

## **Response from Fossil-free Greater Manchester to GMPF's 30<sup>th</sup> place in a global ranking of pension funds on climate risk.**

### **Short statement:**

The "A" rating for GMPF might suggest that its strategy is a model one but it is hard to see how this can be so. Both AODP and GMPF advocate engaging with fossil fuel companies to change their ways. However, fossil fuel companies purpose is to extract ever more coal, oil and gas that is, by our own climate commitments unburnable. Their words may commit to taking climate change seriously but their actions make them a mockery.

With record global temperatures and levels of greenhouse gases in our atmosphere it should be obvious that we need to decarbonise our energy mix rapidly. The time for talk is over and AODP's ratings mask the hard fact that if pension funds continue to invest in fossil fuel companies, then the responsibility for that devastating impact lies with them. If GMPF want to take positive steps to avoid global warming over 2 degrees C and adopt a truly green investment strategy, we would urge them to follow our pledge to immediately freeze fossil fuel investments, make a plan to divest all their £1.3Bn holdings in fossil fuels over a five year period and put that money into real clean energy and socially responsible community investments, so creating local jobs and delivering a safe planet for future generations. This pledge received support from the majority of candidates in the local elections: now it's time for GMPF to deliver. It also makes better financial sense than continued reliance on these increasingly "stranded assets" with their declining value.

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### **More detailed response and background notes:**

GMPF will be pleased to have been rated positively by the NGO *Asset Owners' Disclosure Project* (AODP) on its management of climate risk, we are clear that this does not in any way diminish the strength of our call for divestment from fossil fuel stocks.

1) The Fund was judged on the following criteria:

"Engagement, portfolio carbon risk management and hedging and low carbon investment."

From AODP's report it is impossible to say which of these GMPF did well on. Disclosure of investment information takes place annually, with a publication lag of some 6 months, but we know that they have approximately £1.3 Billion of their assets in fossil fuel stocks. That's around 10% of their holdings, and coincidentally also nearly 10% of UK Pension Funds' total investment in fossil fuels. They have the largest holdings in fossil fuels of all the local government pension funds nationally. We also know that, according to the London-based think tank Platform, that in the 18 months from March 2014,

£148 Million of value was lost by the Fund on its four largest coal investments alone, as a result of falling asset values, what Governor of the Bank of England, Mark Carney, has called “stranded assets”.

We therefore question in what way climate change risk is really being managed by the fund.

2) We are aware that the Fund has made some large investments in renewable energy, and have previously argued that this shows what is possible with a responsibly managed, phased, programme of divestment from fossil fuels and re-investment in benign and climate-friendly assets. We call for a much greater level of ambition on this front. As the NGO Community Reinvest puts it:

*By divesting and reinvesting £14 billion [£1.3Bn in Greater Manchester] into renewable energy, public transport and social housing, local government could create jobs, boost local economies and future proof against climate change while protecting pensions<sup>1</sup>.*

3) AODP place engagement with companies at the head of their list of criteria. In our view this is a fallacious approach. GMPF has indeed been part of a consortium of shareholders taking resolutions to firms including BP and Shell. These resolutions are very mild, merely asking for information to be disclosed. They are at best a weak tool for creating the rapid and qualitative step change we need in the global energy economy, transitioning from those sources that are on the brink of tipping us all into the nightmare scenario of runaway global warming. Are we being cynics when we note that both the BP and Shell Boards recommended acceptance of these resolutions<sup>2</sup>, yet they remain companies whose whole purpose is to extract and sell as much fossil fuel from the ground as they can? To us it sounds like talking while the planet burns. If they continue to invest in fossil fuel companies, far from being saviours of the day, by continuing to fund them - as they seek to extract more and more unburnable assets - they bear responsibility for the growing impacts of climate change: that's not responsible investment.

We re-iterate our call on GMPF to make real its undoubted commitment to preventing climate change and to managing the financial risk of fossil fuel holdings by,

1. Immediately freezing any new investments in fossil fuel companies;
2. Divesting from any company which is involved in the exploration or production of coal and unconventional oil or gas within two years, and from all fossil fuel companies within five years;

and

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1 <http://communityreinvest.org.uk/wp-content/uploads/2016/03/Reinvesting-Pensions.pdf>

2 See <http://www.theguardian.com/environment/2015/apr/28/bps-activist-resolution-triumph-for-environmentalists-or-was-it>

3. Working with the Greater Manchester Combined Authority to develop and fund a low-carbon investment programme for Greater Manchester.

This call had the support of a large majority of candidates in last week's council elections<sup>3</sup>.

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for Fossil-Free Greater Manchester

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3 <http://www.manchesterfoe.org.uk/election-survey-2016-local-parties/>