

Statement to Avon Pension Fund meeting, 26th March 2021.

Risk, Reputation, and MisRepresentation.

My statement relates to your agenda items on risk and investment

Risk

Divestment is the common term for making investments free of fossil fuels. Calls for private and public funds to divest have grown around the world thanks to pressure from activists - with some investors and bankers belatedly waking up to the drastic impact of drilling, mining and burning fossil fuels on the global climate. The pace has been accelerating as the evidence of climate breakdown grows. Warnings from scientists to stop releasing greenhouse gases are ever more urgent.

Divesting money from fossil fuel companies hits big polluters and emitters where it hurts – their funding – and sends a strong message that business as usual can't continue. Shares may be resold but the cost of capital gradually grows for the pariah businesses. For investors there's also a **serious risk of 'stranded assets'** as stocks based on expectations of continued extraction permanently lose their value when the minerals have to stay in the ground.

What analysis has the fund done of the recent price crashes and revaluations of assets in the fossil fuel based investments held by the fund? How certain are you that you are not risking exposure to stranded assets?

Reputation

While cities like New York, Berlin, Oslo and Cape Town have already begun to divest their fossil fuel assets, it's worth looking briefly at what action has actually been proposed by this pension fund.

The fund invests through the Brunel Pensions Partnership. In January 2020 Brunel gained headlines for a new policy:

“between now and 2022, Brunel will demand that their material holdings take steps to align their emissions with Paris benchmarks

Those that fail to do so will face the *threat* of votes against the re-appointment of Board members, *or* being removed from Brunel's portfolios when the partnership carries out a stocktake of its policy's effectiveness in 2022.”

This seems like good news. But the Paris carbon commitments are nowhere near good enough. The UN found that if every country follows through its commitments under the accords, the result would be global heating of over 3 degrees by the end of the century. This would cause catastrophic runaway heating of the planet.

Continuing to invest in big polluters while merely sending letters or threatening votes just delays alternative approaches. Many campaigners took the announcement by Brunel as the start of divestment. But apart from a gradual placing of some new funds into lower carbon stocks it wasn't. And despite confirmation at the Fund's June 2020 meeting that these 'greener' investments had been more successful through the pandemic than the traditional fund holdings - no increase was approved.

Meanwhile Greater Manchester, Hackney and others have stepped up their shift away from fossil fuels, Hackney adopting its 2040 climate deadline.

And **Friends of the Earth/ Divest UK** * have highlighted the funds still in fossil fuels in their current campaign - which shows that while APF has a better than average overall fund exposure it still has a very average actual financial investment in the destructive stocks causing climate breakdown.

There's therefore another dimension you need to assess: **reputational risk**. The fund represents local authorities who have all declared a climate emergency and this stance is backed by the largest staff union, Unison, as you know. At the same time the eyes of the world will be on action underway in the UK this autumn with the Conference of the Parties in Glasgow. **Are you prepared for further scrutiny as Paris commitments get left behind?**

Misrepresentation

Finally there's misrepresentation.

It was a surprise to me when in September 2020 Bristol was credited in international press, following a **C40 cities** press release that claimed Bristol City Council supports divestment **#. Was the Avon Pension Fund equally surprised?**

In the PR London Mayor Kahn suggests the signatories to the C40 declaration are "taking Divest/Invest action for a fairer, fossil-fuel-free green recovery."

And among the official C40 declaration there are clear commitments to:

"Take all possible steps to divest city assets from fossil fuel companies and increase investments in climate solutions"

"Call on pension funds to divest from fossil fuel companies and increase financial investments in climate solutions."

This is actually what I've been calling on in Bristol in both 2015 and 2019 proposals I made the BCC, both rejected by the Labour Group to avoid such commitments.

Was it a U-turn at last? Unfortunately it seems not. Wriggle room in the text allows signatories to take 'one or more' of a number of actions including an alternative to actual divestment – 'encouraging' city pensions to develop a policy to invest in climate solutions. And Bristol's own specific commitments amount to:

"...support our staff pension fund, the Avon Pension Fund, in its objectives to reduce fossil fuel investment and increase sustainable investments."

"...call on Avon Pension Fund to set out a clear timetable and set of metrics as part of its review of its alignment of its portfolio with the Paris agreement"

It's debatable whether you've done even this – maybe you could confirm the timetable?

But in any case two or more years of inaction and monitoring is spun as 'action to divest/invest' - an action repeatedly blocked over the last 5 years. The climate emergency is accelerating at frightening speed; a policy of 'keeping our foot on the gas, but maybe dropping the speed a little', simply is not good enough.

If the Fund was as committed to action on the climate emergency as the Mayor of Bristol is to PR about it, local government pensions would by now be well on the way to being fully divested, along with other institutions in the city.

As a Green I think an emergency requires action not just 'monitoring'. This committee should:

- Publicly commit to accelerate the action by APF, to revisit the Brunel Partnership Investment Strategy and its 2year delay. We need to demand a target of net zero by 2030 – the same as our climate emergency target. When will you align with the commitments by all the constituent authorities?

- Inform the workforce of other options for shifting funds out of fossil fuels over a 5 year period, highlighting the benefits of this compared to risks of stranded assets.

- Direct the APF to innovate by putting some of its funds into community energy projects, and dramatically stepping up funding into cleaner energy and diversifications tried elsewhere eg the new Renewables Infrastructure Funds.

In an emergency action is needed, not headlines.
I look forward to your response.

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* www.divest.org.uk/councils

ref <https://www.c40.org/divest-invest>