

Bloomberg launches new "carbon bubble" risk analysis service

Bloomberg has launched a major new initiative to help its financial customers better track emerging environmental risks, including the potential for investments in fossil fuel companies to become "stranded assets" as climate change regulations tighten and new clean technologies emerge.

The financial data giant last week launched a new service for Bloomberg terminal subscribers, dubbed its Bloomberg Carbon Risk Valuation Tool, which will "provide data and analytics around the concept of stranded assets and help our clients protect against the potential risks and unexpected swings in markets they could cause".

The new service is currently in its "beta phase", but according to Bloomberg it is likely to be expanded to provide investors with a greater insight into the climate change and other environmental risks companies face.

"The Carbon Risk Valuation Tool is intended to be a conversation-starter on this emerging risk," the company said in a statement. "In the longer term, as new data and methodologies become available and we receive feedback from clients, we hope to expand the tool so that it incorporates other environment-related risks, such as flooding or severe weather – all of which could result in stranded assets."

The launch of the new service was accompanied by the publication of a whitepaper detailing how the new tool will assess a company's prospects against five different future scenarios that could materialise as climate change policies become more ambitious and competitive clean technologies emerge.

For example, it models the likely impact on a company's earnings and share price of a significant drop in oil prices from 2020 that could occur if clean tech alternatives or tough new environmental policies curb demand for oil. Similarly, it assesses the impact on earnings for companies of a "prompt decarbonisation" scenario that takes place from 2020 and a "last-ditch decarbonisation" scenario that takes place from 2030.

"We hope the tool will illuminate further ways that can help our clients more efficiently meet established and emerging disclosure requirements and standards, from the Asset Owners Disclosure Project through to the Sustainability Accounting Standards Board," the company said, adding that it was now seeking feedback from users on how to improve the new service.

The new tool kit represents another victory for the Carbon Tracker group and its "carbon bubble" campaign, which over the past year has sought to raise awareness of the risks investors face if they become over reliant on companies whose valuations are based on fossil fuel reserves that cannot be exploited if the planet is to meet agreed international climate change targets.