HELPING ENERGY INVESTORS UNDERSTAND CLIMATE RISKS
This year Carbon Tracker celebrated its 10th anniversary. It has been ten years since the initiative was first conceived to become today’s powerhouse of research analytics and thought leadership on climate risk and the clean energy transition. Today, our research is widely used by asset managers, asset owners, financial regulators, governments and NGOs – a recognised global brand with a team of 25 full-time analysts and support staff based in London and New York.

Over the same period, while the carbon budget has steadily depleted as we continue to emit increasing levels of carbon dioxide, the fossil fuel proven reserves have remained steady as the industry continues to find and develop new projects. What you will read in the pages that follow is how, with the unfettered support of our funders, we continue to confront the climate crisis by doubling-down on essential research that informs investment decisions worldwide. In 2019 climate is now a major driver reshaping the financial system as a whole. How we tackle the next 10 years will be more crucial than ever.

Helping to channel this effort, the Climate Action 100+, a five-year initiative led by more than 310 signatories managing over $33 trillion AUM, represents a sea-change in how investors perceive climate risks. As data provider to the CA100+, Carbon Tracker is now working alongside other actors to inform the corporate engagements and provide a means to cross-check company plans and activities. We offer an economic rationale least-cost analytical approach to winding down fossil fuel usage consistent with Paris. This draws on every aspect of Carbon Tracker’s work over the last five years and beyond. Our analysis remains unique; it is the only one that provides metrics which critically evaluate what companies are actually doing, rather than just saying.

This has also been another momentous year for the team with no less than fourteen major reports published; we have extended work programmes and collaborations such as our 2-degrees of separation work in partnership with the UN-PRI, and we have kicked off a new series of reports to debunk the myths of the Energy Transition; after two years of arduous development, we launched the Coal Power asset level economic and financial data platform at COP24; our concept study on remote sensing for power utilisation provided fresh perspective on data transparency; and we further scrutinised model disclosures, highlighting the role of international accounting standards. These are just some of the many endeavours of the year, supported by our investor outreach and media teams. We have also experimented with new formats, launching our podcast series.

The year has also seen some management changes. We said goodbye to Mark Lewis as our head of research, after two market-provoking reports on carbon markets and also to Anthony Hobley, who stepped down after five years as CEO. Both remain on our advisory board.

As we approach 2020, we are buoyed by the UK taking a leadership role with Net Zero by 2050 and Glasgow hosting COP26, which presents a unique opportunity for Carbon Tracker to help set the stage.

We believe that a necessary precondition of realising a below 2°C global energy system required for averting catastrophic impacts of climate change is a paradigm shift in the financial system and institutional investors’ perception of fossil fuel risk. With so much shareholder value at risk from a disorderly low-carbon transition, fossil fuel investors have a self-interest in the success of the Paris Agreement and are therefore a key community to be mobilised.

Looking ahead at our own role, we believe one key constituency of the investment community, namely activist investors can be mobilised. With the right data and analytics from Carbon Tracker, this influential group can be deployed to exercise their muscle to this challenge, especially if there is a robust financial and business risk case.

Mark and I are immensely proud of what the team has built and continues to achieve. Above all, our vision is that Carbon Tracker will continue to thrive and grow with a diverse mix of unique, bright, talented and passionate people, people who care about the world we live in and the future of its environment.

JON GRAYSON, DIRECTOR GENERAL
MARK CAMPANALE, FOUNDER
Carbon Tracker is an independent financial think tank that carries out in-depth analysis on the impact of the energy transition on capital markets and the consequences of potential investment in high-cost, carbon-intensive fossil fuels.

Our team of financial market, energy and legal experts apply groundbreaking research using leading industry databases to map both risks and opportunities for investors on the path to a low-carbon future.

Carbon Tracker has changed the financial language of climate change. It has achieved this by cementing the terms “carbon bubble”, “unburnable carbon” and “stranded assets” into the financial and environmental lexicon.

THE GUARDIAN

ALIGNING INVESTOR STRATEGIES TO CLIMATE CHANGE ACTION

We recognise that there is a limited global ‘carbon budget’ of cumulative emissions that must be respected to avoid overshooting 2°C and destabilising the global climate. Our view is that capital markets are failing to align during the capital allocation process, exposing the owners of fossil fuel companies – their shareholders – to potential lost value, as has already occurred in the EU utilities and US coal mining sectors. We further believe that companies have not sufficiently factored in the possibility that future demand could be significantly reduced by technological advances and changing policy.

Our role is, therefore, to help markets understand and quantify these implied risks.
OUR OBJECTIVES

The company’s objectives are to build a stronger, evidence-based narrative to advocate, promote and achieve an understanding of the financial and environmental risks associated with carbon. Carbon Tracker’s objective is a climate-secure global energy market, where capital markets are aligned with the reality of climate change. Through this work Carbon Tracker is involved in mapping the transition of the fossil fuel industry to stay within a 2°C budget. The production and dissemination of our research seeks to rebalance the perceived exposure of the energy sector to climate-related financial risk, examining the implications of the wind-down of the fossil fuel sector in line with a transition to 2°C.

Our primary goals are: to empower investors to identify and switch off capital to the highest cost, highest carbon projects; to engage with companies to re-assess both the viability of such projects and of their business models; to educate mainstream financial markets and policy-makers over the risk of a disorderly transition; and to work with financial regulators to bring transparency on climate and stranded asset risk and the fossil fuel risk premium, through applying a 2°C stress test.

TURNING IDEAS INTO ACTION

Carbon Tracker creates ideas that change how people think and act. Those changes are ultimately what will enable us to combat climate change. Specifically, our work focuses on shifting the behaviour of a relatively small number of powerful, but influential institutions that drive financial markets, whether they be pension funds, rating agencies, or investment banks.

We believe once markets gain greater insight and understanding of the financial risks and opportunities connected to the carbon bubble, investors will apply pressure to wind down the fossil fuel sector in line with a low carbon transition. They will do this to preserve the value of their investment because there is a clear financial case for doing so. Fossil fuel companies will then contract, leaving potential production untapped as part of an orderly transition to a low carbon future.

This process can have a secondary and positive effect on climate policymaking; if investors come to prefer fossil fuel companies built on delivering value, not volume, companies will have less incentive to lobby for a policy environment that incentivises such growth. Moreover, aligning investor preferences to positive climate outcomes brings a powerful constituency to the policy debates.
At Carbon Tracker, we continue to focus on our core competency: research and analytics to power investment engagements such as the Climate Action 100+.

Below we present an overview of our research during the period May 2018 – April 2019, together with examples of our impact within the financial and regulatory communities, as well as our media presence.
Carbon Tracker’s narrative is rooted in the physics of the carbon budget – the finite amount of emissions that can be released for a given climate outcome – and therefore provides an economics and science-grounded antidote to the fossil fuel industry’s claims of continued growth.

Our research workstream highlights the implications of the global carbon budget on individual upstream companies to challenge unneeded production and incentives in a low-carbon future.

We identify the risks related to a carbon constrained energy demand on the supply side of fossil fuels, and quantify them in terms of future capital expenditure, influencing the ultimate level of consumption. This takes place via a variety of mechanisms: increasing financing costs for fossil fuel projects, preventing oversupply of fossil fuels, preventing infrastructure lock-in, catalysing investment in alternatives and diminishing political power/lobbying activity. Increased awareness of risks will drive financial actors to contribute via these pathways whether they are attempting to achieve climate goals or simply better manage their exposure regardless of their climate “base case” outcome.

We believe that a key focus in engagement over the coming years will require holding the company to account and challenging their company emissions targets that fall short of what is required under Paris.

An example of impact is the drafting of a BP shareholder resolution requiring BP to disclose how future capex will be Paris Agreement compliant, which passed at the company’s AGM.

Significant outputs throughout the year included Paying With Fire: How oil and gas executives are rewarded for chasing growth and why shareholders could get burned – covered in full by the Financial Times, Bloomberg and Forbes and showcased in a joint Carbon Tracker/ ShareAction private roundtable on executive remuneration, held in April 2019 in London.

The report 2 Degrees of Separation: Company-level transition risk July 2018 update was used by a major US investment bank, US pension fund and a European bank in relation to their fixed income portfolio.
In July 2018, our Founder Mark Campanale and Chairman Saker Nusseibeh had the privilege to join the prominent conference ‘Energy Transition and Care for our Common Home’ hosted by the Vatican. They also took part in a private high-level meeting convened by His Holiness Pope Francis who invited executives of the major oil and gas companies and global investors to reflect on the risks and opportunities of the energy transition. Carbon Tracker provided technical and analytical support on which companies are/are not Paris-aligned.

On this occasion, Pope Francis articulated the importance for companies to adopt policies that account for “assessment of climate risk” and encouraged the practice of green investment strategies. The Pope also warned that “markets and technology” would not be enough and lamented the “continued search for fossil fuel reserves” in spite of 2015 Paris Agreement, which “clearly urged keeping most fossil fuels underground.”

IMPACT

• Use of 2 Degrees of Separation by major US investment bank, US pension fund and European bank in relation to their fixed income portfolio.

• Influenced drafting of BP resolution requiring them to disclose how future capex will be Paris compliant, which passed.

• Our team delivered company profiles to CA100+, the investor coalition representing $33+ trillion AUM.

• More than 600 subscribers now use the Bloomberg 2 Degrees Scenario Analysis App.

MEDIA COVERAGE

Paying with Fire generated some 40 stories in news outlets including Bloomberg the Financial Times, Forbes, Business Green, Oil Price.com, The Business Times, Le Monde, Euractiv and the Australian Financial Review in the UK, US, France, the Netherlands, Spain, Australia, Canada, India and Brazil.

KELLY GILBLOM, ENERGY REPORTER, BLOOMBERG NEWS
A key part of our narrative is how the rise of renewables and the collapse of fossil fuels signals a global energy transition. The faster financial markets invest capital in line with these changes the more likely the transition will be orderly and prevent the worst economic and climate impacts.

To expedite this process, we have created a series of reports that debunk the myths of the energy transition. Each report contrasts one of the (pro-fossil fuel) myths with the low-carbon transition reality and cast light on the merchants of doubt. The pieces tackle perceived obstacles to the energy transition that we encounter from investors and sceptics. Each piece of research is centered on the issues that investors care about: making and losing money.

The financial case for renewables is clear to those who do the work, but many investors still think that a transition will not happen, and they must continue supporting fossil fuel companies which are not tooled up for change. We have a great opportunity to persuade them to take a much more radical approach and embed the disruptive impact of the growth of low-carbon energy technologies in the thinking of market decision-makers.

In the last financial year we published nine research reports on different aspects of the energy transition. These pieces received press coverage in the The Guardian, The Times, France 24, CNN Financial News, El Mundo, and AFP to name a few major outlets.

Our team gave 32 presentations over the year, taking the argument to sceptical investors and corporates in the energy sector. For example, we presented to JP Morgan, Insight, MSCI, Redington, the FT transition conference London, and KAPSARC in The Hague.

Changing people’s views has not been easy. At many such events we appear to be the only individuals making the argument for a rapid energy transition with dramatic consequences for investors. However, we believe we are getting more and more traction as we continue with this targeted engagement.

It is a sign of the impact of our work that fossil fuel company advocates are finding it much harder to make arguments such as ‘fossil fuels save the poor’, ‘decline rates mean we must invest’, and ‘renewables are tiny and irrelevant’. In the past, these claims were widely accepted by most investors.
As well as confronting these misleading claims head on, we are forging new partnerships with organisations who can amplify our message. In 2018, we worked with IRENA on the New World report about the impact of the energy transition on geopolitics, and by extension on capital markets in key petrostates. Also, with support from the Leonardo DiCaprio Foundation, we were able to publish the report 2020 Vision: Why You Should See Peak Fossil Fuels Coming, in the Autumn of 2018. The report was released at a joint event during the Global Climate Action Summit in San Francisco.

To make a larger institutional impact we are working with sell-side investment banks. Through this collaboration we are starting to change their understanding, so their research reflects our underlying message.

**IMPACT**

- Many financial market participants have sought to engage with and understand our arguments so they can incorporate them into their investment strategy. For example, companies like Capital Group and JP Morgan where our Energy Strategist Kingsmill Bond made presentations on the financial market consequences of the investment transition.

- One of the key indicators of our success is the change in the cost of capital for energy companies. A paper detailing this was released by OIES, and noted that the cost of capital required by market participants for investment in emerging oil opportunities has increased from 13% to 21%.

**MEDIA COVERAGE**

The Vision 2020 report received breathtaking international publicity: at least 200 headlines were generated including many in China; 50 major titles picked up the report in 25 countries Top tier outlets included: The Guardian, The Times, France 24, El Mundo, Taz (Germany), PA, Oil Price, AFP, La Stampa and the broader environment and energy press.

Carbon Tracker’s work on the energy transition has proved invaluable in helping set out a clear vision for moving to a low carbon economy. By exposing the myths of the energy transition they have shifted the conversation among investors in several key areas.

**JULES KORTENHORST, CEO, ROCKY MOUNTAIN INSTITUTE**
Carbon Tracker’s long-term goal is a power system that stays within a below 2°C global average temperature rise. If we are to reach this goal it is imperative that there is no unabated coal power by 2040. To avoid asset stranding (in the form of wasted capital investments) there also needs to be no new unabated coal power plants built after 2021.

Stopping new coal and shutting down existing coal is a collective action problem due to the scale and time-sensitivity of the challenge, existing market structures, and conflicting socio-economic pressures.

Faced with this complex situation, in 2018, our Power and Utilities team focused on getting the right people using our data in the right way at the right time. By doing this we wanted to ensure that the asset-level economic and financial data and analytics, that are at the core of Carbon Tracker’s theory of change, were used to empower our partners and ensure interventions are evidence-based.

As what may be the last bastion for growth in coal-fired power, South and South East Asia play a critically important role in global energy markets. Carbon Tracker recognises the pivotal role that Asia plays and has developed and implemented a strategic programme targeting the region, drawing on the research of the team to promote evidence-based and compelling messages about the economics of coal and that renewables are increasingly becoming a lower-cost alternative directly to key stakeholders and decision makers in the region.

Given the nature of the work, it is our policy to always work with local partners in the region, which helps us stay sensitive to local views and cultural mindsets and therefore take a collaborative approach. The reports have garnered coverage in news outlets from over 25 countries including Bloomberg, Reuters, Quartz, the Financial Times, and the Australian Financial Review.
In this particular sector, our success is determined by our ability to empower campaigners to achieve our long-term goal.

• We provided data to E3G and Coalswarm for the production of a briefing note on Japan coal power which was used in diplomatic efforts to influence the Japanese government during the G20 in Osaka and ahead of the UN climate summit in September 2018 in San Francisco. This involved working with Japanese NGO partners. We plan to be involved in drafting similar briefings for other countries in the future, which will be informative to the UN and progressive governments for their work in this area.

• In South Korea, announcements from government officials credit the series of meetings and events we held there with moving stranded assets and wasted public resources on to the government’s agenda.

• The analysis featured in the report Ostroteka C: Burning More Money Than Coal, resulted in a legal challenge won by ClientEarth and several institutional investors calling on management to stop pursuing the project, considered not economically viable. In August 2019, the Polish court allowed the main claim that the coal project would harm the company’s economic interests. More information can be found in this FT article.

• Winner of coal campaigner awards 2018, informal award from the beyond coal Europe campaign.

MEDIA COVERAGE


ClientEarth welcomes the role Carbon Tracker’s research played in informing and mobilising investor sentiment and action against the uneconomic Ostroteka C coal power plant development, in a partnership which may provide a model for investor-led legal interventions against new build coal.

PETER BARNETT, LITIGATION LAWYER, CLIMATE PROGRAMME, CLIENTEARTH
During the year our research on the EU power sector examined how much carbon allowances would have to rise in order to force emission cuts that meet climate targets. It showed that prices would have to hit levels that would make even the most efficient coal and lignite power plants unprofitable.

Carbon Clampdown: Closing the gap to a Paris compliant EU-ETS, and the subsequent update Carbon Countdown: Prices and Politics in the EU-ETS, warned investors that, in order to put EU emissions on a path consistent with international climate targets, the price of traded carbon allowances, known as EUAs, would have to rise to levels that would make even the most efficient coal and lignite power plants unprofitable.

These studies represented the first assessment of the impact of action to bring the world’s largest carbon market into line with the 2015 Paris Agreement and were written by Mark Lewis, Carbon Tracker’s former Head of Research and currently Head of Climate Change Investment Research at BNP Paribas, a leading authority on carbon markets.

MEDIA COVERAGE

The Carbon Countdown report produced 90 pieces of press coverage worldwide. Including four separate pieces in Bloomberg and a major CNBC broadcast interview. Print coverage included The Daily Telegraph, Platts, Forbes and nationals in Poland, Italy, France and Germany. Broadcast pick-up in Germany included Deutche Welle and nationals Die Zeit and Taz.

PETER BARNETT, LITIGATION LAWYER, CLIMATE PROGRAMME, CLIENTEARTH
Carbon Tracker’s theory of change in the policy and regulatory space involves embedding climate-related financial risk into market disclosure and financial reporting. We have sought disclosures that can enable investors to make climate-related risk assessments and draw valuation conclusions. We have focused on two types of institutions – capital markets regulators and accounting standards setters.

Capital markets regulators can require increased transparency from companies in their regulated reporting, as exemplified in our Model Disclosures report (published May 2019). Our work seeks to demonstrate what can be done, and how it aligns with the transparency objectives of climate-risk regulators.

Accounting standards setters establish principles for accounting for, and the valuation of, corporate assets in the financial statements. We aim to work with accounting standard setters to ensure that those standards can reflect the risks of the transition to a low carbon economy, in particular on the recognition and measurement of fossil fuel assets, and disclosure of the key underlying assumptions used to prepare the financial statements. We aim to complement this effort by also working with fossil fuel company auditors.

Our work in the regulatory and policy space helped create the Financial Stability Board’s Taskforce on Climate-Related Financial Disclosure (TCFD) and has now seeded the informal central bank Network for Greening the Financial System (NGFS).

Publication of the Under the Microscope report analysing corporate disclosures from the oil majors generated significant interest from financial media including coverage in The Economist during the AGM season 2018.
Working in partnership with WWF and ClientEarth, we produced a white paper report to The International Organization of Securities Commissions (IOSCO) offering several practical, timely suggestions through which IOSCO can improve the management of climate change by global capital markets, calling on IOSCO to acknowledge the TCFD recommendations and encourage their incorporation into international listing standards.

This work has also led to interest in partnerships from large NGOs, such as ClientEarth, and new but promising organisations on future work (e.g. AssuranceMark and Eratosthenes).

**IMPACT**

Highlights of ongoing engagement with regulators, central banks and policymakers:

- A response to the Financial Conduct Authority’s consultation on climate change and green finance
- An Invitation to April 2019 NGFS meeting by French Central Bank policy makers
- Engagement with the Financial Reporting Council’s Financial Reporting Lab as part of their project on climate reporting
- Attendance and participation on a panel at the University of Cambridge’s Climate-Related Financial Reporting Conference
- Presentation to the Environmental Audit Committee inquiry into the role of UK Export Finance

Anecdotally, we obtained feedback from accounting standard setters that our work resulted in shifting investment patterns (project cancellation, divestment & re-investment), change in climate risk disclosure practice, public commitments to climate action, change in remuneration practice, and implementation of more progressive research and development methodologies.

**MEDIA COVERAGE**

Main accolade was the report “Under the Microscope” featured in the Economist during the AGM season. The report was also cited in Forbes, Platts. Oil price.com, the Dallas News, Energy Intelligence and Environmental Finance.
The Climate Action 100+ (CA100+) is a five-year initiative led by more than 310 signatories managing over $33 trillion AUM – roughly a third of market capitalisation. CA100+ represents a sea change in how investors perceive climate risks. The CA100+ is more than just an assessment framework, it is an effective engagement tool between companies and their investors.

As an official data provider to the organisation we provide a framework to evaluate whether fossil fuel companies have delivered truly Paris compliant plans.

One challenge we help the CA100+ overcome is taking complex assessments and boiling them down into discrete, easily understood indicators. This is necessary so we can increase the number of investors who understand and use our work to align companies with the climate goals of the Paris Agreement.

To address this challenge, we bring a unique approach with our least-cost economics which draws the connection between capitalised assets, capital investments and a low-carbon transition so investors can understand the relationship between climate and financial considerations.

Our core programs feed into CA100+ outputs, providing the data analytics that allows investors to understand and evaluate fossil fuel companies’ progress over time. Besides being a data provider, crucially, our work fuels the corporate engagements and provides a means to cross-check company plans and activities. In 2019-20, we will further extend our coverage to include gas power generation, given the increased significance and interest around it.

The impact of this is starting to be seen. Our work was cited in investor resolutions asking companies to align their business models with a low carbon transition. Investors have used our engagement profile data to work with companies on the backs of these resolutions. The profile data was also used by some investors in guiding their engagement and screening approaches.
Over the past year the CA100 has achieved significant results. Their work has pushed oil majors to announce carbon action plans. A BP resolution, which the CA 100+ supported, that ties the key issues of aligning capex with climate was also approved. Another example is where Glencore announced it will cap its coal production at current levels after coming under pressure from investors.

A sign that our work with the CA100+ is making an impact is that companies have noted these changes and contacted us directly. Other investors, not in the CA100+, have reviewed our work and have reached out to discuss in greater detail. We aim to build on these opportunities as we move forward.

Bloomberg News said the CA100+ was the driving force behind Glencore’s decision to cap coal production at current levels.

Carbon Tracker has fundamentally changed investors’ approach to carbon risk analysis and corporate engagement, and their in-depth data analytics are crucial to the ongoing success of the Climate Action 100+ Initiative. Inviting Carbon Tracker analysts to join some of our company and sector specific planning discussions has greatly benefitted our collective engagement efforts - across both US and European coal-exposed utilities and the oil & gas super-majors.

HELEN WILDSMITH,
STEWARDSHIP DIRECTOR – CLIMATE CHANGE, CCLA
During 2018-2019, Carbon Tracker has successfully engaged with numerous European and North America based investors with our research and we have had a clear impact on the development of decarbonisation strategies for multiple large North American pension funds. We are also playing an important role in the organisation’s engagement with CA100+ activities and is participating in providing the data analytics and education to the engaging investors in the CA100+ initiative.

For example, Carbon Tracker organised the first climate scenario analysis event for the members of Chartered Financial Analyst (CFA) Society San Francisco held alongside the Global Climate Action Summit (GCAS) and PRI in Person in September 2018 with over 60 CFA member participants.

Carbon Tracker also organised a successful launch event for the “2020 Vision: why you should see peak fossil fuel coming” report in collaboration with the Leonardo DiCaprio Foundation and in connection with GCAS in San Francisco. The event featured a panel of influential speakers with the Chairman of IIGCC, CEO of PKA ($40 bn pension fund), Co-founder of DBL Partners and board member of Tesla Motors. Since its launch, the 2020 Vision report has been the foundation for multiple presentations and one-to-one investor meetings both in Europe and North America, as well as larger investor presentations hosted by organisations like MSCI and J.P Morgan Asset Management, among others.

OBJECTIVE
To engage with the investment and ESG/Stewardship staff at the world’s largest asset owners and investment managers to influence their carbon emission intensive investments and ownership decision-making activities.

CHRISTOPHER ITO, CEO, FOSSIL FREE INDEXES

We incorporate research by Carbon Tracker into our energy transition strategies. Investors should isolate climate change and transition risks and opportunities. Most ESG strategies don’t address the transition risk directly.
In January 2018, the Board of Trustees of San Francisco Employees Retirement Systems (SFERS, $26 bn public pension fund) decided to develop a new decarbonisation strategy. Carbon Tracker’s Outreach team worked with SFERS’s staff and their appointed advisor Goldman Sachs Asset Management (GSAM) on developing a new climate risk assessment methodology for the oil & gas sector utilising Carbon Tracker’s 2 Degrees of Separation data analytics. SFERS officially approved and implemented this methodology in October 2018 with a decision to divest from eight oil & gas holdings and 24 companies for intensified engagement.

In 2018, three of the five public pension funds managed by New York City Public Pension Funds (NYCPPF, $190 bn public pension fund) issued an RFI (request for information) asking for advice on decarbonisation investment strategy from fossil fuel reserve owners. Carbon Tracker responded together with Impax Asset Management and presented input to strategy based on Carbon Tracker’s least cost scenario analysis approach. These inputs were included in the subsequent RFI published by the NYCPP.

Fossil Free Indexes (FFI) is the US-based financial research provider that maintains and updates the Carbon Underground 200 list of the 200 largest oil, gas and coal reserve owners. FFI has been developing a new multi-factor-based investment product focusing on the low-carbon energy transition aimed at asset owners. This model is using Carbon Tracker’s 2 Degrees of Separation analytics as input in one of its carbon index factors used to determine the portfolio weighting of specific oil & gas companies.

In 2018, New York State Common Retirement Fund (NYSCRF, $210 bn public pension fund) announced plans to develop a decarbonisation investment strategy from fossil fuel reserve owners. Throughout 2018, Carbon Tracker participated in multiple events to help inform them on developing an effective decarbonisation strategy. This work is still ongoing and NYSCRF’s advisory panel (of which two members – Cary Krosinsky and Bevis Longstreth also serve on Carbon Tracker’s advisory board) published their recommendations in April 2019.
We continue to communicate our research using innovative new tools as well as through traditional methods. We have stirred significant international interest using print and broadcast media, podcasts, impactful infographics, different social media channels, videos, interactive dashboards and a plethora of speaking events. Our work focuses on shifting the behavior of a number of powerful, but influential institutions that drive financial markets, whether they be pension funds, rating agencies, or investment banks as well as pointing out climate and transition risk and opportunities to the energy companies.

Carbon Tracker began by re-framing the climate problem as a financial risk and distilled complex, asset-level analysis into key concepts such as the “carbon bubble”, “stranded assets”, and “unburnable carbon”. Today these concepts are a key element of any discussion of climate change and financial risk management. The change can clearly be seen in recent company disclosure and press reporting on these issues and the way that companies have had to rapidly adjust to the new expectations placed upon them. These recent developments offer proof of concept that investors can impact decision-making by companies.

Today it is more common to see publications like The Economist writing about how climate change threatens companies and investors, governors of the Bank of England and the Banque de France calling on the financial sector to play a central role in combating climate change, or officials like Ban Ki-moon telling audiences, “research indicates that a third of oil reserves, half of gas reserves and over 80% of current coal reserves need to remain in the ground in order to meet the target of 2°C of global warming.”

Our reports over the last year have been covered in a variety of top-tier publications including in the Financial Times, the Wall Street Journal, BBC, Reuters, AFP, Bloomberg News and the Guardian on multiple occasions.

I think you [Carbon Tracker] have been incredibly successful in cementing the concept of stranded assets in the financial community, and increasingly in the political community.

CHRISTIANA FIGUERES, FORMER EXECUTIVE SECRETARY OF THE UN FRAMEWORK CONVENTION ON CLIMATE CHANGE
Carbon Tracker’s key terms have found their way into finance articles from outlets such as Pensions & Investments, CNN Money, and Yahoo Finance. These ideas have penetrated social media channels like Facebook, Twitter, and Reddit. Mentions of key terms we have coined or ones we regularly popularise have increased exponentially.

For example, since April 1, 2018 there have been 114,000 mentions of #EnergyTransition, compared to 20,000 from April 2017-March 2018. Across all major platforms, from April 2018 – March 2019 #CarbonBubble saw a 750% increase in mentions compared to the previous year. Similarly, #ClimateRisk and #StrandedAssets have seen dramatic increases in the number of mentions when the past two years are compared.

This data shows the uptake of our key concepts over the past several years; however, we also observe the beginning of fundamental changes in how investor consider these issues and what they demand of companies. Evidence of its impact can be seen in the early pledges that companies have made to quell shareholder discontent. While it is still early days and there is far more to do, recent developments are promising and lend credibility to our theory of change.

**MAY 2018 TO APRIL 2019:**

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GOALS FOR NEXT YEAR

Over the coming year, we will continue to focus on consolidating and building on our core research areas, which will include the following:

OIL & GAS
On the Oil and Gas front, our focus will be report on carbon budgets, updating the 2 Degree Separation report and Remuneration report. We are also looking at kicking-off a new angle on the sector – the looming cost of retiring and decommissioning Oil & Gas infrastructure.

ENERGY TRANSITION
We will continue to challenge existing misconceptions about the energy transition, by carrying out further study on topics such as: what impact the war on plastics may have on oil demand, the impact of growing concerns around justice and health on the energy transition and the mechanics of the energy transition. We will also be exploring areas where the energy transition may bring opportunities as well as risks.

POWER & UTILITIES
We aim to move into gas in a more substantial way by building a fully-fledged gas analytics team. The priority here will be to model and analyse the economics of gas power generation to feed into the CA100+ programme. We will also keep up the momentum on South and South East Asia, working closely with British Embassies and local partners in the region.

REGULATORY AND POLICY RESEARCH
Our new strategic priorities will be twofold. On one side, we will open a new dimension of advocacy around the oil and gas industry’s looming decommissioning liabilities that has implications for oil and gas regulators, investors, accounting standard setters and policymakers. Secondly, we will develop and promote high quality, third-party assurance over climate-related scenario analyses.

CLIMATE ACTION 100+
We will continue fueling the CA100+ corporate engagement by providing a means to cross-check company plans and activities.
Carbon Tracker continued to grow steadily in 2018/19. Compared to the previous year, income increased by 24% to £3.63 million. The majority of our funding continues to come from philanthropic foundations in the USA and Europe. Expenditures increased 8% to £3.65 million, with staff remaining the biggest cost. At the end of April 2019, the total number of staff was 25.

Operationally, the organisation has continued to develop. Our research production and distribution platforms have been improved further to make it more effectively and efficiently. As an organisation, we are focused on improving diversity, equity and inclusion. A Diversity Champion was appointed in August 2018 and a Diversity Committee was set up at Board level. In 2019/20 we plan to further develop our performance management framework.

Carbon Tracker Initiative Ltd has a fully owned UK subsidiary called Carbon Tracker Services Limited. There is also a 501c3 entity in the USA, Carbon Tracker Initiative Inc, which had four employees at the end of April 2019. A governance review was conducted in the year to assess existing cross-border operations, and we will continue to evolve our group governance structure to meet the needs of the wider group and mission. Consolidated financial accounts were prepared for the year ending 30 April 2019.
We wish to thank all of our supporters and funders in 2018/19, including the following:

Bloomberg Philanthropies

CHILDREN’S INVESTMENT FUND FOUNDATION

ClimateWorks FOUNDATION

Department for Business, Energy & Industrial Strategy

ENERGY FOUNDATION

building a new energy future

European Climate Foundation

generation foundation

KR Foundation

OAK FOUNDATION

Rockefeller Brothers Fund

Philanthropy for an Interdependent World

FD

THE FINANCE DIALOGUE

The Grantham Foundation

FOR THE PROTECTION OF THE ENVIRONMENT

WALLACE GLOBAL FUND
LEADERSHIP

SENIOR MANAGEMENT
Mark Campanale – Founder and Director
Jon Grayson – Director General and Chief Operating Officer
Mark Fulton – Chair of the Research Council
Robert Schuwerk – Director North America
Mirjana Škrba – Head of Finance

BOARD OF DIRECTORS
Saker Nusseibeh – Non-Executive Chairman (*)
Mark Campanale – Founder and Executive Director
Cary Krosinsky – Co-founder and Director
Paul Bodnar – Non-Executive Director, Former Special Assistant to President Barack Obama
Meg Brown – Non-Executive Director, Director, Impax Asset Management
Emma Hunt – Non-Executive Director, Former Co-Head of EOS, Hermes Investment Management
Tauni Lanier – Non-Executive Director, Former Executive Director of IMPACT2030

ADVISORY PANEL
Anthony Hobley – Co-Chair of Advisory Board
James Cameron – Former Chairman of Climate Change Capital and the Overseas Development Institute
Stanislas Dupré – Founder & Director at 2° Investing Initiative
Jemma Green – Previously VP of Sustainable Finance at JP Morgan
Lois Guthrie – CEO of the Carbon Disclosure Standards Board
Catherine Howarth – CEO at ShareAction
Mark Lewis – Head of Climate Change Investment Research BNP Paribas
Bevis Longstreth – Former Commissioner of the United States Securities and Exchange Commission
Neil Morisetti – Director of Strategy at UCL Science, Technology, Engineering and Public Policy Department
Nick Robins – Professor in Practice for Sustainable Finance at Grantham Research Institute on Climate Change & the Environment and Former Co-Director UNEP Inquiry
Laura Sandys – Chair of the European Movement and CEO of Challenging Ideas
James Stacey – Partner at ERM
Helen Wildsmith – Head of Ethical & Responsible Investments, CCLA

* Saker Nusseibeh, CEO of Hermes Investment Management, was appointed Non-Executive Chairman of Carbon Tracker in October 2017. He stepped down in September 2019. In the interim Tauni Lanier will act as chair of Carbon Tracker.

This Annual Review aligns with Carbon Tracker’s financial year which runs 1 May to 30 April. This is the fifth volume of the review published.