OIL COMPANIES AT CLIMATE TALKS DISMISS 'CARBON BUBBLE' FEARS

As diplomats in Lima work towards a global deal to combat climate change, oil industry representatives are taking comfort from the slow pace of talks.

Analysts say an effective deal to limit dangerous global warming would slash demand for fossil fuels and the value of oil companies.

Earlier this week, the Bank of England launched an inquiry into concerns the historically wealthy sector could come crashing down, destabilising the markets.

But at a side event of UN climate talks, Chevron adviser Arthur Lee said his company was not worried about climate regulations denting demand.

"We know how deliberate the pace is here," he observed.

Renato de Filippo of Eni was similarly confident: “We believe that fossil fuels will continue to be predominant in fostering economic growth for the coming decades.”

NEWS: Leisurely in Lima – climate talks show little urgency

After a week of climate talks, there has been little substantive progress towards a global deal due to be finalised in Paris next year.

“Negotiators here are fixing the fire alarms while the building burns,” said WWF delegation leader Tasneem Essop.

Oil companies are counting on weak efforts to curb climate change for their future profitability.

Lee cited MIT research suggesting the Paris deal is only likely to curb greenhouse gas levels in the atmosphere to 530-580 parts per million.

That is far from the 450 ppm scientists say is needed to limit temperature rise to 2C, a goal agreed by negotiators in 2009.

Carbon bubble

Meeting the 2C goal implies up to 80% of proven fossil fuel reserves need to stay in the ground, the Carbon Tracker Initiative has calculated.

Only 7% of 81 fossil fuel companies surveyed have checked their business plans are compatible with a 2C world, it found in another study.

That means they could be investing in assets that will be "stranded" in a low carbon future.

Carbon Tracker argues the market has failed to join the dots and is overvaluing fossil fuel companies – a phenomenon dubbed the "carbon bubble".

It is this systemic risk the Bank of England has started to investigate.

Robert Siveter of IPIECA, which represents around half the world's oil and gas production, dismissed the analysis.

"We see no evidence of a carbon bubble," he said.

Oil companies' valuations are mainly based on proven reserves, which he claimed match up with demand projections.

Climate regulations are only expected to affect resources that may not be used for 15-20 years.

Source: http://chimalaya.org/2014/12/07/oil-companies-at-climate-talks-dismiss-carbon-bubble-fears/