

Margherita Gagliardi - Carbon Tracker presentation on the 2 Degree Scenario Analysis Tool

The 2 Degree Scenario Analysis Tool, developed by Carbon Tracker, powered by Rystad Energy data and available on the Bloomberg terminal since February 2018, is an app originally created in the spirit of increasing transparency and visibility of carbon risks in the financial markets, which has been a hot topic over the last few years – in particular relating to scenario analysis.

Following the Taskforce on Climate-related Financial Disclosures (TCFD), which has published a series of recommendations for voluntary disclosures, and under pressure from shareholders, oil & gas companies have launched a range of climate reports in recent months.

Some are good, some are less good; we think one of the uses of the app is to help users contextualise what the companies are saying and understand which focus areas they should be asking questions about.

With this presentation I will give a quick overview of the most relevant features and indicators provided by the app for a universe of 68 oil & gas companies that interested parties might find useful in assessing their resilience under carbon constrained scenarios. The key sections of the app include:

- Company context: background data on the selected company
- Upstream production and capex profile: indicators on the company's future production by resource theme and balance between oil and gas, and capex exposure to unsanctioned projects.
- Upstream NPV sensitivity analysis: sensitivity of the company's upstream net present value (NPV) to different oil prices, giving an indication of leverage to oil price risk and resilience to low price scenarios.
- 2°C capex transition risk: the cost profile of the company's potential capital expenditure, and that proportion of which is inside the "2°C budget" (an aggregate level of fossil fuel demand/emissions that would result in 2°C of global warming) and that which is outside. Capital invested in high-cost projects that are outside the budget carries a greater risk of delivering poor returns, or being stranded.
- 1.75°C capex transition risk: comparison with a 1.75°C demand scenario, which could be seen as more aligned with the Paris Agreement's goal of limiting temperature rises to "well below 2°C" and "pursue efforts" for 1.5°C.

Potential production and cash flow data is sourced from Rystad Energy's UCube database.