2 Degrees of Separation

Organization

Carbon Tracker

Partner organizations

PRI

Summary

The tool provides an indication of stranded asset risk for companies with upstream oil and gas production under a low-carbon scenario versus business as usual (BAU). It to provides investors with an indication of transition risk for each company, as well as the relative positioning between companies.

Stranded asset risk is measured in terms of the capital expenditures associated with BAU oil and gas developments that falls outside a low-carbon scenario. The BAU scenario used is the IEA's Stated Policies Scenario (2.7 degrees by 2100) with the IEA's Sustainable Development Scenario (1.65 degrees) used for the low-carbon scenario. The IEA's Net Zero Emissions by 2050 and Beyond Two Degrees scenarios also feature.

A least-cost approach is taken, using asset-level data from Rystad Energy. Modeling oil globally, and gas in regional markets, individual projects are identified as being in/out a given scenario. Projects are then aggregated by company ownership on an equity-share basis to give a percent capex at risk value for each company as an indicator of stranded asset risk.

Climate Focus

Alignment	Impact	**Risk**

Resource Type

Data & Metrics	Pathways & Scenarios	**Assessment Tools**	**Methodology**	Target Setting Guidelines & Verification	Reporting Frameworks & Guidelines	Collaborative Initiatives

Intended Users

Banks	**Investors**	**Insurers**	**Central Banks**	Regulators

RMI

Center for Climate Aligned Finance

CLIMATE
AIR
TOOLBOX

2 Degrees of Separation	
WHO	*Financial institutions including:* • Banks • Investors • Insurers • Central banks
WHAT	The tool provides assess transition risk and scenario alignment for companies with upstream oil and gas production/operation. This includes capex at risk for 2021–2030 based on production over 2021–2040.
WHEN	*The tool can be used in the following scenarios:* • Assessing alignment with climate scenarios/temperature outcomes • During asset allocation • During engagement with investee companies on proposed project sanctions/development plans
WHERE	The tool covers oil and gas companies with upstream production/operations.
WHY	The tool will help to assess stranded asset risk in oil and gas companies with upstream production/operations.
HOW	Additional information can be found in **Carbon Tracker's 2021 report** and in the **methodology report.**

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