEARED TO RE-OPEN AFTER PROLONGED SHUTDOWN

### Prime Minister hopes to end shutdown post-Fukushima

We reported [last week](#) that Japan's Kashiwazaki Kariwa facility faced setbacks when Japanese officials announced that the facility would not open this year, further delaying its restart after the Fukushima disaster in 2011. However, this week [a nuclear plant in southern Japan](#) was cleared to restart under new safety regulations designed after Fukushima.

Japan's Nuclear Regulation Authority gave preliminary safety approval for Kyushu Electric Power Company's Sendai plant, after the plan upgraded its design and safety features. New standards are meant to protect nuclear plants in natural disasters, such as the tsunami that caused a meltdown at the Fukushima site. But many politicians, including Mr. Abe, "worry that Japan's economy cannot flourish without nuclear power, which they consider a cheaper alternative to fossil fuels."

## WILL 'PEAK SOIL' THREATEN GLOBAL FOOD SECURITY?

### Soil degradation threatening to increase food prices and deforestation

A 'business as usual' scenario indicates that by 2050 current soils will yield 30 percent less [agricultural production](#). The UN Food and Agriculture Organization (FAO) has estimated that 25 percent of agricultural land is highly degraded, while a further 8 percent is moderately degraded. Increased food consumption has contributed

to more intensive production, overgrazing and deforestation, all of which can "strip soil of vital nutrients and beneficial micro-organisms, reduce its ability to hold water and make it more vulnerable to erosion". There is still quite a bit that we don't understand about these risks. "We know far more about the amount of oil there is globally and how long those stocks will last than we know about how much soil there is," said John Crawford, Director of the Sustainable Systems Program in Rothamsted Research in England.

### STAT OF THE WEEK

The NPD Group, a market research firm, estimates that Americans eat about 16 billion burgers a year (that's over 50 per person). The "average" cheeseburger, according to the research firm Technomix, costs \$4.49. *The New York Times* calculation of the [external costs](#) of burgers ranges from 68 cents to \$2.90 per burger, including only costs that are relatively easy to calculate. However, many costs can't possibly be calculated.

## WORLD BANK REVIEWS SOCIAL AND ENVIRONMENTAL SAFEGUARDS

### Global development bank updating protections for first time in decades

The World Bank recently underwent an internal review on its procedures that ensure that people and the environment are not harmed in [development projects](#) in which the World Bank is a funder. The World Bank is tasked with balancing regulating development projects (for

environmental purposes) and allowing projects to flourish and grow.

Some fear that the bank will loosen its controls in order to compete with other developing countries. Other criticisms included one that the most experienced specialists aren't assigned to the riskiest projects.

### BELIEVE IT OR NOT

Norway is testing a project that turns captured carbon dioxide into food for farmed fish. It involves producing Omega-3 fatty acids from algae that will be grown in a stream of CO<sub>2</sub> at a test facility

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