

# Funding the Future

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Martin Wolf makes an observation [in the FT this morning](#) that my [friend and Green New Deal colleague Jeremy Leggett](#) has been making for some time, which is that we cannot burn our way to growth.

As both have pointed out, if the current established reserves of the major extractive industry companies were all burnt we would incinerate the world through global warming. The precise details as to timing may be open to discussion but the conclusion is not. Unless a majority of those reserves (yes, you read that right: a majority) stay in the ground in any foreseeable future then we can kiss the long term goodbye.

And yet, despite that, as Wolf points out, energy companies continue to invest in discovering new reserves, and are valued in no small part on the basis of their success in doing so. Now, of course, there is merit in finding more accessible reserves. That I accept. But when searching goes in in high risk and deeply inaccessible areas or the search focuses on strategies with low yield ( like UK fracking and even fracking in general, where US yields are rapidly falling, as Jeremy assures me is the case) then this is a collective act of disregard for economic sense.

No one pretends that this is not a difficult issue. It is. This is about the whole way we live, from my use of the iPad on which I am writing this onwards. I know that. But equally it is an area where collective disregard for facts seems to have taken hold. As Wolf points out, to value current extractive industry activity in the way the market is doing requires what is, in effect, collective disregard for the possibility that climate change science is right when most scientists concur with it, as do most politicians, governments and official bodies.

Now, again, science can be wrong, and deep down I would love that to be true here (come on, who wouldn't?: change of the scale this science demands is uncomfortable). But even giving credit to the fact that the science may be right requires a significant discount to be given to the value that the market is giving to extractive industry companies.

This matters. The extractive industries are, after banks, pretty dominant in the FTSE 100. Royal Dutch Shell is by value by far the largest company in the FTSE with BP third

after HSBC and with other major extractive companies appearing high in the rankings too. If this money is misplaced then this has major impact not just in energy investment terms but also in terms of pension portfolio valuations.

There is an alternative, of course. We could invest in new energy thinking. We could insulate the UK. We could make every building a power station. We could release a carbon army to green our UK energy investment and deliver the low carbon sustainable future we need. That is what the [Green New Deal group](#) has been calling for. It is the basis for economic transformation in the UK, but right now the money is backing finding oil and gas that cannot ever be burnt. That's the inefficiency of markets. Someone, somewhere, has to decide that this current allocation of resources is wrong. I just hope it is soon, for all our sakes.