



Fact Sheet: Stranded Assets

What are they? Stranded assets are things that people buy or build that, while still usable, can no longer be used – they are “stranded”.

Why is that a problem? People and businesses buy or build assets with an expectation of a useful life of the assets. If the assets become stranded, they have effectively lost money. If many people have assets that are stranded, or if a business has most of its assets stranded, then serious economic damage can result.

Why should there be a conversation about stranded assets and climate change? The climate emergency has been caused by humanity’s burning of fossil fuels: coal, oil, and gas. We need to phase out our use of those fuels as quickly as possible to prevent the very worst impacts of climate change. This means that when we get serious about climate change the owners of assets which produce, distribute or store those fuels (“supply assets”) will have their assets stranded. It also means that owners of assets that use fossil fuels – owners of cars, trucks, tractors, boats, aircraft, boilers, fired heaters, etc (“demand assets”) will also have their assets stranded. The choice we are facing is between increasingly dangerous climate change, and stranding both supply and demand fossil fuel assets.

But people are buying cars, trucks, tractors etc every day! That is the big issue. Tasmanians are not being made aware that when they go to purchase an asset that runs on petrol, diesel, gas, etc that they may not be able to enjoy their use of those assets for long – if they want Tasmania to set a course for a safe climate. This failure of leadership is not unique to Tasmania, unfortunately.

How big is the problem for Tasmania? We don’t know the answer to that question. Climate Tasmania is not aware of any work being done to study the issue here. A 2020 report by Carbon Tracker on the issue worldwide estimated that there are 10 trillion \$US of supply assets and 22 trillion \$US of demand assets at risk¹. Kingsmill Bond, the main author of the report, said:

"We are witnessing the decline and fall of the fossil fuel economy. Technological innovation and policy support is driving peak fossil fuel demand in sector after sector and country after country, and the COVID-19 pandemic has accelerated this. We may now have seen peak fossil fuel demand as a whole. This is a huge opportunity for countries that import fossil fuels which can save trillions of dollars by switching to a clean energy economy in line with the Paris Agreement. Now is the time to plan an orderly wind-down of fossil fuel assets and manage the impact on the global economy rather than try to sustain the unsustainable."

¹ Decline and Fall. The size and vulnerability of the fossil fuel system. Carbon Tracker, 4th June, 2020. www.carbontracker.org

Climate Tasmania is a group of concerned professionals who have a diverse range of expertise, spanning scientific, legal, economic, health, energy, social and policy aspects of climate change. Our aim is “To provide timely, independent and authoritative advice to Tasmanian business, government and community leaders on climate change and appropriate policy responses.”

Details of the members of the Climate Tasmania board and expert advisers are available at www.climatetasmania.org/members/

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