

## 1. What is Divest Invest?

To Divest Invest is to pledge, over time, to sell holdings of fossil fuel shares and invest instead in climate solutions, such as renewable energy, clean tech and energy efficiency.

It has several goals:

- I. Protect investments from the risks associated with climate change.
- II. Remove the social licence for the use of fossil fuels that would exceed the 'safe' carbon budget.
- III. Raise awareness about the urgent need to reduce global extraction of fossil fuels significantly to avoid dangerous climate change.
- IV. Increase investment in climate solutions.
- V. Stimulate the finance sector to develop fossil-free investment products to enable more investors to support a clean energy economy.

## 2. Who has done this?

Each week more organisations and individuals are committing to divest invest. In September 2014 found 181 institutions and local governments and 656 individuals representing over £32 billion (€43.9 bn; \$48.786bn) had committed to divest invest. A year on, the number of organisations has doubled, and the total assets of those making full or partial pledged has increased to £1.7 trillion (\$2.6trn; €2.36trn) Organisations that have committed to divest invest include:

Church of Sweden	San Francisco Pension Fund
Fondation Charles Leopold Mayer	KR Foundation
Glasgow University	Rockefellers Brothers Fund
London School of Hygiene and Tropical Medicine	Children's Investment Fund Foundation
Wallace Global Fund	Joseph Rowntree Charitable Trust
Ashden Trust	California Institute of Arts

In addition to the full divest invest pledge, a number of organisations have committed to divesting from the most polluting or risky investments. These include:

Axa	Norwegian Sovereign Wealth Fund
Stanford University	Church of England
Oxford University	California State Pension Funds (CalPERS and CalSTRS)

### 3. Why does pledging to divest invest now matter?

At the current rate of greenhouse gas emissions, the average global temperature is predicted to increase by more than 4°C above the average global temperature of pre-industrial times. It is widely agreed this would have severe consequences to health, and national security. Policy makers have agreed that the average global temperature rise not exceed 2°C

The Intergovernmental Panel on Climate Change has said that we still have the chance to avoid dangerous climate change and meet our increasing energy needs if we reduce fossil fuel use, improve energy efficiency and switch energy production to renewable sources.

Climate scientists have calculated that, to have at least a 50% chance of keeping warming below 2°C throughout the twenty-first century, between 60-80% of known fossil fuel reserves should remain unused. Globally, this is approximately a third of oil reserves, half of gas reserves and over 80 per cent of current coal reserves that should remain unused from 2010 to 2050.

By pledging to divest invest now, we will speed up the transition to a low carbon society, and help to limit temperature rise to the safer 2°C.

“Climate change is a medical emergency. It thus demands an emergency response, using the technologies available right now. “

*Hugh Montgomery, director of the UCL Institute for Human Health and Performance, co-chair of the Lancet commission on Climate Change*

### 4. Divest invest makes sense for our economies

Historically, fossil fuel investments have been beneficial for economies. This situation is changing quickly. Climate change will have significant economic consequences. Recent research estimates that, if the global average temperature increase reaches 4°C, it could damage GDP by 20% in 2030.

The World Bank has reported that countries around the world can move their economies onto a path that cuts net emissions of carbon at an affordable cost, but that they should start now.

Governments around the world are under increasing pressure from all parts of society – faith groups, NGOs, health sector, business – to reach global agreements that will be effective in reducing emissions. In September 2014, more than 340 institutional investors managing £9.5 trillion (€13.18trn; \$14.5trn) in assets called on governments to set a meaningful price on carbon emissions, stating their readiness to move investments into clean energy with backing from international policy.

There is strong evidence that investment in climate solutions will benefit economies through job creation, reducing fuel poverty, improving air quality and reducing health costs.

Tackling climate change could lead to global GDP gains of between \$1.8trn and \$2.6trn by 2030

*World Bank, 2014*

Investing in public and low emission transport, building efficiency and waste management in cities could generate savings with a current value of US\$17 trillion by 2050. These low-carbon investments could also reduce greenhouse gas emissions by 3.7 Gt CO<sub>2</sub>e per year by 2030, more than the current annual emissions of India. With complementary national policies such as support for low-carbon innovation, reduced fossil fuel subsidies, and carbon pricing, the savings could be as high as US\$22 trillion.

*The Global Commission on the Economy and Climate*

## 5. Divest invest is financially prudent for shareholders

The fossil fuel industry has been a source of strong returns for shareholders. The risks of fossil fuel reserves being stranded assets, the increasing cost of extraction, and the falling cost of renewables now threaten the traditionally healthy yields. It is now prudent to move investment from fossil fuels to renewable energy and other climate solutions.

First, there is a regulatory risk. If emissions are constrained to limit global warming, a large proportion of the assets for listed fossil fuel companies cannot be burnt and will be liabilities or “stranded assets”. This concept of a ‘carbon bubble’ has gained rapid recognition since 2013, due to the work of Carbon Tracker. It is taken increasingly seriously by some major financial companies including Citi bank, HSBC, Moody’s and The Bank of England which is currently conducting an enquiry into the risks of fossil fuel stranded assets.

“As the world increasingly limits carbon emissions, and moves to alternative energy sources, investments in fossil fuels – a growing financial market in recent decades – may take a huge hit.”

*Bank of England, 2015*

“We estimate that the total value of stranded assets could be over \$US100 trillion based on current market prices,”

*Citigroup, Energy Darwinism II, 2015*

Second, fossil fuel companies continue to invest billions each year – £380 billion (€527.55 bn; \$580bn) in 2013 – in the development of new reserves that cannot be used. The cost of extracting fossil fuels has increased and no large project has come on stream at a break-even

cost for almost three years. In July 2015, oil groups shelved £131bn (€179bn; \$200bn) in new projects primarily due to low oil prices.

Third, the cost of renewable energy has rapidly declined and in many countries matches or out-competes fossil fuels on price even before externality costs are accounted for, leading many analysts to argue that the energy transmission will be primarily driven by economics.

“Renewable energy accounted for half of energy installed globally in 2014.”

*UNEP & Bloomberg New Energy Finance*

“Renewable sources can now produce electricity at close to or even below the cost of new fossil fuel-based power stations.”

*International Energy Agency, 2015*

These factors, in particular regulation to limit carbon emissions and the increasing competitiveness of renewables will result in a switch from our demand for fossil fuels to renewable energy. Combined they pose an enormous risk to fossil fuel investors. Yet these risks have not been properly assessed or priced by financial regulators or the fossil fuel companies. We believe that investors should remove their exposure to fossil fuel companies both to avoid this specific bubble, and to support wider, longer term economic threats from unmitigated climate change.

## 6. Do I have a moral responsibility to divest invest?

Climate change is already having serious humanitarian and economic consequences. The international health community has issued many warnings that unmitigated climate change poses grave risks to human health. A UCL-Lancet Commission described climate change as “the biggest global health threat of the 21st Century.” It’s also posing catastrophic risks to the global biodiversity and ecosystems on which we all depend.

Given the current and future impacts of using fossil fuels are known, the leaders of numerous faith groups are clear on the moral imperative to act. It is no longer possible, in good conscience, to continue to invest in fossil fuel companies.

“For human beings... to degrade the integrity of the earth by causing changes in its climate... these are sins”.

*Pope Francis*

“Climate change is the most pressing moral issue in our world.”

*Archbishop of Canterbury, Justin Welby*

“One way of addressing our own responsibility would be to...move our money from spending that helps ...burn our planet to spending that helps to heal it.”

*Rabbinic Letter on Climate Change*

“We particularly call on the well-off nations and oil-producing states to lead the way in phasing out their greenhouse gas emissions as early as possible.”

*Islamic Declaration on Climate Change*

## **7. Charities' fiduciary duty**

Over the last five years we have developed a better understanding of the role of finance in contributing to climate risk and of the nature of the financial risks of carbon intensive assets. This developing understanding should inform the interpretation of the powers and duties of charity trustees. Last year, the UK's Law Commission looked in detail at the extent to which different kinds of fiduciaries – charity trustees, pension fund trustees, investment managers and others – are able to consider environmental, social and governance factors (“ESG factors”). The Law Commission's report communicates the view that it is always legitimate for fiduciaries to consider ESG factors where these factors represent underlying financial risks.

The stranded assets issue demonstrates that carbon intensive assets are subject to significant political and regulatory risk in the long term due to climate change and international efforts to reduce the degree to which the earth's temperature rises. If the thesis is that financial risk has not yet been properly priced by the market – and there is mounting evidence in its favour – then it is to be expected that trustees and investment committees may consider divesting to manage this risk.

Charities exist for public benefit. Investment powers are by definition subordinate to the charitable objects – these powers are simply a means to an end. It would be perfectly sensible for many such charities to divest from carbon intensive assets on the basis that such investments undermine their objects.

Trustees and investment committees have the duty to make sure that investments are 'suitable' for the charity and are properly diversified. However, this is not a duty to achieve maximum diversification. It is not a duty to invest in all asset classes. It is therefore permissible for a charity to decide not to invest in carbon intensive assets and to seek diversification by other means. What is suitable should also be seen in light of the objects of the charity – an investment is absolutely not suitable if it conflicts with the objects.

The reputation of a charity is one of its most critical assets – on which so much else depends. Trustees are under a duty to safeguard charitable assets. The fallout from the Panorama investigation into Comic Relief showed us very clearly that donors, the public and other key stakeholders expect charities to meet higher standards than other investors.

## **8. What are the short-to-medium term financial implications of divest invest?**

Some investors have in the past raised concerns about the short-to-medium term financial impact of divesting from fossil fuels. It has also been asserted that a rapid transition towards a low-carbon economy would come at a significant financial cost to investors. Numerous studies demonstrate that these financial risks are not substantiated.

A report by financial consultants Mercer, *Investing in a Time of Climate Change*, states that that climate change will inevitably have an impact on investment returns and investors need to view it as a new return variable. It points out that over the next ten years average annual returns from coal could be eroded between 26% and 138% whilst the renewables could see average annual returns increase by between 4% and 97%. Moreover, it indicates that staying within two degrees of climate change will not jeopardise financial returns.

Indeed, research suggests fossil-free portfolios are already capable of generating better returns. Analysis of the MSCI World Index found that removing fossil fuels and adding renewable energy and energy efficiency alternatives would have generated better returns than the existing fossil fuel-dependent portfolio over the preceding seven years.

## 9. Don't we need fossil fuels?

The International Energy Agency has predicted that world primary energy demand will grow by anywhere between 20% and 40% between 2009 and 2035, driven by growing income and population in emerging economies and to improve access to electricity for many people who still lack it. A major wave of investment will be required to meet this demand. How that money is spent is critically important: it can help build robust, flexible, low carbon energy systems that will serve countries well for decades to come, or it can lock in an energy infrastructure that exposes countries to severe climate change, future market volatility, air pollution, and other environmental and social stresses.

Renewable energy could account for almost 80% of the world's energy supply within four decades with sufficient investment and if governments pursue the policies needed to promote it.

[IPCC](#)

Some governments and the fossil fuel sector consider that the development of carbon capture and storage technology will enable the continued use of fossil fuels. The International Energy Agency stated that carbon capture and storage could contribute around 15% of the CO<sub>2</sub> mitigation effort required by 2050. A recent report by UCL suggests that its potential is much less because of its high costs, its late date of introduction, where it can be used and its maximum deployment rate.

UK diplomat John Ashton has expressed severe doubts about the potential of CCS: "There is no engineering reason why dozens of large CCS installations should not already be running across Europe...With no compact to share additional costs between taxpayers, consumers and shareholders, CCS at scale remains empty talk."

## 10. Isn't engaging with fossil fuel companies more effective?

What is the goal of engaging with fossil fuel companies? To encourage them either to transform their business from fossil fuels to renewable energy or to wind-down the fossil fuel business and return value to shareholders? Or perhaps, to collaborate with other fossil fuel companies and governments to agree which proportion of their assets will be used to limit climate change to 2C?

The majority of fossil fuel companies acknowledge the reality of climate change yet base their business plans on fossil fuel demand that would cause greater than 2°C global warming. Not only this, but few significantly account for any changes associated with climate regulation or an economically drive energy transmission.

Following recent shareholder resolutions, the boards of Shell and BP agreed to increase disclosures of their corporate strategy on climate change as part of routine reporting from

2016. At the same time, Shell plans to explore for oil in the Arctic even though evidence is clear that that this is incommensurate with efforts to limit average global warming to 2°C. Even Shell’s direct greenhouse gas emissions increased from 73 million tonnes of CO2 equivalent in 2013 to 76 million in 2014.

IPIECA – the global oil and gas industry association for environmental and social issues – states that there is no clear evidence of a speculative ‘carbon bubble’ and that markets are pricing oil and gas companies rationally.

To date, there is no evidence that engaging with fossil fuel companies will be an effective tool to reduce global carbon emissions in the time required.

“We came to the conclusion that it was impossible for today’s oil and gas majors to adapt in a timely and intelligent way to the imperative of radical decarbonisation. We felt we had no option but to end our long-standing partnerships with both Shell and BP.....These are companies whose senior managers know, as an irrefutable fact, that their current business model threatens both the stability of the global economy and the longer-term prospects of humankind as a whole. It got harder and harder for me to look them in the face knowing what they knew, and witnessing at first hand the intricate patterns of denial and self-deception that they were forced to adopt.”

*Jonathan Porritt, Founder Director of non-profit consultancy  
Forum for the Future*

**11. Aren’t the majority of fossil fuels reserves owned by national oil companies and not listed companies?**

National Oil Companies, which are mainly in the Middle East, typically own the fossil fuel assets that are easier and cheaper to extract from the ground and therefore more likely to be extracted. Listed companies do not have access to these reserves and generally are extracting or planning to extract fuels which are harder and more expensive to get out of the ground – in the Arctic, in deep water and in oil sands. The only way listed companies can access the cheaper projects is to partner with the national oil companies. The listed companies can and often do provide the expertise and the capital that helps the national oil companies get their fossil fuels out of the ground. Also, national oil companies come to the financial market for capital to fund fossil fuel extraction. Carbon Tracker has calculated that around half of future production could involve listed companies – even though the proportion of reserves controlled by states is higher than that. The listed companies therefore will determine whether we achieve the target is limiting temperature rise to 2°C.

The World Bank reported that fossil fuel subsidies reached around £346 billion (\$528bn; €481 billion) in 2013.

The International Monetary Fund reported that post-tax subsidies, which account for environmental damage associated with energy consumption and additional consumption taxes, are projected to reach £3.4 trillion ( \$5.19trn; €7.4trn) (6.5 percent of global GDP) in 2015.

## 12. How much investment is needed in climate solutions? Can divest invest make a difference?

The International Energy Agency estimates that £632 billion (\$965bn; €880bn) /year of investment is needed to achieve the transition from fossil fuels and meet growing energy needs. Global investment in renewable energy is currently at £190 billion (\$290bn; €264 bn). More than 50% of the investment required is needed in the energy efficiency sector.

Fortunately, with over \$50 trillion invested in the global stock markets, and a further \$100 trillion held in sovereign and intergovernmental debt, on the face of it, there should be no shortage of capital available. The speed and scale of the growth in sovereign debt that was issued to underpin the global financial system during the financial crisis demonstrates that it is possible to secure financing at the speed and scale implied here. The key is the existence of political will.

*Centre for Science and Policy, Cambridge University*

## 13. What are the investment opportunities?

There is exciting growth in opportunities to invest in climate solutions. Investors in renewable energy, energy efficiency, clean technology and energy access can benefit financially from the inevitable expansion of this sector and help to accelerate the transition to low carbon energy for all.

There are an increasing number of fossil-free investment funds around the world, as well as several fossil free indexes including the FTSE Developed ex Fossil Fuels Index. While these are currently outweighed by conventional funds that include fossil fuels, there is a growing call among investors for more fossil-free portfolios from asset managers and the divestment community.

Local renewable energy projects are also a growing investment. In the UK, a number of bureaux or platforms such as Abundance and Trillion Fund have been set up in recent years to facilitate direct investment in projects such as wind and solar farms. These platforms do not act as investment managers; rather the investor selects a project directly from those promoted by the platform. Rates of return on an average project are estimated to be 5–9 % over the life of a project. These investments are usually long-term, with debentures entitling an investor to a return of their capital and a share of the profits over a typical period of 20 to 25 years. This



market currently has low liquidity, with shares often needing to be sold directly to a new buyer if an investor wants to reclaim their capital. However, as the market grows its liquidity is likely to increase.

Renewables could see average annual returns increase by between 4% and 97%.

*Mercer*

#### **14. How does my institution commit to divest invest?**

Europeans for Divest Invest – a consortium of leaders from nine different philanthropic institutions in Europe – is encouraging charitable foundations and high net worth individuals to divest from fossil fuels and invest 5% or more of their portfolio in climate solutions. There is no specific deadline for when you must have completed the shift in your investment portfolio, but it should be commensurate with the science and with speed in mind.

Pledges can be completed on the Divest Invest website: <http://divestinvest.org/>

Please let us know if you decide to make this important commitment. We aim to raise awareness of the important issues behind this initiative by coordinating announcements of new pledges.. The contact is Beverley Huddy at the Sainsbury Family Charitable Trusts – [Beverley.huddy@sfct.org.uk](mailto:Beverley.huddy@sfct.org.uk)

In December 2015, global governments will be gathering in Paris for the 21st Conference of the Parties to the United Nations Framework Convention on Climate Change (COP21). We need to muster the collective political will to reach an ambitious agreement tantamount to the scale of the challenge we face. Imagine the effect that an avalanche of public commitments to Divest Invest could play in the run-up to COP21. We believe that Divest Invest is one of the most significant things that institutions around the world can do to help make the shift to a clean energy future.

#### **Europeans for Divest Invest Steering Group**

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# Analysis on European Divestment Commitments

23/10/15

## QUESTIONS

1. How many organisations in EU have committed
2. Names of all organisations that have signed the pledge in EU
3. Which sectors are these organisations from, and what is the percentage of each sector (by organisation rather than AUM)
4. Total AUM of all these organisations
5. Are you able to identify when each of the organisations committed? I was thinking of doing a timeline for the EU

## ANALYSIS

**71 European organizations have committed to divest** (full list below).

Name of Institution	Date Commitment Made	Location - Country	Type of Institution
AP2 Pension	May-15	Sweden	Pension Fund
Ashden Trust	Apr-15	UK	Philanthropic Foundation
Axa	May-15	France	Private Company
Bewegungsstiftung	Jan-14	Germany	Philanthropic Foundation
Bioregional	Jun-15	UK	Philanthropic Foundation
Both ENDS	Jun-15	Netherlands	Philanthropic Foundation
Boxtel, Netherlands	Oct-13	Netherlands	Municipality
Brighthelm Church and Community Centre	May-14	UK	Faith-based Organization
Bristol City Council	Feb-15	UK	Municipality

Appendix A. Analysis of European Divestment Commitments

British Medical Association	Jun-14	UK	Healthcare Institution
Chalmers University of Technology	Jan-15	Sweden	Educational Institution
Children's Investment Fund Foundation	Sep-15	UK	Philanthropic Foundation
Church of England	Apr-15	UK	Faith-based Organization
Church of England Diocese of Oxford	Nov-14	UK	Faith-based Organization
Church of Sweden	Sep-14	Sweden	Faith-based Organization
Diakonia	Oct-13	Sweden	Nongovernmental Organizations
Fondation Charles Leopold Mayer	Jan-14	France	Philanthropic Foundation
Frederick Mulder Foundation	Jan-14	UK	Philanthropic Foundation
Gloucester Shire Council		UK	Municipality
Guardian Media Group	Apr-15	UK	Private Company
Huddersfield Quakers		UK	Faith-based Organization
Indigo	Sep – 15	UK	Philanthropic Foundation
JJ Charitable Trust, The	Jun-15	UK	Philanthropic Foundation
JMG Foundation	Jun-15	UK	Philanthropic Foundation
Joffe Charitable Trust	Jun-15	UK	Philanthropic Foundation
Joseph Rowntree Charitable Trust	Jan-14	UK	Philanthropic Foundation
Kestrelman Trust		UK	Philanthropic Foundation
KLP	Nov-14	Norway	Pension Fund
KR Foundation		Denmark	Philanthropic Foundation
London School of Hygiene and Tropical Medicine	May-15	UK	Educational Institution
Lund University	15-Jun	Sweden	Educational Institution
Lutheran World Federation	15-Jun	Switzerland	Faith-based Organization
Margaret Hayman Charitable Foundation	Sep-15	UK	Philanthropic Foundation
Mark Leonard Trust, The	Jun-15	UK	Philanthropic Foundation
Methodist Church in Britain	Jul-15	UK	Faith-based Organization

Appendix A. Analysis of European Divestment Commitments

Methodist Church of Britain		UK	Faith-based Organization
National Synod of Scotland	15-Mar	UK	Faith-based Organization
Nordea Bank AB	May-15	Norway	Private Company
Norway Pension Fund	Feb-15	Norway	Pension Fund
Örebro	Oct-14	Sweden	Municipality
Orp Foundation	Jun-15	UK	Philanthropic Foundation
Oslo Pension & Insurance	Mar-15	Norway	Pension Fund
Oxford City Council		UK	Municipality
Oxford University	May-15	UK	Educational Institution
Panahpur	Jun-15	UK	Philanthropic Foundation
PFA Pension	May-15	Denmark	Pension Fund
Pig Shed Trust	Jun-15	UK	Philanthropic Foundation
PKA Pension	May-15	Denmark	Pension Fund
Polden Puckham Charitable Foundation	Jul-14	UK	Philanthropic Foundation
Pymwymic (Put Your Money Where Your Meaning Is Community)	Jun-15	Netherlands	Private Company
Quakers in Britain	Oct-13	UK	Faith-based Organization
Roddick Foundation		UK	Philanthropic Foundation
Serve All Trust	Jun-15	UK	Philanthropic Foundation
SOAS, University of London	Apr-15	UK	Educational Institution
Staples Trust	Jun-15	UK	Philanthropic Foundation
Storebrand	Jul-13	Norway	Private Company
Tedworth Charitable Trust, The	Jun-15	UK	Philanthropic Foundation
Tellus Mater Foundation	Jan-14	UK	Philanthropic Foundation
The Scott Trust	Jun-15	UK	Private Company
United Reformed Church of Scotland	Mar-15	UK	Faith-based Organization
University of Bedfordshire	Jan-15	UK	Educational Institution

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University of Edinburgh	May-15	UK	Educational Institution
University of Glasgow	Oct-14	UK	Educational Institution
University of Warwick	Jul-15	UK	Educational Institution
Vincent Wildlife Trust		UK	Nongovernmental Organizations
Waterloo Foundation	Apr-15	UK	Philanthropic Foundation
Whitley Fund for Nature	Sep-15	UK	Philanthropic Foundation
Wermuth Family Office	Jun-15	Germany	Philanthropic Foundation
Woodward Charitable Trust	Jun-15	UK	Philanthropic Foundation
World Council of Churches	Jul-14	Switzerland	Faith-based Organization
WWF-UK	Apr-15	UK	Nongovernmental Organizations

### Sector Breakdown of European Organizations Committing to Divest:

- 13.2% are educational institutions
- 17.6% are faith-based organizations
- 1.4% are health care institutions
- 7.3% are municipalities
- 4.4% are nongovernmental organizations
- 8.8% are pension funds
- 38.2% are philanthropic foundations
- 8.8% are private companies

**European organizations committing to divest collectively hold \$1.96 trillion in assets.** The five largest European commitments are:

- Norway Pension Fund
- Axa
- Nordea Bank AB
- KLP
- AP2 Pension

**See above table for available information on when commitments were made.**