

## IEA warns \$1.3 trillion of oil and gas could be left stranded



Crude oil being poured into a bucket CREDIT: DIMAS ARDIAN/BLOOMBERG

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The International Energy Agency (IEA) has warned oil and gas companies that failing to adapt to the lower carbon energy agenda could lead to over a trillion dollars worth of assets being abandoned by 2050.

The IEA estimates that a step-change in climate policy away from fossil fuels and towards cleaner sources of energy would leave a total of \$1 trillion of oil assets and \$300bn in natural gas assets stranded.

The report, undertaken in partnership with the International Renewable Energy Agency, said the move to reduce global greenhouse gases could hold “significant consequences for the energy industry” if companies fail to adapt their portfolios in the wake of the Paris Agreement.

Oil majors including BP and Shell are already adjusting the balance of future investment with a bias towards gas rather oil.

In the past BP’s has focused on oil for 60pc of its portfolio while gas has made by the difference, but last year this ratio flipped in favour of gas. Shell has made moves towards gas production and transport with last year’s £35bn acquisition of BG

Group, a leader in producing and shipping cargoes of liquefied natural gas in the global market.

The agency warned that keeping to the Paris deal would require carbon emissions from the energy sector to peak before 2020 and fall by more than 70pc from today's levels by 2050.

This would require the share of fossil fuels used to create energy to halve between 2014 and 2050 while the share of low-carbon sources - such as renewables, nuclear and carbon capture - would more than triple worldwide to make up 70pc of energy demand in 2050.

The heavy investment needed in renewable energy could boost the global economy by around 0.8pc or \$19 trillion by 2050 and create six million new jobs, the report said.

"The Paris Agreement reflected an unprecedented international determination to act on climate," said IRENA director-general Adnan Amin.

"Critically, the economic case for the energy transition has never been stronger. Today around the world, new renewable power plants are being built that will generate electricity for less cost than fossil-fuel power plants. And through 2050, the decarbonisation can fuel sustainable economic growth and create more new jobs in renewables," Mr Amid added.

Almost 200 countries signed up to the UN's climate agreement in Paris in late 2015 which aims to limit global warming to 2 degrees Celsius above pre-industrial levels.

