

Rother District Council

Report to	-	Council
Date	-	20 February 2023
Subject	-	Motion – Council Motion – East Sussex County Council – Pension Fund

Motion submitted by Councillor Bayliss, on behalf of the Rother Alliance

This Council notes:

- that East Sussex County Council currently has tens of millions of pounds of local people's pensions invested in fossil fuels (oil, coal & gas) via the Local Government Pension Scheme covering Brighton, Hove and East Sussex (the East Sussex Pension Fund) [1];
- that the burning fossil fuels is the main driver of climate change [2];
- that according to UN climate reports, massive reductions in carbon emissions will be necessary before 2030 if the world's governments are to follow through on their stated commitment ('the Paris agreement') to hold global warming to 'well below' 2°C, 'pursuing' 1.5°C [3];
- that according to the International Energy Agency, avoiding catastrophic climate change requires an immediate end to all investments in new oil & gas projects [4];
- that according to the Climate Action 100+ investor initiative (of which the East Sussex Pension Fund is a member): 'If left unchecked ... climate risks will threaten investors' long-term ability to sustain value and generate ongoing returns for their beneficiaries over decades' and that 'action to cut emissions and avoid the worst impacts of climate change is the only real path to protect long-term investment value and returns.' [5];
- that the Council's current policy of 'shareholder engagement' with fossil fuel companies simply isn't working. Indeed, despite many years of such 'engagement' not a single major oil company can credibly be argued to be aligned with a 1.5°C pathway [6];
- that divestment (i.e. institutions publicly committing themselves to stop investing in fossil fuels) helps to create the political space for governments to take the actions necessary to rapidly phase out fossil fuels and avoid the worst impacts of climate change. Indeed, global divestment campaigns have a proven track record of leading to restrictive legislation affecting stigmatised firms [7];
- that over 1,550 institutions around the world – collectively worth approximately \$40.5 trillion – have already made some form of divestment commitment, including several UK pension funds [8];
- the conclusion of the investigations by two major financial management firms, BlackRock and Meketa, that 'separately concluded that investment funds have experienced no negative financial impacts from divesting from fossil fuels. In fact, they found evidence of modest improvement in fund return ...' [9];

- the UN Secretary-General's recent statement that: 'Our world is addicted to fossil fuels. It's time for an intervention. We need to hold fossil fuel companies and their enablers to account. That includes the banks, private equity, asset managers and other financial institutions that continue to invest and underwrite carbon pollution.' [10];
- that Bexhill-on-Sea Town Council, Brighton & Hove City Council, Hastings Borough Council, Lewes District Council, Lewes Town Council, Peacehaven Town Council, UNISON, Maria Caulfield MP (Cons, Lewes) and Caroline Lucas MP (Green, Brighton Pavilion) have all called on the East Sussex Pension Fund to divest from fossil fuels.

This Council calls on the East Sussex Pension Fund to publicly commit to fully divesting from fossil fuels by:

- a) Immediately freezing any new investment in the top 200 publicly-traded fossil fuel companies [11].
- b) Publicly committing to divest from direct ownership and any commingled funds that include fossil fuel public equities and corporate bonds within five years.

END NOTES

[1] The Fund's reported 'fossil fuel exposure' as at 31 March 2021 was £82.2m (see <https://tinyurl.com/ffexposure>, page 25). However, this figure is believed to have fallen since then, following subsequent decisions by the East Sussex Pension Committee. According to a June 2021 document circulated by the Fund, its actual exposure to fossil fuel producers may now be as low as 0.5%: <https://divesteastsussex.files.wordpress.com/2021/07/response-email-to-new-councillors-june-21.pdf>. As at 30 September '22 the Fund was valued at £4.502bn (see the 260th page of this document <https://democracy.eastsussex.gov.uk/documents/g5164/Public%20reports%20pack%2030th-Nov-2022%2010.00%20Pension%20Committee.pdf?T=10>). 0.5% of £4.575bn is £22.51m.

[2] Climate Change 2014: Synthesis Report Summary for Policymakers, section SPM 1.2 'Causes of climate change', <https://tinyurl.com/IPCCsynth>

[3] The IPCC's 2018 report 'Global Warming of 1.5 °C' (<https://tinyurl.com/ipcconepointfive>) included four illustrative 1.5°C pathways. The most precautionary (P1) avoids reliance on bioenergy with carbon capture and storage, a technology that is untested at scale and faces significant feasibility constraints. According to an analysis by CarbonBrief to cut emissions in line with the IPCC's P1 illustrative pathway: (a) CO2 emissions from oil must fall by 44 percent by 2030; and (b) CO2 emissions from gas must fall by 39 percent by 2030 (both relative to 2019 levels). The oil and gas decline would need to be even faster if the extremely rapid coal phase-out assumed (nearly 80 percent by 2030) does not prove feasible. See 'Big Oil Reality Check', Oil Change International, Sept 2020, <https://tinyurl.com/bigoilrealitycheck>, p.7 and 'Analysis: Why coal use must plummet this decade to keep global warming below 1.5C', CarbonBrief, 6 February 2020, <https://tinyurl.com/coalplummet>).

[4] 'No new oil, gas or coal development if world is to reach net zero by 2050, says c230220 – Motion – ESCC Pension Fund

world energy body', Guardian, 18 May 2021, <https://www.theguardian.com/environment/2021/may/18/no-new-investment-in-fossil-fuels-demands-top-energy-economist>

[5] 'The Business Case', Climate Action 100+, <https://tinyurl.com/climateaction100>

[6] See 'Big Oil Reality Check — Updated Assessment of Oil and Gas Company Climate Plans', Oil Change International, 24 May 2022, <https://priceofoil.org/2022/05/24/big-oil-reality-check-2022/>.

[7] A 2013 study by academics at the University of Oxford's Smith School of Enterprise and the Environment concluded that: 'In almost every divestment campaign we reviewed from adult services to Darfur, from tobacco to South Africa, divestment campaigns were successful in lobbying for restrictive legislation affecting stigmatised firms.' ('Stranded assets and the fossil fuel divestment campaign: what does divestment mean for the valuation of fossil fuel assets?', <https://tinyurl.com/smithschoolreport>).

[8] <https://divestmentdatabase.org>

[9] 'Major investment advisors BlackRock and Meketa provide a fiduciary path through the energy transition', Institute for Energy Economics and Financial Analysis, 22 March 2021, <https://tinyurl.com/nonegativeimpacts>

[10] <https://www.un.org/sg/en/content/sg/statement/2022-09-20/secretary-generals-address-the-general-assembly-trilingual-delivered-follows-scroll-further-down-for-all-english-and-all-french>

[11] As determined by the most recent Carbon Underground 200 list published by Fossil Free Indexes: <https://www.fffisolutions.com/research-analytics-index-solutions/research-screening/the-carbon-underground-200/>