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Billions in 'carbon liabilities' demands action from Big Five firms

Response by oil sands majors falling far short of Paris Agreement targets

The five largest producers in the Alberta oil sands are failing to take meaningful action in line with the targets Canada has agreed to under the Paris Agreement on climate change, creating billions of dollars in economic and environmental risk in a world increasingly recognizing the need to transition away from fossil fuels.

What the Paris Agreement Means for Alberta's Oil Sands Majors, released today by the University of Alberta's Parkland Institute through the Corporate Mapping Project, analyzes the "social cost of carbon" of the Big Five oil sands producers: CNRL, Suncor Energy, Cenovus Energy, Imperial Oil, and Husky Energy. The report finds that the companies are significantly overvalued because their carbon liabilities—an estimate of the social and environmental costs of carbon emissions embedded in fossil fuel reserves—are not being taken into account.

"Even under the most conservative carbon cost scenario used in the report, the carbon liabilities contained in the reserves of the Big Five outweigh the total value of the corporations themselves, and taken together are greater than the GDP of Alberta," explains Ian Hussey, the report's lead author. "The enormous cost associated with these reserves being combusted underscores the simple reality that business as usual is not an option for these companies. Unfortunately, we're not seeing that reality reflected in their actions to date."

Despite the fact that all of the Big Five except for Imperial Oil have acknowledged the Paris Agreement, Hussey says that none have set targets or implemented material actions in line with the emissions reductions required to limit global temperature rise to 2°C. On the contrary, all five corporations project increases in their total emissions for years to come.

The report argues that at a minimum shareholders and governments should demand increased transparency from the Big Five, beginning with public disclosure of their emissions modelling and the creation and disclosure of robust and science-based emissions-reductions targets in line with Canada's international commitments.

"If all of the Big Five's reserves are ultimately burned, the billions of dollars in carbon liabilities will be paid by the public and governments through the cost of dealing with extreme weather events, climate change mitigation, and health impacts," Hussey argues. "If some of these costs are instead reflected accurately in the bottom lines of these corporations, we'll start to see the kind of responses from the Big Five—which has to include leaving some of their reserves in the ground—that the reality of climate change demands."

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Parkland Institute is a non-partisan public policy research institute in the Faculty of Arts at the University of Alberta. *What the Paris Agreement Means for Alberta's Oil Sands Majors* is available for download on Parkland's website at parklandinstitute.ca.

This report was undertaken as part of the Corporate Mapping Project (CMP). The CMP is a six-year research and public engagement initiative jointly led by the University of Victoria, the Canadian Centre for Policy Alternatives BC and Saskatchewan Offices, and Parkland Institute. This research was supported by the Social Sciences and Humanities Research Council of Canada (SSHRC).

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