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Title: On the flaws and relevance of Stranded Assets: Review and numerical insight

Abstract: Asset stranding is an increasing concern for the energy sector. In its broadest form, the term describes "assets [that] suffer from unanticipated or premature write-offs, downward revaluations or are converted to liabilities" (Caldecott et al., 2013, p. 7). Climate change mitigation requires a stringent transition, which would gradually reduce the demand for fossil fuels and devalue sector and reserves significantly. Hence, researching (potential) stranded assets and their effects has received attention from several academic fields over the past decade.

Nevertheless, fundamental questions remain unanswered so far. Among them are conceptual issues – such as their unexpected and normative nature – and very practical ones – such as unfounded assumptions about investment behaviour and energy system dynamics.

This talk covers the heated debate about stranded assets. We argue that the term is conceptually flawed, but that missing economic diversification of fuel exporters makes the potential issue too big to ignore. We back this statement with numerical insight based on the DIW-REM Outlook (Ansari et al, 2019), which was generated in a multi-step procedure of structured analytic techniques and the complementarity equilibrium model Multimod (see Ansari & Holz, 2019). We review and process model results for Middle East, China, and Latin America into an index that indicates where attention and possible action are most needed.

References:

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