Funding the Future

Oil will have to stay in the ground

Published: January 17, 2026, 9:37 pm

The FT has reported this morning that:

New Zealand has become one of the world's first countries to ban future offshore oil and gas exploration in a move heralded by environmental campaigners as a symbolic blow to "Big Oil".

The South Pacific nation's ban is an important policy move at a time when nations are exploring how to comply with their requirements under the Paris climate change agreement.

I think it was just coincidence that the FT also reports this morning that:

Royal Dutch Shell said it saw little risk of being left with "stranded assets" as the world begins to shift away from fossil fuels and promised to keep pace with the global transition to cleaner energy. The Anglo-Dutch group said 80 per cent of its current proved oil and gas reserves would be produced by 2030, when it expects demand for those hydrocarbons to be higher than it is today even under its most aggressive scenario for growth in alternative forms of energy.

The issue is threefold. First, we know we need to burn less. There is no doubt about that, Full marks to New Zealand then.

Second, most extractive companies are valued not on their current profits but on the reserves that they hold. And as my old friend and fellow Green New Dealer, Jeremey Leggett, has long suggested, most of their known reserves are going to have to stay in the ground if the world is not to fry.

So, third, we face both a massive energy crisis and a financial one too as the enormous valuation placed on those reserves in the world's financial markets collapses, as surely it will.

New Zealand has made a smart move. Shell is just blustering. The writing is on the wall. For pension funds and others following New Zealand's example and getting out of fossil fuel now might be the very best thing that they can do. Oil is going to have to stay in the ground, whatever the impact on profits. And we'll all have to pay the price for that.