



Briefing for Trafford councillors on fossil fuel divestment

October 2019

Introduction

Fossil Free Greater Manchester is a grassroots coalition of organisations and individuals calling upon the Greater Manchester Pension Fund (GMPF) to:

1. Immediately move all investments out of the most polluting fossil fuels (coal, tar sands & fracking).
2. Make the fund fossil free within the next 2 years.
3. Develop a strategy to invest in local climate solutions in Greater Manchester.

We're facing a climate emergency, and urgent action is needed for a rapid shift away from fossil fuels. It is therefore both morally and financially irresponsible for GMPF to continue using scheme members' pension savings to fund fossil fuel companies.

We welcome the motion entitled "[Investing in Green Solutions instead of Fossil Fuels](#)" that is on the agenda of the Council meeting on Wednesday 9th October, and we urge you to support it.

Corrections to background information

The motion references a GMPF document at Appendix A of the report on "Investments in the Fossil Fuel Industry". This document contains a number of misleading and factually inaccurate statements that we would like to take the opportunity to correct:

Text from GMPF report	Corrections and clarifications
"the fund has no active position or holding in fracking"	While it is true that the fund has no direct investments in companies fracking in the UK, it does fund companies such as BP and Shell which are involved in fracking in other countries. If it isn't appropriate to invest in fracking in the UK, we would argue that it's equally inappropriate to invest in fracking elsewhere.
"it generally holds about 5% in traditional fossil fuel companies such as BP, Shell and Centrica"	Our analysis of the Fund's holdings at 31 March 2019 (see Appendix 1 on page 4 below) shows it has direct holdings of over £1.45 billion in fossil fuel companies, along with an estimated £350 million in pooled equity funds. This totals £1.8 billion, which is over 7.5% of the total fund value of £23.8 billion.
"Greater Manchester Pension Fund's carbon footprint was 20% less carbon intensive than the benchmark as at 31.3.17 in our active equities."	This is contradicted by the 2017 Fuelling the Fire report, which found that GMPF was the dirtiest of all the UK's local authority pension funds, with the highest percentage of its direct holdings in fossil fuels (7.23%). Shockingly, that has increased to 8.7% of direct holdings at 31 March 2019.



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Text from GMPF report	Points to note
<p>“the Government has made clear that using pension policies to pursue boycotts, divestment and sanctions against foreign nations and UK defence industries are inappropriate”</p>	<p>This quote is irrelevant to the issue of fossil fuel divestment as moving funds out of coal, oil and gas companies is not pursuing action against a foreign nation or the UK defence industry.</p>
<p>“Accordingly, the Fund is not in a position to divest itself of such fossil fuel shares as it would fetter the legal fiduciary duty of the Fund.”</p>	<p>This contradicts the preceding legal advice, which states “the precise choice of investment may be influenced by wider social, ethical or environmental considerations, so long as that does not risk material financial detriment to the fund”.</p> <p>Given fossil free indices such as the MSCI AWF ex Fossil Fuel Index have outperformed all-stock indices over the past decade and clean energy has outperformed fossil fuels over the last 3 years, we’d argue that holding fossil fuel stocks poses a greater risk of financial detriment than divesting from them.</p> <p>Also, it’s worth noting that the Fund didn’t feel its fiduciary duty would be fettered when it decided to divest from tobacco companies on public health grounds in 2014 - and climate change is considered to be the greatest public health threat of our time.</p>
<p>“Interestingly, five Local Government Pension Scheme funds were named and ranked in the top 500 of the worlds institutional investors for taking account of climate change risk ... in the 2016 annual survey by the global ‘Asset Owners Disclosure Project’. They were Environment Agency 1st, Greater Manchester 30th...”</p>	<p>To be precise, the report looked at the 500 largest investors, not the top 500 for managing climate risk. Interestingly, GMPF fell 17 places to 47th in the 2017 AODP rankings. (It didn’t feature in this year’s ranking, as that was limited to the 100 largest pension funds.)</p>
<p>“At the Pension Fund Management meeting on the 19 October 2018, the Greater Manchester Pension Fund took a major step and significant step... by approving that £2.3 billion of the Fund Assets to be moved to a low carbon approach.”</p>	<p>The decision last October to move £2.3 billion of fund assets to “a low carbon approach” is welcome. However, a year later we have seen no evidence that this move has taken place. And depending on which funds are moved and where they’re moved to, this could reduce total fossil fuel exposure by as little as 3% - hardly an appropriate response to a climate emergency.</p>



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<p>“The Greater Manchester Pension Fund will continue to engage with companies... to encourage “real change” in the industry bringing shareholder resolutions at companies including Shell, BP, Rio Tinto, Anglo American and Glencore.”</p>	<p>Decades of engagement with fossil fuel companies has failed to change their business models. For example, Carbon Tracker found that all the major oil companies - including Shell and BP - sanctioned projects in 2018 that aren’t compliant with the Paris Agreement. And the National Trust cited the failure of engagement as a key reason behind its decision to divest from fossil fuels.</p>
<p>The Fund will not shirk from its leadership role and disinvest allowing others who do not care about the environment to own those shares instead and fail future generations to come.</p>	<p>This assumes engagement works, which it doesn’t (as highlighted above). The Fund is a laggard not a leader on this issue. Investors managing over \$11 trillion of assets globally have now made divestment commitments, and it’s having a material impact - last year Goldman Sachs asserted that divestment has “in our view been a driver of the [coal] sector de-rating over the past five years.” The longer the Fund waits, the greater the risk of fossil fuel stocks losing value as others divest and as fossil fuel use is restricted.</p>
<p>The Pension Fund is working hard to achieve carbon neutral status as quickly as possible but it will not jeopardise hard earned pensions of our workers and pensioners or importantly increase the costs for hardworking taxpayers of Greater Manchester.</p>	<p>The Pension Fund has done little if anything to reduce its exposure to fossil fuels - indeed our analysis suggests it has increased its holding in coal major Glencore by over 20% in the past year at a cost of up to £30 million. The biggest threat to workers, pensioners and taxpayers is failing to respond to the climate emergency - increasing the risk of climate instability and economic collapse. It’s time for GMPF to stop making excuses and start acting.</p>

Conclusion

We ask that you support the motion on Wednesday 9th October, and in light of the climate emergency, we’d like to suggest an amendment to demand an immediate withdrawal from [companies involved in the coal industry](#) - the most polluting and financially riskiest investments.

For more information, please contact us by email at fossilfreegm@gmail.com.

Fossil Free Greater Manchester

www.fossilfreegm.org.uk

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Appendix 1: GMPF fossil fuel holdings at 31 March 2019

<u>Direct Holdings [1]</u>	£	£
Anglo American	114,033,575	
AP Moeller – Maersk	3,133,758	
BHP Billiton	8,266,098	
BP	326,442,632	
Canadian Natural Resources	10,340,584	
Centrica	74,535,383	
Chevron	12,935,273	
CNOOC	13,412,399	
Concho Resources	5,803,164	
Equinor	37,432,248	
GDF Suez	4,634,695	
Glencore	167,079,182	
Hess	11,663,372	
Itochu	24,233,085	
Mitsubishi	32,237,536	
Range Resources	5,864,657	
Repsol	12,071,967	
Rio Tinto	138,401,420	
Royal Dutch Shell	343,050,932	
Santos	18,622,938	
Teck Resources	1,606,226	
Total	67,515,441	
Tullow Oil	19,712,561	
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Total direct holdings in fossil fuels		1,453,029,126
<u>Legal & General Equity Funds [2]</u>		
UK Equity Index	50,846,018	
North America Equity Index	97,162,649	
Europe (ex UK) Equity Index	62,622,694	
Japan Equity Index	27,840,987	
Asia Pacific (ex Japan) Equity Index	31,767,320	
Emerging Markets Equity Index	84,818,943	
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Total equity fund holdings in fossil fuels		355,058,612
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Total fossil fuel holdings		1,808,087,738

Notes:

1. Source: Mainstream securities holdings at 31 March 2019, [GMPF website](#)

2. Source: As above. Fossil fuel holdings in Legal & General equity funds estimated using [published sector allocations](#) (100% of holdings in Oil & Gas sector and 50% in Basic Materials sector).