



Climate Alliance Newsletter

June 27, 2016

Climate Alliance National Conference

We are very excited to have Dr Paul Fisher be our Keynote speaker at the Climate Alliance 2016 National Conferences. (Yes, there will be two conference this year; Melbourne and Sydney). Until recently Dr Fisher was an Executive Director at the Bank of England. The theme of the conferences will be Investment Risk and are targeted at investment managers and executives that have oversight responsibility for investment decisions.

As you may be aware, Mark Carney, the Governor of the Bank of England has identified a potential risk facing UK investors. He believes that the market capitalisation of fossil fuel companies may be substantially overvalued because of the strong likelihood that they will not be able to extract and sell a substantial fraction of their proven energy reserves (see article below).

In order to improve the quality of information relating to these risks, Mr Michael Bloomberg has been appointed Chairman of a high-powered **task force** whose goal is to improve the disclosures on physical, liability and transition risks associated with climate change. A recent submission on this topic by Lord Nicholas Stern of the London School of Economics can be found [here](#). The authors argue that companies should not only disclose the “carbon exposure” of their past activities, but they should also undertake an assessment of forward-looking business risks.

For the first time, Climate Alliance will be holding its National Conference in both Melbourne and Sydney! The Melbourne conference will be held from 3:00pm to 6:00pm on 20 October 2016. The Sydney conference will be held between from 3:00pm to 6:00pm on 25 October 2016.

Please mark your diaries! More information will be coming soon.

Climate Alliance 2016 Leadership Awards

Nominations for our very popular Climate Alliance Leadership Awards have opened. Categories available are Board, Executive, Innovative Company and Company Secretary. If you would like to nominate or nominate someone you think deserves recognition – please visit [here](#) for details.

The winners will be announced at our National Conferences in October.

A Large Canary

The condition of Australia's greatest natural asset was the focus of attention this month. The Great Barrier Reef can be seen from space - its 2,300Km length is 2,000Km longer than the world's second largest reef. It is a national treasure. We have now learned that 93% of it is bleached and the northern sections are particularly badly affected. UNESCO asked Professor Will Steffen to provide an update on the condition of the reef. He completed his task, but unfortunately, when the report was published, all references to the Great Barrier Reef had been redacted on the request of the Department of the Environment.

The reason given was: “The department was concerned that the framing of the report confused two issues – the World Heritage status of the sites and risks arising from climate change and tourism.”

The well being of the economy is critically dependent on the well being of the environment. By us humans aggressively changing our environment, we are already and will be further impacting on our tourist trade, primary industry, infrastructure and many other services that are essential to our success as humans.

Many notable economists (Nicholas Stern, Ross Garnaut) have clearly demonstrated that the cost of inaction will be far larger than the cost of action. The damage that is currently happening to our Great Barrier Reef is a timely reminder that we need to do more now. See [here](#) and [here](#) for excellent and disturbing articles on the reef.

Are Fossil Fuel Company Shares Overpriced?

Increasing attention is being paid to the concern that the shares of fossil fuel companies are overpriced, as their value is based on the proven reserves of their fossil fuels. The underlying assumption is that all of the proven reserves will be able to be extracted and sold. It is likely that this assumption is wrong, given the commitment in Paris by all of the world's governments to limit global warming to 2°C.

If fossil fuel companies end up with substantial reserves that they have to leave in the ground, the reserves will become stranded assets. As the world quickly heads towards the 2°C threshold, the question is what will governments do and how will the companies react?

It is likely that companies will try to ensure that they can extract the maximum profit from their reserves, at the expense of their competitors. Will this cause the price of oil to go up or down? The Saudi government's current determination to keep its market share at whatever the cost, seems to support the idea that market share is more important than price. Being a low cost supplier gives them that flexibility.

Some fossil fuel companies may decide they are in the energy business – instead of the oil business. Some will hang on – no matter what.

Over the last five years, a very interesting development has occurred in the coal industry. The largest coal companies in the US are in deep trouble. Peabody and Arch Coal have filed for Chapter 11 and most of the large players have experienced consistent share price weakening for the last five years. Why did this happen? Is the market a lot more efficient than most believe? The softening share price predates the 2°C goal by governments and the announcements by China and India that they would reduce their coal imports.

Company	Five Year Change (Index= 0 in 2011)
Peabody (BTU) (Chapter 11)	-100%
BHPB (BLT.L)	-65%
Glencore (GLEN.L)	-70%
Arch Coal (ACIIQ) (Chapter 11)	-100%
Cloud Peak (CLD)	-90%
DJI (Dow Jones Index)	+40%

Climate Alliance Launches New Website

Have a look at our completely revamped website at www.climatealliance.org.au

The website was developed by Laura Coutts of [Hatch Labs](#).

There are many interesting articles under our Blog section, including hot topics such as Energy and Stranded Assets. Don't forget to visit the Leadership Awards section to nominate for the 2016 awards.

<p>Climate Alliance Limited 118 Queen Street Melbourne VIC 3000 Australia Tel (03) 9016 4484 info@climatealliance.org.au www.climatealliance.org.au</p>	<h3>About Climate Alliance</h3> <p>Climate Alliance is a not-for-profit, membership based company that collects and disseminates information on climate change. Our primary focus is to provide independent, business-oriented information to Company Directors, to help them inform themselves about the opportunities and risks resulting from climate change. We do not consult, lobby or develop policy.</p>
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