

Helping a client to understand the potential impact of carbon on the value of a major oil & gas investment

Context

- A major Oil and Gas company was considering a substantial (\$billion+) investment with significant implications for its GHG emissions and needed to understand the economic and reputational implications of the investment under different regulatory environment scenarios

Objective

- We were asked to evaluate the potential impact of carbon regulations on the investment performance, to identify key potential risks to the investment and to assess the attractiveness of different possible mitigation strategies

Geographic Scope

- Work was based in London, US and Canada and focused on the development of regulatory, investor and societal attitudes to GHG emissions in North-America

Approach

- Assessed trends in different existing GHG regulatory schemes based on market literature and expert interviews
- Carried out extensive analysis of the economics of different approaches to mitigation in close cooperation with client technical experts
- Explored potential reporting and reputational issues based on discussions with NGOs and comparison with similar investments
- Ran sensitivity analyses across different mitigation strategies and regulatory scenarios to determine “least regret” approach to investment programme
- Final output was presentation to project management and an independent Board paper on the carbon risks and opportunities around the project prior to key investment decision
- The project demonstrated that the wrong decisions on carbon could reduce the value of the investment by 50% or more
- Resulted in Board requirement for completion of carbon strategy prior to investment decision

Client benefits

Note: This example is a summary of a real client engagement undertaken by the Irbaris team. Irbaris has removed all references to the original client and obscured sensitive information

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