

Introductions of those attending and statement of whether they are members of the Avon Pension Fund or Fossil Free Bristol.

It's a widely held view that climate change poses a significant financial risk to the investment system and UK pension fund portfolios. However, at the beginning of 2014, the Avon Pension Fund had more than £17.4million invested in fossil fuel industries.

We are here to highlight the risks facing the Avon Pension Fund due to its continued investment in fossil fuel companies. We urge the pension fund committee to divest from fossil fuel interests in favour of supporting the transition to a low carbon economy.

*Investing in fossil fuels is **environmentally** unsustainable*

The facts

The international consensus on the science of global warming states - if we exceed a 2 degree rise then climate change becomes unpredictable and 'dangerous' (i).

The top 200 fossil fuel companies have known reserves equivalent to almost five times more than can be emitted if we are to have an 80% chance of preventing warming from exceeding the critical two degree threshold.

Corporations continue to pump billions of shareholder dollars into the quest for more fossil fuel supplies. Deutsche Bank estimates that in 2014, the oil industry spent \$650bn on exploration and the development of new reservesⁱⁱ.

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The facts

The fossil fuel industry is based on an unsustainable business model. This throws into question their long term investment potential.

If an international agreement on climate change is reached, many of the fossil fuel assets currently listed on the world's stock market could become 'stranded'.

The Bank of England is undertaking an enquiry into the risk of fossil fuel companies causing a major economic crash if their fossil fuel assets become worthlessⁱⁱⁱ.

350.org's international Fossil Free campaign is putting pressure on organisations all over the world to shun unsustainable fossil fuel investments.

Many institutions in the UK and around the world have already committed to divestment.

Avon Pension Fund's position

We thank Liz Woodyard for her openness in recent correspondence regarding APF's approach to responsible investment in the face of climate change. From which we understand that:

- Existing APF policies do not appear to take into account the impact of its fossil fuel investments.
- APF is awaiting further understanding on the relationship between fossil fuels and climate change and on the approaches to managing those risks before responding to the climate change agenda
- APF has not established the carbon footprint of its investment portfolio
- Investment managers have not been asked to consider the feasibility of allocating capital away from fossil fuels

In correspondence with LAPFF, we understand that the preferred strategy for pension funds is to use their investments as a lever to influence the activities of fossil fuel companies rather than commit to divestment. In some cases pension fund shareholders have begun to challenge Exxon, Shell, and BP to show how their business model is compatible with two degree warming.

In this context, we call for APF to:

1. Tell us the results of their engagement with fossil fuel companies and, their escalation strategy should such engagement fail to deliver timely results
2. Consider the financial feasibility of divesting from fossil fuels with a view to:
 - a. Immediately freezing any new investments in fossil fuels
 - b. Divest immediately from pure-play coal companies
 - c. Divest from direct ownership and any commingled funds that include fossil fuel public equities and corporate bonds within five years
3. Take a proactive and strategic approach to supporting the transition to a low-carbon economy by:
 - a. Assessing the fund's assets that are invested in transition industries
 - b. Requiring asset managers to detail opportunities for low-carbon investment
 - c. Setting a target for increased investment in the low-carbon economy
4. Contact the Environment Agency Pension Fund, a global leader in concurrently protecting financial returns and mitigating climate change

We also see APF's continued support of the fossil fuel industry as inappropriate given our region's desire to be at the forefront of sustainability and low carbon innovation. As European Green Capital, Bristol City Council has already committed to not having direct investments in fossil fuels.

As an investment project manager in Bristol City Council's Energy Service, I strongly agree with this campaign to divest the Avon Pension Fund away from fossil fuels. Not only is it questionable to continue to support the burning of fossil fuels according to APF's 'Social, Environmental and Ethical Considerations' investment principles, the financial viability of those investments is also uncertain.

Investing in the future of fossil fuels presents a long-term financial risk due to the persistent over-valuation of coal, gas and oil reserves that may be rendered worthless if international agreements on climate change are reached.

Earlier this year, as Bristol entered its reign as 2015 European Green Capital, our Mayor George Ferguson pledged to divest Bristol City Council investments out of the fossil fuel industry. I am pleased to say that the council's policy has now been amended to reflect this and that Bristol City Council currently has no direct investments in fossil fuel industries. I lend my full support to this campaign and am keen to work with APF and its other member organisations to freeze and withdraw the Fund's unsustainable fossil fuel investments

Finally we would welcome the opportunity to attend a specific meeting with members to discuss these issues in more details.
