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Loss of fossil fuel assets would not impoverish general public, study finds

Research allays fears that rapid scaling back of production would hit people’s savings and pensions hard

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Some opponents of climate action claim a rapid reduction in fossil fuel production would cause an economic slump. Photograph: Murdo MacLeod/The Guardian

A rapid reduction in fossil fuels, essential to avoid devastating climate breakdown, would have minimal financial impact on the vast majority of people, new research has shown.

Urgently cutting back on fossil fuel production is essential to avoid the worst impacts of climate breakdown and the economic and social turmoil that would ensue. However, some opponents of climate action claim it is too expensive. They argue that rapidly scaling back fossil fuel production would leave billions of pounds of “stranded assets”, leading to an economic slump that would impoverish the public through a fall in the value of savings and pension funds.

Research published on Thursday finds that the loss of fossil fuel assets would have a minimal impact on the general public.

“We find that the bulk of financial losses associated with rotten, polluting assets is borne by the wealthy,” said the co-author Lucas Chancel, a professor of economics at Sciences Po in Paris. “Only a small share of financial losses is borne by the working and middle class because they have no or relatively little financial wealth.”

The study, published in the journal Joule, found that in high-income countries two-thirds of the financial losses would be borne by the most affluent 10%. In contrast, governments could easily compensate for the minimal impact on those on middle and lower levels of wealth.

Chancel said: “These latter groups have nothing to fear from rapid action, in particular if governments decide to compensate for their losses, which can be done at relatively low cost.”

The study found that in the US, two-thirds of the financial losses from lost fossil fuel assets would affect the top 10% of wealth holders, with half of that affecting the top 1%.

Because the wealthiest people tend to have a “diverse portfolio of investments”, it found, any losses would still make up less than 1% of this group’s net wealth.

Just 3.5% of financial losses from stranded assets would affect the poorest half of Americans and could easily be compensated for by government.

When the researchers repeated this analysis for the UK and continental European countries, they found similar results.

“There’s this idea that it’s the general populace that should be opposed to climate policy that creates stranded assets because their pensions are at risk or their retirement savings or just their savings,” said the co-author Gregor Semieniuk, an economics professor at the University of Massachusetts Amherst. “It’s not untrue that some wealth is at risk, but in affluent countries, it’s not a reason for government inaction because it would be so cheap for governments to compensate that.”