



Divesting to protect our pensions and the planet

A guide for councillors and council candidates

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Friends of
the Earth
England, Wales &
Northern Ireland



Friends of
the Earth
Scotland

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Introduction

Across the UK, councils invest nearly £10 billion in the oil, gas and coal industries through local government pension funds.¹ These investments are made on behalf of nearly seven million pension-holders, part of one of the UK's largest pension schemes.

Investing local pensions in fossil fuels is fuelling climate change and air pollution, contradicting local, national and international commitments to tackle climate change. It is also putting members' pensions in jeopardy as fossil fuel investments now pose a dangerous long-term financial risk to investors.

Instead, to move toward a zero carbon future we need to phase out the use of fossil fuels. This means we need to limit the extraction and production of fossil fuels as part of a managed and just transition. There are already far more known fossil fuel reserves than can possibly be burned to stay within globally agreed targets for limiting global heating yet the fossil fuel companies that our pension funds invest in continue to expand.²

Institutions, such as local government pension funds, can take practical action by, over a sensible time frame, moving their direct and indirect investments out of the fossil fuel industry.

Climate action is happening

In March the UN's latest report on the climate crisis said that half the world's population live in areas that are "highly vulnerable" and millions of people were already facing food and water shortages. Mass die-offs of species, from trees to corals, are already under way. The UN Secretary General said of the report was "an atlas of human suffering and a damning indictment of failed climate leadership."³

As well as driving the climate crisis, fossil fuels are also harming public health through their contribution to air pollution: almost one in five deaths in the UK have been linked to fine particle pollution from road traffic, power generation and other activities that involve burning petrol, diesel, coal and gas.⁴

Perhaps unsurprisingly, the public are more concerned about climate change than ever before. Research on the behalf of the Conservative Environmental Network has found that consistently across age, region and voting behaviour, 70% of the public would view a failure to tackle climate change and pollution in a post-Covid economy as "a sign that the government has the wrong priorities."⁵

Local councils are already leading the drive away from fossil fuel pollution by championing local renewable energy, improving public transport, and working towards sustainable, energy efficient housing. Councils can build on these great efforts, as opposed to undermining them, by divesting from fossil fuels and investing in a better future. For example:

- × Councils in Manchester and London have invested directly in wind farms.⁶
- × Lancashire Pension Fund invested in the UK's first community-owned solar power cooperative as well as building student housing in Preston.⁷
- × Falkirk Pension Fund has invested over £30 million in social housing.⁸
- × In London, pension organisations have worked together to launch a fund to invest hundreds of millions into affordable housing, community regeneration, digital infrastructure and clean energy around the city.⁹

The Law Commission of England and Wales has issued guidance clarifying that “there are no legal or regulatory barriers to social investment” and reminded trustees bluntly that “it is possible to do well and do good at the same time.”¹⁰

Money is moving

Fossil fuel divestment is growing in the UK. In 2016 the London Borough of Waltham Forest became the first council to commit to divestment.¹¹ Since then, 17 more UK local government pension funds have made full or partial divestment commitments, as well as the pension funds of the Welsh Senedd and Northern Ireland Assembly, 93 universities and 80 institutions of faith.¹² 360 MPs from across the political spectrum have also pledged their support to the campaign.¹³

Globally, 1,500 institutions representing over \$40 trillion in assets have now committed to going fossil free including the University of Oxford, New York State, and the Norwegian Sovereign Wealth Fund.¹⁴

Legal and financial concerns

Legal opinions by leading QC barristers show that pension fund trustees who fail to consider climate risk could be exposing themselves to legal challenge.¹⁵

In 2021, the influential International Energy Agency (IEA) predicted that global oil demand will significantly fall by 2030, leading their Executive Director to refer to oil and gas companies as potential ‘junk investments.’¹⁶ Action by governments to limit carbon emissions will ultimately leave fossil fuel reserves unburnable. It’s been estimated that this asset bubble, known as the ‘carbon bubble’, may be over €1 trillion in Europe alone.¹⁷

A 2021 study by Carbon Tracker found that globally investors have lost US \$123 billion by betting on fossil fuel stocks in the last ten years while renewable energy investments gained US \$77 billion.¹⁸ By continuing to invest in the fossil fuel industry despite this evidence, local government pension funds are potentially exposing pension-holders’ savings to considerable losses.

Fossil fuel companies up close

Shell is the fossil fuel company most heavily invested in by local government pensions.¹⁹ It says it is going “net-zero” but its plans to achieve this rely on the purchase of more carbon offsets than are currently available in the *entire global market*.²⁰ In 2021 a Dutch court instructed Shell to do more stating that their current actions were consistent with unacceptable levels of global warming²¹ while a separate ruling required Shell to compensate villages in Nigeria for loss of life, illness and destruction caused by their pollution.²²

BP is the second most heavily invested-in fossil fuel company by local government pension funds. BP have close ties with the repressive regime in Azerbaijan²³ and were forced to agree an exit from their significant stake in Russian gas following the invasion of Ukraine.²⁴ The company claims it will transition to net-zero by 2050 but continues to explore for new reserves and spends 96% its annual capital expenditure on oil and gas.²⁵ In October 2021, representatives from the UK Government excluded BP from a formal role at the UN climate talks in Glasgow saying it was not clear that BP’s climate commitments were meaningful.²⁶

Actions to take

There are a number of local government pension funds across the UK that are already divesting from fossil fuels and thereby protecting communities from climate change, ensuring financial security for pension-holders and, in many cases, also increasing investment in their local areas. Your council can be next and make a change that will improve our future health and prosperity, both locally and globally.

- 1. Find out what your local government pension fund invests in** using UK Divest's interactive tool at divest.org.uk/councils
- 2. Share this briefing with your colleagues** including those on your fund's pension fund committee. You can also watch and share our presentation with speakers from the Centre for Local Economic Strategies and Carbon Tracker. Visit bit.ly/CouncillorWebinar
- 3. Sign our pledge** for councillors and council candidates by filling in the short form at bit.ly/DivestPledge2022. The pledge reads: *"If elected, I will do all I can to ensure the council pension fund ends investment in fossil fuels and invests in a just transition to a zero carbon economy."*
- 4. Connect with local divestment campaigners in your area** to meet with them to see how you can work together. Visit divest.org.uk/local
- 5. Propose a motion** to full council using UK Divest's template as a guide. Visit: divest.org.uk/advice-for-councillors
- 6. Get nominated to your council's pension fund committee** and advocate for responsible and sustainable pension practice.

References

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Keep in touch

To find out more about fossil fuel divestment and to get in touch:

 divest.org.uk

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About UK Divest

UK Divest is a collaboration between Friends of the Earth, Friends of the Earth Scotland and Platform supporting local grassroots groups who are demanding our communities and public institutions cut their political, social and financial ties to the fossil fuel industry.



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