INVESTING IN FOSSIL FUELS DOESN'T MAKE CLIMATE SENSE

DIVESTMENT

#CLIMATE SENSE

Green Party
for the common good

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EXECUTIVE SUMMARY

Divestment from fossil fuels is a powerful and important step towards a safe climate. A growing movement of hundreds of institutions worldwide has chosen to divest an estimated £31 billion from dirty fossil fuels already. However, the UK Parliament is yet to follow suit; £487m is currently invested in fossil fuels through MPs' pension funds. Local government pension schemes also have significant stakes in fossil fuel companies, with investments in oil, coal and gas.

Parliamentary and local authority money should be flowing into energy efficient and sustainable technologies, rather than investing in the acceleration of climate change through 'unburnable carbon' – fossil fuels which cannot be burned if international agreements are adhered to.

By means of the Climate Change Act 2008, the UK is legally committed to reducing dependency on fossil fuels, and reducing carbon emissions. However, the question is whether the Government is implementing policies that deliver on the targets set out by this incredibly important piece of legislation. Public institutions across the country continue to be invested in fossil fuel companies; such a double standard does not make climate sense.

The UN climate talks in Paris are just around the corner, and the UK must show integrity and deliver on its climate change promises. The Green Party is joining the call for real climate action through our Climate Sense campaign, and as part of this we are pushing for Parliament to join the divestment movement and pull pension fund investments from fossil fuels. Rather than oil, coal and gas, the parliamentary pension scheme should be supporting clean and sustainable renewable energy and low carbon infrastructure.

As Caroline Lucas MP is pushing for divestment from fossil fuels on a parliamentary level, the Green Party continues to be active on a local level; local parties are campaigning for councils and local institutions, including universities, to stop investing in fossil fuels.

Everyone can be involved in divestment campaigning. We encourage you to ask your local council and nearby universities to divest, as well as asking your MP to divest their own parliamentary pension from fossil fuels. MPs can join the call by signing Early Day Motion 445, tabled by Caroline. Write to them and ask them to sign it. If you want to set up your own divestment campaign locally we can give you support, just have a look at the Campaigns Hub on the members' website.

INTRODUCTION:
WHAT ARE THE UK'S CLIMATE CHANGE COMMITMENTS?

Under the Climate Change Act 2008, the UK is committed to reducing carbon emissions by at least 80% of 1990 levels by 2050.[1]

The Act also requires the Government to set legally-binding carbon budgets for each five year period leading to 2050. (In spite of the name these budgets involve all six greenhouse gas emissions included in the international Kyoto agreement;[2] all six are expressed as equivalent tonnes of carbon dioxide.)

Carbon budgets are set with a view to charting a manageable, cost-effective path towards meeting the 2050 target. They must take into account a range of factors including: scientific knowledge about climate change; technology availability; economic and fiscal impacts; social and poverty impacts; impacts on energy supply; international and European circumstances.[3]

The first carbon budgets were brought into law in the 2009 budget. This budget also established a legally binding interim target of a 34% reduction in emissions by 2020 compared with 1990 levels.[4]

So far, carbon budgets for the period to 2027 have been put into law. These commit the UK to a 35% reduction in emissions (compared with 1990 levels) by 2020 and a 50% reduction by 2025 (see Table 1 below for details).

This is also in line with a binding EU-wide target, agreed in 2014 by EU Heads of State, to reduce greenhouse gas emissions by 40% on 1990 levels by 2030.[5]

The main target of the Climate Change Act (an 80% reduction in emissions on 1990 levels by 2050) cannot be changed without repealing the Act,[6] but the interim carbon budgets can be legally amended if there have been "significant changes affecting the basis on which the decision was made" since targets were set.[7]

In 1990 the UK emitted approximately 779.9 Megatonnes (Mt) of CO_2 equivalent (CO_2e). Meeting legally binding targets would therefore mean that annual emissions must fall to approximately:

- 515 $MtCO_2e$ per year by 2020; and
- 160 $MtCO_2e$ per year by 2050.

However these figures are subject to change as estimates of 1990 emissions are revised each year.

1 Committee on Climate Change website, Carbon budgets and targets: https://www.theccc.org.uk/tackling-climate-change/reducing-carbon-emissions/carbon-budgets-and-targets/

2 Carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.

3 Climate Change Act 2008: 10. Matters to be taken into account in connection with carbon budgets: http://www.legislation.gov.uk/ukpga/2008/27/section/10

4 HM Treasury, Budget 2009: http://webarchive.nationalarchives.gov.uk/20100407010852/http:/www.hm-treasury.gov.uk/d/bud09_completereport_2520.pdf

5 European Commission press release, 24 October 2014: http://ec.europa.eu/clima/news/articles/news_2014102401_en.htm

6 The Carbon Brief, Can the Government legally change the fourth carbon budget, 9 December 2013: http://www.carbonbrief.org/blog/2013/12/can-the-government-legally-change-the-fourth-carbon-budget-(1)

7 Climate Change Act 2008: 21. Alteration of carbon budgets: http://www.legislation.gov.uk/ukpga/2008/27/section/21

The UK's carbon budgets

Carbon budgets from 2008 to 2027 are as follows:[8]

Table 1

		Carbon budget level (totals for budget periods) (Mt CO_2e)	Equivalent average annual emissions (Mt CO_2e)	% reduction below 1990
2008-12	(1st budget)	3,018	603.6	23%
2013-17	(2nd budget)	2,782	556.4	29%
2018-2022	(3rd budget)	2,544	508.8	35% by 2020
2023-2027	(4th budget)	1,950	390.0	50% by 2025

The fourth carbon budget is considerably more ambitious than the first 3 carbon budgets, and will require more of a step change to a lower carbon economy.

The fourth carbon budget (for the period 2023-2027) was reviewed in 2014 and was left unchanged, in spite of speculation that George Osborne would seek to water it down to allow new gas projects. The review was intended to consider whether the UK's rate of emissions cuts was in in line with EU action on climate change.

The Committee on Climate Change assessed whether there had been significant changes which would justify a change in the budget, and concluded that there had not. Ed Davey, then Energy and Climate Change Secretary, stated that "it is clear that the evidence does not support amending the budget".

The 2015 Conservative Party manifesto committed to *"meet our climate change commitments"* and *"continue to support the UK Climate Change Act"*.

It also stated that the Conservatives *"will cut emissions as cost-effectively as possible, and will not support additional distorting and expensive power sector targets".*

How were these targets set?

Both the overall target and the five-year carbon budgets are based on advice from the independent Committee on Climate Change. The Committee was established under the Climate Change Act 2008 to provide independent advice on setting and meeting carbon budgets, and to monitor progress in reducing emissions.[14] It is made up of seven independent experts in the fields of climate change, science and economics.[15]

The Committee states that the 2050 target represents "an appropriate UK contribution to global emission reductions consistent with limiting global temperature rise to as little as possible above 2 degrees Celsius".[16]

This is slightly less stringent than the target agreed internationally in Cancun in 2010, through the United Nations Framework Convention on Climate Change (UNFCCC) that commits governments to ensuring a "maximum temperature rise of 2 degrees Celsius above pre-industrial levels".[17]

8 Committee on Climate Change website, Carbon budgets and targets: https://www.theccc.org.uk/tackling-climate-change/reducing-carbon-emissions/carbon-budgets-and-targets/ and Department of Energy & Climate Change, UK progress towards GHG emissions reduction targets, 19 March 2015: https://www.gov.uk/Government/uploads/system/uploads/attachment_data/fi le/414241/20150319_Progress_to_emissions_reductions_targets_fi nal.pdf

9 The Carbon Brief, Government decides not to amend fourth carbon budget, 22 July 2014: http://www.carbonbrief.org/blog/2014/07/government-decides-not-to-amend-uk%E2%80%99s-fourth-carbon-budget/

10 The Carbon Brief, Gas strategy: government could loosen carbon budgets to allow dash for gas, 5 December 2012: http://www.carbonbrief.org/blog/2012/12/gas-strategy-would-ramp-up-construction-by-loosening-carbon-budgets

11 Liberal Democrat press release, 22 July 2014: http://www.libdems.org.uk/global_warming_lib_dems_win_fight

12 Conservative Party manifesto 2015: https://s3-eu-west-1.amazonaws.com/manifesto2015/ConservativeManifesto2015.pdf

13 Conservative Party manifesto 2015: https://s3-eu-west-1.amazonaws.com/manifesto2015/ConservativeManifesto2015.pdf

14 Committee on Climate Change website, About us: https://www.theccc.org.uk/about/

15 Committee on Climate Change website, Membership of the Committee: https://www.theccc.org.uk/about/structure-and-governance/committee-on-climate-change/

16 Committee on Climate Change website, Carbon budgets and targets: https://www.theccc.org.uk/tackling-climate-change/reducing-carbon-emissions/

The 2 degrees threshold has been agreed not because this temperature rise is considered safe (it is still expected to cause increases in mortality, increased extreme weather events, and the loss of glaciers), but because it is a challenging yet achievable target that was thought to be the acceptable threshold to avert the most catastrophic impacts.

The Committee calculated the emissions reductions necessary at a global level to achieve this temperature goal, and then calculated the UK's fair share of the total based on its share of the global population.[18]

The five-year budgets are designed to "reflect the most cost-effective path to achieving the long term objectives"[19] with consideration given to social and economic impacts as outlined above. This means that they aim to make sure that there are continual efforts to reduce emissions, while allowing the transition to a lower-carbon economy to be made in a planned way that does not require the replacement of vast amounts of infrastructure overnight.[20]

Carbon budgets are created following detailed sector-by-sector analysis of options to reduce emissions at least cost.

Carbon budgets have been developed assuming that this target will be met, so if it is not met then greater emissions reductions will be needed elsewhere.

Many have criticised the carbon budgets for not being ambitious enough. Friends of the Earth believes that the 80% reduction target should be achieved by 2030 not 2050, for the UK to "do its fair share in tackling global climate change".[21]

At the moment, as will be seen below, not enough progress in emissions reductions is being made to meet the current targets, let alone something bolder.

How does progress since 2008 measure up?

The UK met its first carbon budget successfully, with emissions falling steadily from 648.9 Mt CO_2e in 2008 to 583.1 Mt CO_2e in 2012.[22]

The Committee on Climate Change also reported in June 2015 that the UK was on track to meet the 2nd and 3rd carbon budgets.[23]

However, there is no room for complacency. So-called 'progress' to date is largely a side-effect of the recession which reduced overall economic activity, rather than a shift to lower carbon economy.

17 UNFCCC, The Cancun Agreements, November 2010: http://unfccc.int/meetings/cancun_nov_2010/meeting/6266.php

18 Committee on Climate Change website, Setting a target for emission reduction: https://www.theccc.org.uk/tackling-climate-change/the-science-of-climate-change/setting-a-target-for-emission-reduction/

19 Committee on Climate Change website, The Climate Change Act and UK regulations: https://www.theccc.org.uk/tackling-climate-change/the-legal-landscape/global-action-on-climate-change/

20 Committee on Climate Change website, Carbon budgets and targets: https://www.theccc.org.uk/tackling-climate-change/reducing-carbon-emissions/carbon-budgets-and-targets/

21 Friends of the Earth website, UK climate campaign: https://www.foe.co.uk/page/uk-climate-campaign

22 Department of Energy & Climate Change, UK progress towards GHG emissions reduction targets, 19 March 2015: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/414241/20150319_Progress_to_emissions_reductions_targets_final.pdf

23 Committee on Climate Change, Meeting carbon budgets: progress in reducing the UK's emissions, June 2015: https://www.theccc.org.uk/wp-content/uploads/2015/06/6.737_CCC-BOOK_WEB_030715_RFS.pdf

The Committee has voiced significant concerns about the rate of progress in adopting low-carbon measures,[24] noting that:

- Most of the emissions reductions so far have been a side-effect of the recession.
- Some reductions have been achieved by reducing coal use in the power sector but there has been little progress across other sectors.
- Meeting future carbon budgets will require reducing emissions by at least 3% a year, and the underlying rate of emissions reduction due to low-carbon measures lags far behind this.
- In 2011, for example, greenhouse gas emissions fell overall by 7%. But less than 1% of this was due to the adoption of emissions reduction measures. The rest was due to mild winter temperatures (meaning less need for heating), rising energy prices (constraining demand), falling real incomes (reducing economic activity in general) and short-term changes in the energy mix.

The Committee's June 2015 report stresses that more widespread changes will be needed across the economy in future years.

To meet the fourth carbon budget (2023-27), and ultimately the 2050 target, "significant action" is needed.

Do the government's latest plans make climate sense?

Friends of the Earth says that "the Government's plan to meet existing budgets is way off course" and that "the Government needs to toughen climate policy across all sectors of the economy".[25]

The Government has been heavily criticised by environmental organisations for its decision to scrap subsidies for onshore wind and commercial solar (the two cheapest forms of renewable energy), slashing energy efficiency budgets, lowering taxes on polluting firms and introducing a tax on clean energy.[26]

These actions are simply not in line with legally-binding emissions reductions targets, the UK's EU obligations, and most important the urgent need to act on climate change before it is too late. The Government says it is committed to implementing the Climate Change Act, but its actions speak louder than its words.

24 Committee on Climate Change website, How the UK is progressing: https://www.theccc.org.uk/tackling-climate-change/reducing-carbon-emissions/how-the-uk-is-progressing/

25 Friends of the Earth website, UK climate campaign: https://www.foe.co.uk/page/uk-climate-campaign

26 BBC News, Energy Secretary Amber Rudd criticised ahead of climate speech, 24 July 2015: http://www.bbc.co.uk/news/science-environment-33638495

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To stay within the generally agreed threshold of a 2 degrees Celcius global temperature rise, the maximum amount of CO_2 which can be emitted by 2050 is 565 billion tonnes. However, five times this amount is currently contained in 'unburnable carbon' reserves.[27]

For the purposes of this report, we will examine divestment in the UK, as a contribution to reducing greenhouse gas emissions as part of meeting internationally agreed targets.

In simple terms, to limit dangerous global warming, most fossil fuel reserves must be kept in the ground. Encouraging organisations and institutions to divest from fossil fuel companies that hold oil gas and coal, ready to burn, is a logical part of this.

This global carbon budget is almost reached by the potential emissions of the top 200 fossil fuel companies, which represent 745 billion tonnes of CO_2. This means that we will exceed the 2 degrees Celcius limit simply by using the proportion of reserves listed on the stock market in the next 40 years.[28]

Fossil fuel divestment has emerged as a powerful and important step in addressing this 'unburnable carbon' and moving towards a safe climate. Increasingly, universities, faith organisations, philanthropic foundations, pension funds and industries have been announcing commitments to remove investments in fossil fuel companies for reasons both moral and financial.

While divestment can serve as a symbolic statement, it also pushes global public awareness of 'unburnable carbon', and forms a valuable aspect of a multilateral drive for further climate action.[29] Importantly, divestment can help to shape public discourse and raise public moral standards.[30]

Beyond raising awareness, there is also a moral case for divestment as it shines a spotlight on the major actors of the fossil fuel industry, sending a strong message about their legitimacy.[31] Divestment campaigns can stigmatise fossil fuel companies, causing major reputational damage. Fossil fuel companies currently carry enormous lobbying power, and divestment campaigns can serve to undercut this influence.[32]

Additionally, divestment can form part of robust political change. Divestment movements have contributed to effective campaigns including the drive against tobacco advertising, sweatshops, and the apartheid regime of South Africa.

Opponents contend that it would be better to retain investments in fossil fuel companies and use tactics of shareholder activism to steer those companies to a cleaner future. However, the problem with these companies is in the product itself – no amount of shareholder activism will convince Shell or BP to stop selling oil.

5 years ago 350.org began a campaign to encourage organisations to divest from fossil fuels. To date, 220 organisations have successfully made commitments to divest. This amounts to history's fastest-growing divestment campaign.

27 Go Fossil Free: http://gofossilfree.org/uk/wp-content/uploads/sites/3/2015/05/Divestment-Briefing-for-Labour-Group.pdf

28 Carbon Tracker, Unburnable Carbon- Are the world's financial markets carrying a carbon bubble?: http://www.carbontracker.org/wp-content/uploads/2014/09/Unburnable-Carbon-Full-rev2-1.pdf

29 Mike Hulme, Why fossil fuel divestment is a misguided tactic, 17 April 2015: http://www.theguardian.com/environment/2015/apr/17/why-fossil-fuel-divestment-is-a-misguided-tactic

30 Eric Hendey, Does Divestment Work?, Harvard University Institute of Politics: http://www.iop.harvard.edu/does-divestment-work

31 Damian Carrington, 10 myths about fossil fuel divestment put to the sword, 9 March 2015: http://www.theguardian.com/environment/2015/mar/09/10-myths-about-fossil-fuel-divestment-put-to-the-sword

32 Atif Ansar, Ben Caldecott, James Tilbury, Stranded assets and the fossil fuel divestment campaign: what does divestment mean for the valuation of fossil fuel assets?, October 2013: http://www.smithschool.ox.ac.uk/research-programmes/stranded-assets/SAP-divestment-report-final.pdf

Impacts of a failure to divest from fossil fuels

It is difficult to quantify the potential impacts of a failure to divest from fossil fuels. However, Greenpeace, WWF, Future in Our Hands, urgewald and 350.org say "We are rapidly approaching the time when no country can rely on fossil fuels for its economy or energy safety."[33]

It is predicted by the International Energy Agency that if energy consumption and fossil fuel CO_2 emissions continue at their current rate we will reach the limit of 'unburnable carbon' –carbon that cannot be burned within the 2 degree budget – in just 16 years.[34]

Carbon Tracker warns: "using just the reserves listed on the world's stock markets in the next 40 years would be enough to take us beyond 2°C of global warming. This calculation also assumes that no new fossil fuel resources are added to reserves and burnt during this period – an assumption challenged by the harsh reality that fossil fuel companies are investing billions per annum to find and process new reserves."[35] There are many more reserves held by non-listed, state-owned companies.

Further to environmental impacts, banks, insurers and pension funds run a risk when investing in fossil fuels. Financial institutions are exposed to the risk of a 'carbon bubble' when investing in fossil fuel companies.

The 'carbon bubble' is the result of the overvaluation of stocks owned by fossil fuel companies in coal, oil and gas reserves; if international agreements are met and governments adhere to emissions reduction targets, 60-80% of these reserves will become unusable, and investments in them financially worthless. [36]

Up to 80% of fossil fuel reserves of listed companies are unburnable, producing a major investment risk.[37] It is financially risky for organisations to invest in fossil fuel companies, as they could be burdened with the dangers of this 'carbon bubble' and 'stranded assets'. In the event of a rapid deflation of this bubble, investors holding these assets will stand to make substantial losses. A safe bet towards a sustainable financial system would be for organisations to avoid investing in fossil fuel companies.

Share Action says: "the investment system routinely overlooks the twin challenges of environmental sustainability and social inequality, although both have profound implications not just for long term investment returns but for the future wellbeing of today's pension savers."[38]

33 Greenpeace, Climate expectations raised after Norwegian coal divestment, 5 June, 2015: http://www.greenpeace.org/international/en/press/releases/Climate-expectations-raised-after-Norwegian-coal-divestment/

34 Carbon Tracker, Unburnable Carbon- Are the world's financial markets carrying a carbon bubble?: http://www.carbontracker.org/wp-content/uploads/2014/09/Unburnable-Carbon-Full-rev2-1.pdf

35 Carbon Tacker, Unburnable Carbon- Are the world's financial markets carrying a carbon bubble?: http://www.carbontracker.org/wp-content/uploads/2014/09/Unburnable-Carbon-Full-rev2-1.pdf

36 Carbon Tracker, Wasted capital and stranded assets, 2013: http://www.carbontracker.org/report/wasted-capital-and-stranded-assets/

37 Go Fossill Free, The Case for Fossil Fuel Divestment: City Hall and the LPFA, January 2015: http://gofossilfree.org/uk/wp-content/uploads/sites/3/2015/05/Divestment-Briefing-for-Labour-Group.pdf

Examples of divestment

It is estimated by the International Energy Agency that state-controlled companies own 74% of all coal, oil and gas reserves.[39] This means that governments could significantly influence the divestment movement. The following bodies have taken symbolic and potentially influential steps in committing to divestment.

> It was announced in June 2015 that the Norwegian parliament plans to sell investments in coal from its sovereign wealth fund – called Government Pension Fund Global – which are the biggest in the world at US$900bn.

This follows a cross-party agreement and a parliamentary vote.[40] It is estimated that the fund will sell off $8bn-$10bn of coal-related investments. The sell-off includes stakes in UK fossil fuel companies as well as companies in China, Japan and Australia.[41] Additionally, it was announced in October 2014 that a Swedish national pension fund, the Second AP Fund, would begin fossil fuel divestment. This divestment from a total of 20 fossil fuel companies amounts to a market value of about $116million.[42] Furthermore, a Scandinavian asset manager, Storebrand, worth US$74bn, has announced it will divest from coal and oil sand businesses. The firm added that "these resources are worthless financially".[43]

Glasgow University became the first university in Europe to join the move towards divestment when it announced its plans to divest from fossil fuels from 2014. The university plans to reallocate £18m over a 10 year period. They intend to freeze new fossil fuel investments, and divest the university's fossil fuel investment which makes up 4% of its endowment. This move came about as the result of a student-led campaign on campus.[44] Friends of the Earth stated the university's move to divest "makes good financial sense [because] at some point this carbon bubble is going to have to burst."

Similarly, it was announced in June 2014 that the British Medical Association (BMA) had voted to end investments in fossil fuel companies. Furthermore, the BMA announced plans to increase investments in renewable energy. The BMA put their move down to the risks posed by unmitigated climate change as a "threat to human survival, health and wellbeing".[45]

The World Council of Churches, which represents half a billion Christians worldwide, announced in 2014 a decision to rule out fossil fuel investments.[46]

Other major bodies to commit to divestment are Guardian Media Group and Rockefeller Brothers Fund.[47]

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38 Share Action, A Manifesto for Responsible Investment, July 2014: http://action.shareaction.org/page/-/A%20Manifesto%20for%20Responsible%20Investment%20FINAL%20-%20PRINT%20COPY.pdf

39 Damian Carrington, 10 myths about fossil fuel divestment put to the sword, 9 March 2015: http://www.theguardian.com/environment/2015/mar/09/10-myths-about-fossil-fuel-divestment-put-to-the-sword

40 Damian Carrington, Norway confirms $900bn sovereign wealth fund's major coal divestment, 5 June 2015: http://www.theguardian.com/environment/2015/jun/05/norways-pension-fund-to-divest-8bn-from-coal-a-new-analysis-shows and Heffa Schuking, urgewald, Norway Divests!, 4 June 2015: https://www.urgewald.org/sites/default/files/divestment.briefing_-_final.pdf

41 Damian Carrington, Norway confirms $900bn sovereign wealth fund's major coal divestment, 5 June 2015: http://www.theguardian.com/environment/2015/jun/05/norways-pension-fund-to-divest-8bn-from-coal-a-new-analysis-shows

42 Louise Hazan, Sweden's national pension fund to divest from 20 fossil fuel companies, 20 October 2014: http://gofossilfree.org/swedens-national-pension-fund-to-divest-from-20-fossil-fuel-companies/

43 Allyse Heartwell, Analysts: Fossil Fuel-Free Portfolios Outperform Investments That Include Carbon Polluters, 17 July 2013: http://gofossilfree.org/europe/analysts-fossil-fuel-free-portfolios-outperform-investments-that-include-carbon-polluters/

44 Roger Harrabin, Glasgow University to sell its fossil fuel investments, 9 October 2014: http://www.bbc.co.uk/news/uk-29547137

45 Fossil Free UK, UK doctors end investments in fossil fuel industry, 27 June 2014: http://gofossilfree.org/uk/press-release/uk-doctors-end-investments-in-fossil-fuel-industry/

46 Adam Vaughan, World Council of Churches rules out fossil fuel investments, 11 July 2014: http://www.theguardian.com/environment/2014/jul/11/world-council-of-churches-pulls-fossil-fuel-investments

47 Damian Carrington, Guardian Media Group to divest its £800m fund from fossil fuels, 1 April 2015: http://www.theguardian.com/environment/2015/apr/01/guardian-media-group-to-divest-its-800m-fund-from-fossil-fuels

Fossil fuel companies and public pensions

This country's fossil fuel sector received more than £26 billion in subsidies this year, more than £400 per citizen, making up 1.4% of GDP.[48]

Public pension schemes across the country – including the pensions of MPs – have large stakes in fossil fuel companies. Friends of the Earth recently released a report exposing the high stakes that local governments across the UK have in oil, gas and coal. Local government pension funds, which are responsible for 4.6 million employees, currently have £14bn invested in fossil fuel companies.[49]

Additionally, making 4.6 million public sector pensions dependent on long term profits from an industry threatening a safe planetary future is not a sensible investment strategy. When local governments allow pensions to be exposed to fossil fuels, they're relying on stranded assets for the safe retirement of their workers.[50]

There is great potential for UK governmental policy to positively influence the divestment movement, given that the market here houses some of the biggest names in fossil fuel extraction, such as BP, Royal Dutch Shell, and Rio Tinto.

London in particular could prove to be globally influential in terms of divestment, given that "'the carbon dioxide potential of the reserves listed in London account for 18.7% of the remaining global carbon budget."[51]

Further to divesting from fossil fuel companies, there is great potential for governments to encourage and actively engage in low-carbon investment.[52] Caroline Lucas continues to support the Green Investment Bank (GIB), and is taking a stand against government plans to privatise it. Caroline is also demanding that the GIB's green criteria be strengthened.

Some UK local authorities have made commitments to divestment, including Oxford City and Bristol. However, the UK Government is yet to show such a commitment.

44 Aviation Environment Federation, All set for take off? Aviation emissions to soar under Airports Commission proposals, 16 June 2015: http://www.aef.org.uk/uploads/All-set-for-take-off-AEF-report.pdf

45 Department of Transport, Aviation Policy Framework, March 2013: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/153776/aviation-policy-framework.pdf

46 The Telegraph, Family holidays now up to £142 cheaper, 1 May 2015: http://www.telegraph.co.uk/travel/travelnews/air-passenger-duty/11576263/Family-holidays-now-up-to-142-cheaper.html

Divestment and the Green Party

Green Party London Assembly Member Jenny Jones tabled a motion for divestment in March 2015 at the London Assembly Plenary. She called for the London Pension Fund Authority to freeze new investments in the extraction of fossil fuels, and to plan within the next five years to divest from the top 200 fossil fuel companies.[53] The London Assembly's Economy Committee released a report on the effects of climate change on London, demonstrating the risks posed by fossil fuel investments, and subsequent 'carbon bubbles'.[54] Boris Johnson rejected the nonbinding motion. The Mayor of London's stance does not make climate sense.

Caroline Lucas MP, who is vice chair of the All Party Parliamentary Group on Responsible Investment, is highlighting that MPs' pension funds could be potentially contributing to the acceleration of climate change through investments in gas, coal and oil. Since October 2014, Caroline has been active on the issue, writing to the chairman of the fund's trustee board, Brian Donohoe, setting out her concerns for the economic and climate risk of the fund investing in 'unburnable carbon'. She wrote that 'failure to acknowledge the risks of continued investment in fossil fuel industries would in fact be to the financial detriment of the scheme.'[56] Caroline also tabled an Early Day Motion in February of this year to mark Global Divestment Day, stating that MPs have a responsibility to demonstrate leadership on climate change.[57]

The Parliamentary pension fund must open up its investment portfolio to scrutiny from MPs. The total value invested in fossil fuels is not in the public domain, and Caroline has been continuing to support demands for these investments to be disclosed. It is scandalous that pension fund beneficiaries are denied access to details of investment, and are therefore denied the opportunity to engage with the fund on environmental and ethical implications. Rather than lagging behind on opportunities to divest from fossil fuels, parliament should be addressing the climate impacts and financial risks of MPs' savings.

Caroline is calling on parliamentarians to show leadership in tackling investment in the fossil fuel industry and in moving towards responsible, sustainable investment. On 14th August this year, Caroline tabled a further Early Day Motion addressing the issue:

> That this House notes that approximately £500 million is invested in the UK and global economy through the Parliamentary Contributory Pension Fund; further notes the considerable academic and economic evidence from reputable sources, including the Bank of England and Carbon Tracker, that climate change poses a serious risk to returns on investment for pension holders; notes the growing fossil fuel divestment movement consisting of universities, churches, institutions, businesses, individuals and others who are shifting investment to low carbon alternatives instead of fossil fuels and undertaking investor stewardship to promote strong management of climate change risk within the corporate sector; considers that parliamentarians, past and present, should demonstrate leadership on responsible investment and tackling climate change by challenging and changing how the Parliamentary Pension Fund is invested; further considers that such action from parliamentarians would be a practical and positive move in advance of the Paris climate talks and would highlight the urgent need to shift financial flows away from fossil fuels and into low-carbon solutions and climate adaptation; and calls on the trustees of the Parliamentary Contributory Pension Fund to quantify and review the fund's investments in high carbon industries and the fossil fuel sector, and associated risks, to enter into discussions with members about addressing these risks and to develop an industry-leading approach to climate change in its investment strategy, with a view to divesting the Parliamentary Pension Scheme from fossil fuels over an appropriate timescale.[58]

53 Greater London Authority website, Call for London's pension fund to urgently divest from fossil fuels, 10 March 2015: https://www.london.gov.uk/media/assembly-member-press-releases/green-party/2015/03/call-for-london-s-pension-fund-to-urgently-divest-from-fossil

54 Greater London Authority website, Weathering the Storm: The Impact of Climate Change on London's Economy, 23 July 2015: https://www.london.gov.uk/mayor-assembly/london-assembly/publications/impact-of-climate-change-on-londons-economy

55 Adam Vaughan, Boris Johnson rejects London motion on fossil fuel divestment, 13 May 2015: http://www.theguardian.com/environment/2015/may/13/boris-johnson-rejects-london-motion-on-fossil-fuel-divestment

56 Caroline Lucas, Letter to Brian Donohoe MP: Divestment of MPs' pension fund, 13 February 2015: http://www.carolinelucas.com/caroline/parliament/letter/letter-to-brian-donohoe-mp-divestment-of-mps-pension-fund

57 Parliament UK website, Early day motion 773: Global Divestment Day, 4 February 2015: http://www.parliament.uk/edm/2014-15/773

58 Parliament UK website, Early day motion 445, Climate Change Risk, Fossil Fuel Divestment and the Parliamentary Pension Fund, 14 September 2015: http://www.parliament.uk/edm/2015-16/445

Local Green Parties are active in calling on local councils to divest from fossil fuels. Greenwich Green Party is calling on the Royal Borough of Greenwich to withdraw its investments in fossil fuels, which include 100 companies and are worth around £17m. Cambridge Green Party and Lambeth Green Party are similarly active in calling on local institutions and councils to divest.

Furthermore, local Green Parties and Green councillors across the UK have been working hard to promote the case of divestment from fossil fuels with local governments. Green Party Councillors Andrew Cooper and Karen Allison submitted a motion for a Kirklees Council free of fossil fuels. The motion read as follows:

This Council recognises:

i. the challenge and threat of climate change to residents and global community;

ii. that to keep global warming below 2°C we must operate within a global carbon budget. 80% of existing fossil fuel reserves cannot be burned if we are to keep below the internationally agreed climate change goal of keeping below 2 degrees;

iii. the growing movement to divest from fossil fuels in order to, in the words of Desmond Tutu, "break their ties with corporations financing the injustice of climate change";

iv. that there is also a strong financial case for divestment, with recent concerns raised by the Bank of England about 'unburnable carbon' and significant financial risks posed by fossil fuel equities;

v. that governments are increasingly controlling carbon emissions to meet international targets; a large proportion of fossil-fuel reserves which companies expect to extract will become stranded assets: a "carbon bubble". Funds which are exposed to fossil-fuel equities when this bubble bursts can expect to suffer considerable losses;

vi. that Pension Fund Trustees owe fiduciary duties to scheme employers and scheme members, and must act in the best long-term interests of fund members.

The motion was passed and Kirklees Council responded positively, committing to "consideration to an additional principle of avoiding direct investment in institutions with material links to fossil fuel extraction". Furthermore, the Council stated: 'Kirklees Council will encourage other local authorities to similarly reviewing their Fossil Fuel industry investments, by sharing this decision through the Local Government Association and the West Yorkshire Combined Authority.'[59]

Similarly, Green councillors in Bradford have successfully ordered reviews on the Council's carbon investments. Bradford Council voted in October this year to review investments the West Yorkshire Pension Fund has in carbon, and to assess the implications of divesting from the fossil fuel sector. This vote came about as a result of a motion proposed by Green Councillor Kevin Warnes, who made reference to Desmond Tutu's statement about the need to "break ties with corporations financing the injustice of climate change" when putting forward the divestment case to the Council.[60]

The recent successes in Kirklees and Bradford provide inspiring examples of effective divestment campaigning on a local level. Green Party members, activists and councillors are working to emulate these steps towards divestment across the country.

59 Andrew Cooper, Kirklees Greens Fossil Fuel Divestment Motion Passed!, 7 October 2015: http://www.greeningkirklees.blogspot.co.uk/2015/10/kirklees-greens-fossil-fuel-divestment.html

60 Fossil Free West Yorkshire Pension Fund, Bradford Council votes to review its fossil fuel investments, 22 October 2015: https://fossilfreewypf.wordpress.com/2015/10/22/bradford-council-votes-to-review-its-fossil-fuel-investments/

CONCLUSION

The UK is well positioned to positively influence the global divestment movement, which is continuing to gain traction. We have a great opportunity for the UK Government to show a real commitment to challenging climate change by divesting from fossil fuels and actively investing in clean, renewable energy sources.

Parliamentarians and local governments should demonstrate a commitment to tackling climate change by showing leadership in responsible investment and demanding that their pension fund investments be made transparent, and free from fossil fuels. Turning away from investments in oil, gas, and coal which are contributing to the acceleration of climate change would be a practical and positive move in advance of the Paris climate talks.

Furthermore, local governments should also make strides to reorient pension fund investments away from fossil fuel companies, and turn attention towards clean and sustainable energy.

In the run-up to the climate talks in Paris, precisely at a time when other governments around the world are committing to act on climate change and reduce emissions, the UK Government in contrast continues to remain loyal to the companies that extract fossil fuels and directly contribute to climate change. This unwillingness to convert to cleaner, greener energy investments does not make climate sense.

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