UK DIVEST

Divesting to protect our pensions and the planet

An analysis of local government investments in coal, oil and gas

A publication by Platform, Friends of the Earth Scotland and Friends of the Earth England Wales and Northern Ireland

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Friends of the Earth England, Wales & Northern Ireland

PLATFORM

Friends of the Earth Scotland

Executive summary

Just under seven million people in the UK rely on local government pension funds to provide them with an income when they retire. As with the vast majority of investments around the world, there has not always been great consideration of the impact these investments have on wider society. The climate crisis is forcing workers, investors, policy-makers and the general public to reconsider, to look at what their money is doing in their name, and to withdraw their investments from the most harmful companies on the planet so that we can help to finance a local green recovery instead. Local grassroots campaigns across the UK, with the support of Platform, Friends of the Earth England, Wales and Northern Ireland (EWNI), and Friends of the Earth Scotland alongside countless other organisations, have been driving this effort at a local authority level for the last few years. After submitting a Freedom of Information (FOI) request to every local authority that administers a pension fund and analysing their responses, we provide in this report a breakdown of the investments in oil, gas and coal of every local authority pension fund in the UK. The report builds on similar work carried out by the same organisations on this topic in 2015 and 2017 (FOES, 2015, 2017).

The purpose of this report is to:

- provoke conversations at the local and national level about what these investments mean and how this could change for the better
- inform local decision-makers about why and how to stop investing in fossil fuels
- support and resource people who are campaigning or eager to start campaigning for divestment in their area.

Key findings

Our analysis, based on the end of the 2019/20 financial year, reveals that local government pensions hold investments of nearly £10 billion in fossil fuels.

- That is £1,450 invested in fossil fuels for each of the 6.8 million members of the Local Government Pension Scheme in the UK, and roughly 3% of the total Scheme value.
- The three local authority pension funds with the largest amount of investments in fossil fuels are Greater Manchester, Strathclyde and West Midlands. Together, these funds account for nearly 20% of all the local government pension fossil fuel investments in the UK.
- The three local authority pension funds with the largest percentage of their assets invested in fossil fuels are Teesside, Dyfed and Dorset—all of which invest around 5% of their pension fund total value into fossil fuels.
- The figures below only consider local authority pension fund investments in the top 200 most harmful fossil fuel companies worldwide. If we were to consider all fossil extractors and companies which provide services to the fossil fuel industry (such as pipeline manufactures, tech services, and financial support), the overall figure would be far greater than £10 Billion.

Local authority pension fund investments in fossil fuels

	All assets		Direct investments		Indirect investments	
	(£ million)	(% total)	(£ million)	(% total)	(£ million)	(% total)
Coal	3,364	1.0	1,027	0.7	2,337	1.2
Oil and gas	6,495	2.0	1,732	1.2	4,763	2.5
Coal, oil and gas	9,859	3.0	2,759	1.9	7,100	3.7

Total council fossil fuel investments in England, Scotland, Wales and Northern Ireland

Region	Fund count	Fund total (£ million)	Fossil fuel value (£ million)	Fossil fuel (%)
England	78	261,744	8,003	3.1
Scotland	11	47,856	1,205	2.5
Wales	8	16,679	538	3.2
Northern Ireland	1	3,285	113	3.4

Why does this matter?

Our analysis shows that ten companies[1] account for 70% of local authority pension funds' direct fossil investments.

Of these ten companies, BP, Shell and BHP account for 40% of total direct investments across all local authority pension funds in the UK, roughly the same amount as in 2017. BP is a British company, Shell is Anglo-Dutch and BHP is an Anglo-Australian mining company, all of which have been associated with incredibly harmful business practices such as human rights abuse, violent militarised resource extraction, and tremendous global pollution (Corporate Watch, 2020). If it is wrong to wreck the planet, then it is wrong to profit from or invest in the wreckage.

In its 2020 project Wreckers of the Earth, Corporate Watch reported that:

× Shell, the largest fossil fuel company beneficiary of direct investments from local authority funds, has been associated with a number of environmental and human rights violations. It has been linked to the killing of the 'Ogoni Nine' campaigners against its practices in Nigeria. Shell is currently on trial for an alleged US$1.3 billion bribery deal with a former Nigerian oil minister (Corporate Watch, 2020).[2]

× BP, the second largest beneficiary of direct investments from local authority pensions, caused Deepwater Horizon, the world's largest ever oil spill in 2010. Despite advertising themselves as a 'green' energy company, BP plans to spend £41 billion on new oil exploration in the next decade, including projects in the Canadian 'tar sands', the Arctic National Wildlife Reserve and the Amazon rainforest (Corporate Watch, 2020).

× BHP, the largest mining company that local authority pension funds invest in, BHP was responsible for a dam collapse which spilled 45 million cubic metres of mining waste into the Rio Doce in 2015. Today it is actively pursuing the establishment of a mine that would destroy 3,000 hectares of public land, harm endangered species, and threaten massive water loss and contamination (Corporate Watch, 2020).

1) The company names listed here are directly drawn from the Carbon Underground 200 list, by Fossil Free Indexes (FFI Solutions, 2020). More information about their methodology can be found here: https://fossilfreefunds.org/carbon-underground-200

2) Since this text was published by Corporate Watch in 2020, the appeal court in the Hague has ruled—on Friday 29 January 2021—that Royal Dutch Shell's Nigerian subsidiary is responsible for multiple cases of oil pollution in the Niger Delta and must compensate Nigerian villages for oil contamination which has brought death, illness and environmental destruction to the region. The court also judged that the Netherlands-based Royal Dutch Shell breached its duty of care by not doing enough in response to the oil spills (Friends of the Earth International, 2021)

Leading direct investments in fossil fuel companies across all local authority pension funds

Fossil fuel company	Number of assets*	Value (£ million)
Royal Dutch Shell	73	266
BP	71	249
BHP	69	180
Mitsubishi	100	119
Mitsui	106	112
Anglo American	28	91
Glencore	36	64
ENI	12	40
CLP Holdings	21	37
EOG Resources	19	36

Divesting: now is the time!

For local government

× Over three-quarters of local councils have declared a climate emergency. For the majority of councils, their largest carbon emissions will come from their pension fund investments. With the UN Climate talks taking place in the UK in November 2021, UK Councils can show their commitment to climate action by ending their investments in the companies causing climate damage.

× Investing in fossil fuels is increasingly costly. It's a financial risk—with UK Public Pensions losing £2 billion on oil investments in the last 4 years.[3] It's also a political risk—with the UK public more concerned about climate change than ever before.[4]

× After a decade of austerity and the devastating economic impact of Covid across the UK, local councils can use their pension funds to support local investment priorities. Some already do, and in 2021, it's time for others to follow their lead.

3) https://www.ft.com/content/f74502ad-8ae9-4715-a297-364ab8418c11

4) https://www.gov.uk/government/statistics/beis-public-attitudes-tracker-wave-35

For investors

- Fossil fuel stocks were already on a long-term downward trajectory, and COVID-19 has accelerated this process. Meanwhile, renewables stock prices are growing by up to 20% a year. The Fossil Fuel age is ending, and financial markets know it. If pension fund committees don't move their members' money out of fossil fuels soon; lowering prices, financial instability and likely bankruptcies could cause huge losses.
- Engagement with fossil fuel companies is not working. This is especially undeniable in the case of local authority pension funds: their scale is too small to fundamentally change the core business model of fossil fuel majors.
- Change that is both good for the planet and good for returns is possible. Six local government pension funds, half of all UK Universities, and over 1,250 institutions representing over $14.5 trillion in assets have already committed to going fossil free (Nauman, 2020). You can do it too.

For all of us

- Instead of seeing pensions as distant assets we do not have to worry about until the day we retire, we need to take an active role in understanding what they do and how they can work.
- 2021 and the path out of COVID-19 should be a chance for a fresh start, and for us to act on what really matters for our health and future. In 2018 alone, the burning of fossil fuels caused more deaths than tobacco-smoking and malaria combined—often through heart disease and respiratory ailments (Milman, 2021). We owe it to ourselves and future generations to move towards a healthier energy system.
- With every day that we put off divesting from fossil fuels, we keep pouring billions into companies' harmful operations. Fortunately, we are the ones who elect the UK representatives who can make divestment happen, so we should ensure we have a say on where pension money goes. For our communities, our health and the planet.

Funding a future worth retiring into

At its most ambitious, divestment is a demand not just for taking money out of fossil fuels but also for channelling our wealth into socially and environmentally useful investments with stable returns, while supporting local investment priorities. Thirty years ago, 60% of local authority pension funds were invested internally within the UK—it's only half of that today.

We should take inspiration from some impressive local action and demand more and greater ambition. Councils have invested their pensions in UK wind farms (Coyne, 2017), community-owned solar power cooperatives (Blue & Green Tomorrow, 2013) and social housing projects (FOES, undated). Following a decade of austerity, bringing an average 38% reduction in central government grants (Institute for Government, 2020), now is the time to raise ambitions, focus on what matters and put in place the foundations for a sustainable future for all.

We need to start imagining a world powered entirely by renewables—a world beyond the extraction of wealth and resources. We must ask what opportunities this will open up, and also look at the practical steps to get us there. After all, our pensions are for us, when we're older. Imagine the world you want to retire into. And then invest your pension in it.

What can you do next?

For Councillors

- Seek representation on your council's pension fund committee and push for divestment as a popular, moral and financially prudent decision.
- Pass a divestment motion[5] to sell all shares in fossil fuel companies within a defined number of years.
- Identify local investment priorities that your pension fund can invest in, as other pension funds have done. Utilise public pension investments for the social good.
- Through our website at divest.org.uk get in touch with councillors who have moved to divest their pension, or would like to, and work together to make UK pensions stop funding fossil fuels.

5) For a template motion you can pass at your local authority please see our website divest.org.uk

What can you do next?

For fund managers

- Implement investment beliefs that allow decarbonisation goals and risk parameters to work together, not against each other.
- Put in place financial performance measurement benchmarks together with decarbonisation goals—to recognise the energy transition and adjust accordingly.
- Ensure that investment consultants and fund managers don't think this is an Environmental Social Governance (ESG) issue. It is a classic risk issue, as the transition is fundamentally disrupting markets.

For all of us

- Support action to keep all fossil fuels in the ground and reject any 'net zero' targets that fail to deliver this aim.
- Find out what your council invests in and talk to your neighbours about it. Remember, our pensions are for us—how they are invested is up to us too.
- Contact your Councillors and election candidates about the council's investment in fossil fuels. Find resources to send your councillors on our website at divest.org.uk
- Contact local government trade union branches in your area and ask them to put you in touch with those eager to push for divestment. If they cannot suggest anyone, ask to make a presentation about it.
- Join one of the many local divestment campaigns across the UK. If there is none in your area, set one up.
- Sign up to our mailing list at divest.org.uk and if you have any questions, contact the authors of this report.

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