

GM Pension Fund Employers' Briefing – October 2018

Produced by Fossil Free GM

Many local authorities and employers are opposed to fracking. GMPF Annual Report shows that they have direct investments in Schlumberger the company used by Cuadrilla to do the drilling at the UK's controversial (and only) fracking site in Lancashire.

Should a GM Pension Fund invest in fracking?

Employers using the GMPF get efficient pensions administration and effective investments. This success is damaged by a risky position on fossil fuel investments which should be changed at this AGM. GMPF need to commit to a clear short-term timetable for getting rid of the risky and dirty fossil fuel stocks that it holds both directly and indirectly.

Fossil fuels are no longer a reliable staple for pension investments. GMPF is the most exposed to this risk of all UK local government pension funds. When will this stop?

National research shows that GMPF had the highest proportion of fossil fuel investments of all UK local government pension schemes.¹ Mark Carney, has warned that fossil fuel companies (like Shell and BP) face “potentially huge” losses because their value is based on fossil fuel reserves.² These reserves include fuels that need to stay in the ground and remain unburned to meet the globally agreed climate targets of the Paris Agreement and the latest IPCC advice. The fossil fuel industries “stranded assets” are also shown in their models for future fossil fuel use being far higher than those of other industries including the car industry. GMPF's largest investments are in Shell and BP, both are involved in fracking internationally³ and in human rights abuses associated with oil and gas extraction. They have lobbied against the now accepted science of man-made climate change.⁴

Are high levels of investment in Shell and BP and other fossil fuel companies compatible with climate change and sustainability policies of employer members?

GMPF does invest in renewable energy and local infrastructure.⁵ Far larger investments in fossil fuels negate this approach. High profile investment reports show that a “fossil-free” portfolio can give equivalent or even higher returns. MSCI – the world's leading stock market index – found that “fossil free” funds exceeded other investment indices.⁶

What are the risks that GMPF claims for fossil fuel divestment? When will GMPF develop a short-term timetable for divesting from fossil fuels and reinvesting in further local infrastructure?

Over 80 other pension funds and 120 local councils have made a divestment commitment; including New York City and the UK Environment Agency's pension fund.⁷ GMPF's own 2017 consultation exercise showed that “their approach to engaging with companies rather than divesting from them” was the least popular of their approaches.⁸ GMPF has been praised for its clear stand on divesting from the tobacco industry and could now take a similar stand on the fossil fuel industry.⁹ Investments that damage the future of the planet for its contributors, pensioners and employer members leaves GMPF open to legal challenge on a failure of their fiduciary duty.¹⁰ The enormous sums invested in the fossil fuel industry could become a resource for the people of Greater Manchester if, building on the Fund's local and property investment portfolio, if they were, through a managed programme, redirected to the local economy.¹¹

We suggest that employers use the AGM to ask the GMPF about these important issues. If you would like any further information please contact us at fossilfreegm@gmail.com, visit our website www.fossilfreegm.org.uk or talk to us at the AGM.

1 <https://gofossilfree.org/uk/wp-content/uploads/sites/3/2017/11/Councils-Fuelling-the-Fire-Online-1.3.pdf>

2 <http://www.bankofengland.co.uk/publications/pages/speeches/2015/844.aspx>

3 <http://gofossilfree.org/uk/divest-fracking>

4 <https://insideclimatenews.org/news/22122015/exxon-mobil-oil-industry-peers-knew-about-climate-change-dangers-1970s-american-petroleum-institute-api-shell-chevron-texaco>

5 [v] <https://www.gmpf.org.uk/documents/shaping.pdf>

6 [http://www.theguardian.com/environment/2015/apr/10/fossil-fuel-free-funds- 7 out-performed-conventional-ones-analysis-shows](http://www.theguardian.com/environment/2015/apr/10/fossil-fuel-free-funds-7-out-performed-conventional-ones-analysis-shows)

7 <http://gofossilfree.org/commitments>

8 <https://www.gmpf.org.uk/documents/shaping.pdf>

9 <https://www.theguardian.com/world/2018/aug/13/council-pension-funds-major-investors-tobacco-companies>

10 [http://www.clientearth.org/pension-trustees-face-legal-challenge- 3 ignoring-climate-risk-leading-qc-confirms/](http://www.clientearth.org/pension-trustees-face-legal-challenge-3-ignoring-climate-risk-leading-qc-confirms/)

11 Matthew Brown, Why are councils investing in the fracking industry they oppose? The Guardian, 4/9/18 <https://amp.theguardian.com/commentisfree/2018/sep/04/councils-investing-fracking-industry-local-authorities-green-pensions?>