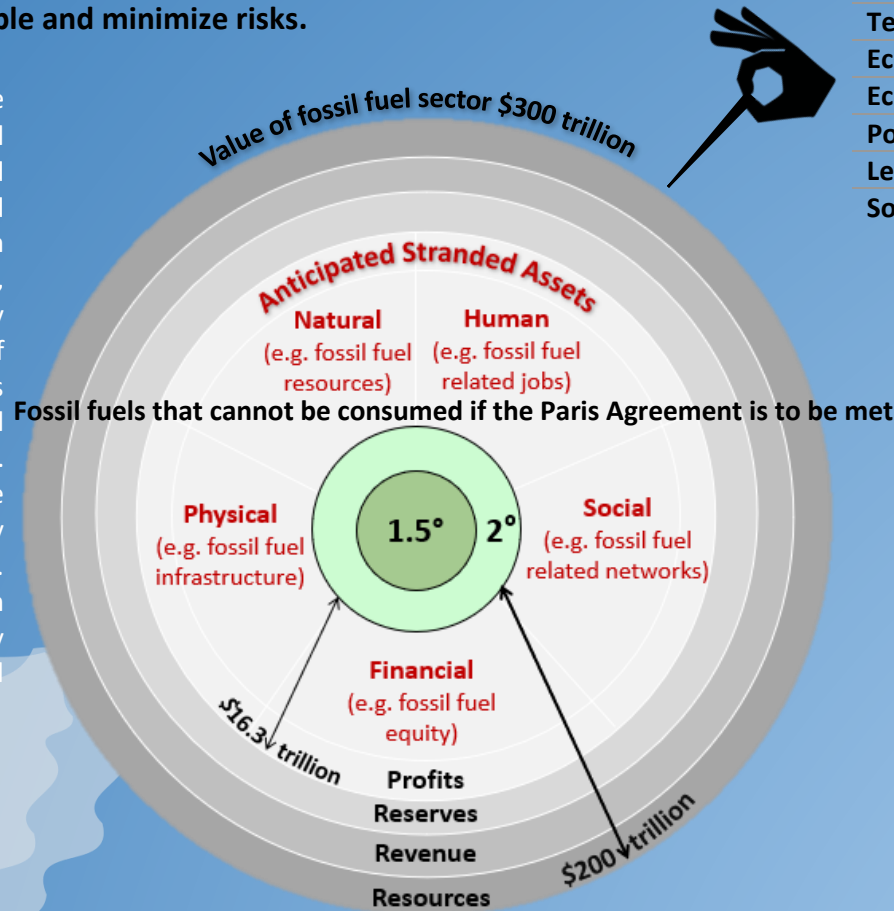


## The Carbon Bubble and Stranded Fossil Fuel Resources and Assets

The overvaluation of the fossil fuel industry and the need for asset stranding policies, to carefully deflate the carbon bubble and minimize risks.

The **carbon bubble** refers to the tremendous overvaluation of the fossil fuel industry, consisting of resources and assets which must be left stranded assuming that the Paris Agreement on Climate Change will be implemented, and fossil fuel resources are globally phased out by 2050. The true value of carbon will be accounted for by markets as stranding fossil fuel resources will leave the accompanying assets stranded. This will tremendously devalue the global fossil fuel industry and may subsequently burst the 'carbon bubble'. If the bubble bursts suddenly rather than gradually deflating over decades, it may catalyse a large global financial and developmental crisis.



Fossil fuels that cannot be consumed if the Paris Agreement is to be met

**Stranded assets** are assets which prematurely lose their value, as a result of changes associated with the (eventually inevitable) transition to a low-carbon economy. In the scenario where global warming does not exceed 2°C, the estimated value of anticipated stranded fossil fuel assets ranges from \$16.3 trillion to \$200 trillion (calculating in respect to profits or resources).

| Drivers       | Stranded Resources / Assets                       |
|---------------|---|
| Spatial       | Changing landscape makes resource inaccessible    |
| Technological | Technologies unavailable                          |
| Economic      | Unprofitable to extract                           |
| Ecological    | Ecological impact as argument for non-use         |
| Political     | (Geo-)political circumstances hinder exploitation |
| Legal         | Laws restrict extraction                          |
| Social        | Communities/consumers prevent use                 |

Stranded fossil fuel assets have potentially **large and long term 'cascade effects'** due to the deeply interconnected financial network of carbon-intensive sectors, creating stranded assets to sectors engaged in upstream and downstream activities, likely affecting the whole economy. Investing in fossil fuels and thus stranded assets, locks countries into unsustainable carbon pathways, compromising long-term development. Countries with carbon lock-ins will suffer most from the carbon bubble burst.

