To
Pensions Committee members
Gloucestershire County Council

Please respond c/o
Helen Bojaniwska, Town Clerk
clerk@stroudtown.gov.uk

September 2021

Dear Chair and Committee members

Grave concerns re: Continuing Pension Investment in Fossil Fuel Companies

We are employees of Stroud Town Council. Those of us who are members of the Stroud Town Council Pension Scheme owe the Committee a debt of gratitude for the complex and specialist job of looking after our pensions. We appreciate the time and energy overseeing these matters requires. While sharing our concerns about the extent to which our pensions remain invested in fossil fuels, we are not unaware of the worthwhile and careful work this committee has achieved in its work.

We are, however, very concerned that the investment of our Pension funds by Brunel Partnership will have a negative effect on all citizens, particularly younger generation, if they are invested in continued fossil fuel exploration, production and distribution. In October 2018 the Intergovernmental Panel on Climate Change (IPCC) issued a special report which made a strong case for limiting average global temperature rises to 1.5C. The report put a figure on how much time we have to avoid the most catastrophic impacts of climate heating: global CO2 emissions must 'start to decline well before 2030'.

The more recent IPCC report has further emphasised the escalating rate and extent of climate change and the increased need for urgent action. The critical need to switch to sustainable energy sources requires an associated change of investment strategy, to the extent that fossil fuels are no longer needed as other sources are in place to fill the gap.

In 2018 a change in UK law required pension schemes to take account of environmental and social risks when they make investment decisions on behalf of savers. The risks attending climate change are already substantial even in this country, as we have seen from the drought and reduced harvests in East Anglia in 2018, the floods we are now experiencing in most years, and the ever more unpredictable weather patterns across the world with devastating impacts.

These ethical issues are only a part of the concerns which we have about continued investment of our pensions in fossil fuels, but they are considerable. We believe it is vital to avoid harm to our children, grandchildren and descendants. We are also aware that continued use – and therefore production of – fossil fuels is responsible for polluted air so severe in some areas that it is lethal, or prevents asthma sufferers going outside or being physically active[1]. We have also heard of the dreadful effects of spillage and human rights abuses linked with oil production and pipelines (see

[1] https://www.asthma.org.uk/support-us/campaigns/our-policy-work/air-pollution-affects-asthma/

appendix) and the fact that the huge expenditure on political lobbying produces a chilling effect on climate and ecological action.[2]

In addition we believe that there are very severe financial risks for the GCC Pension Fund in remaining partly dependent on fossil fuel investments.

The current situation
The report 'Divesting to protect our pensions and the planet'[3] reveals that at the end of March 2019 Gloucestershire's fund was valued at £2.2billion, of which £100m or 4.4% is still invested in fossil fuels. The method was based on Freedom of Information requests, and may be rather broad brush and therefore not 100% accurate, but it is a significant amount. The investment in fossil fuel companies was reported as a conservative estimate, and was partly indirect, arising from holdings which Brunel manages in other funds such as Legal and General UK Index Fund.

We imagine that changes have taken place in the intervening two years. Would you please let me/us know whether the above figure is still likely to be accurate or to what extent the Fund is still exposed to the risk to fossil fuel companies' financial futures?
Morgan Stanley's research[4] shows that over the last decade, performance of funds which exclude that category have performed better than those which included it, and this is confirmed by a report of the Institute of Energy Economics and Financial Analysis (IEEFA) on Black Rock,[5] the world's biggest investor, which it is estimated lost $90 million through retaining the shares of fossil fuel companies. Consequently Black Rock, the world's biggest asset manager, is moving to sustainable investment, joining Climate Action 100+.

Engagement
The argument is often made that it is more effective to engage with fossil fuel companies to improve their operations rather than divestment. We do not believe this is the case. In the first place this 'engagement' will be carried out by Brunel or, more likely, by a third party such as Hermes, who will respond to generic ESG issues and will not necessarily reflect specific concerns such as the risk of stranded assets, even if mentioned by the Committee to Brunel.

Despite their stated green aspirations, the amount that the major fossil fuel companies invest in renewables is still pitiful in comparison to ongoing investment in fossil fuels. Even after decades of engagement they do not appear to be changing their business models. They continue to explore for further reserves and to develop existing reserves, much of which is unburnable if the Paris goal to restrict climate change to 2 degrees is to stand a chance of being achievable, let alone 1.5 degrees.

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[2] https://www.forbes.com/sites/niallmccarthy/2019/03/25/oil-and-gas-giants-spend-millions-lobbying-to-block-climate-change-policies-infographic/?sh=743913ce7c4f
https://www.theguardian.com/business/2019/oct/24/fossil-fu ,l-big-five-spent-251m-lobbying-european-union-2010-climate-crisis
[3] https://www.divest.org.uk/wp-content/uploads/2021/03/UKDivest_Report.pdf
[4] www.msci.com/documents/10199/d6f6d375-cadc-472f9066-131321681404
[5] http://ieefa.org/wpcontent/uploads/2019/07/Inaction-BlackRocks-BiggestRisk-During-the-Energy-Transition_August-2019.pdf

This year the new report ‘Net Zero by 2050’ from the International Energy Association (IEA) stated **“There is no need for investment in new fossil fuel supply in our net zero pathway.** Beyond projects already committed as of 2021, there are no new oil and gas fields approved for development in our pathway, and no new coal mines or mine extensions are required.” [6] The italics are in their original. Yet fossil fuel companies have invested over $700bn to expand the sector since the Paris Climate Agreement[7].

The UK Divest Report states

“*Claims of effective engagement leading to net zero pledges have been made by local authority pension funds. The Local Authority Pension Fund Forum (see box opposite) has claimed that their engagement partly led to BP’s plans to go ‘net zero’ (LAPFF, 2020c). As the table illustrates, BP says that it can meet this target while, for instance, continuing exploration, approving new extraction projects, relying on unproven carbon removal technologies and declining to commit to an end date for extraction. If this is considered a positive outcome of engagement then it is clearly not fit for purpose.*”[8]

Therefore, we are asking, in addition to letting us know the GCC’s Pension Fund’s current exposure to fossil fuel companies:

1. that the Committee pass a motion, or bring a motion to Council to this effect, committing to reducing to zero the Gloucestershire County Council Pension Fund’s holdings in companies whose main business is the production and distribution of fossil fuels, by a definite date.
2. That the Committee ask Brunel to make available investment opportunities across the various asset classes which would entirely avoid the financial risks of investment in companies whose main business is fossil fuels. (This could be achieved if the promised ‘Paris-aligned portfolio’ were to exclude investment in such companies.)

Yours sincerely

We are all Stroud Town Council employees who are part of the Gloucestershire County Council pension scheme.

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[6] https://www.iea.org/reports/net-zero-by-2050

[7] https://www.theguardian.com/environment/2019/oct/13/top-investment-banks-lending-billions-extract-fossil-fuels

[8] https://www.divest.org.uk/wp-content/uploads/2021/03/UKDivest_Report.pdf