

**Divest**



**Reinvest**

# Scottish council pensions for a future worth living in

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## Summary

**Scotland's councils continue to invest in the companies most responsible for climate change**, holding a £1,683 million stake in fossil fuel companies through their pension funds.

4.8% of the Scottish Local Government Pension Scheme is invested in fossil fuels - £3,300 for every scheme member. £543 million is directly invested in oil and gas and £113 million in coal. The majority of holdings, £1,046 million, were invested through intermediaries.

Councils invest in BP, who are fracking and drilling for oil in the Arctic as well as having a history of campaigning against subsidies for renewable energy, and BHP Billiton, the 12th largest extractor of coal in the world, currently mining in the centre of the Borneo rainforest and facing prosecution over Brazil's worst ever environmental disaster.

Only three councils were found to be actively investing in socially and environmentally beneficial projects. The Strathclyde, Falkirk and Lothian Pension Funds invest a combined £234 million in renewable energy and social housing. Although encouraging, this represents just 0.7% of the Scotland-wide scheme's value.

**Pension funds are some of the largest investors in the world** and with auto-enrolment requiring more people than ever to join a pension, the money put aside for our retirement is set to become even more powerful.

Scotland's local councils run the Scottish Local Government Pension Scheme, a £35.4 billion pension scheme with 505,769 members. The scheme's advisory board estimates one in five of the population have a financial interest in the fund.

**Pension funds are dependent on the future of the world economy and have the power to shape it.** Councils must be willing to influence the pensions industry to ensure we all have a future worth retiring for.

335,000 households are on social housing waiting lists in Scotland and we are undergoing massive job losses in North Sea oil and gas, where production peaked in 1999.

Scotland has been leading the fight against climate change with world-leading legislation and carbon emissions falling considerably over the last 10 years. In 2015 world leaders, recognising that the burning of fossil fuels is damaging the earth's ability to support life, signed a historic treaty aimed at limiting global warming to 1.5°C.

As the world shifts away from fossil fuels and towards renewable energy Scotland can continue to lead the way in tackling climate change by taking money out of fossil fuels and putting it back into local economies and sustainable jobs.

**The Governor of the Bank of England has warned that the vast majority of fossil fuel reserves are unburnable** if climate change is to be limited to safe levels as pledged by the world's governments.

Because the value of fossil fuel companies is directly linked to the amount of coal, oil and gas that companies can burn, any action that governments take to tackle climate change threatens the future profitability of fossil fuel companies. This makes climate change a clear financial concern for investors.

**Some investors are taking bold action to limit climate change and the risks it brings** by divesting from fossil fuels and reinvesting in sustainable projects. Eight universities and churches in Scotland have made a commitment to cut their investments in fossil fuels along with five pension funds elsewhere in the UK. Across the world 701 institutions, with total investments valued at \$5.5 trillion USD, have divested.

No Scottish councils have any made a commitment to divest from fossil fuel companies. In fact the majority have never even discussed climate change and the risks it poses to their pension funds. Those who have, have done little to change what they invest in instead falling back on the practice of 'engagement' - persuading fossil fuel companies to transition to renewable energy - an approach to climate risk which has been widely debunked.

**Ignoring climate change won't make it go away.** Council pension funds that fail to act on climate change will risk heavy losses and face the possibility of a legal challenge. If investors continue with *business as usual* the risk of financial and environmental catastrophe will only grow.

A public commitment to divest, such as that made by the London Borough of Waltham Forest or the University of Glasgow, limits exposure to risks and promotes the wider action on climate change we need to bring about a sustainable economy. Reinvesting in social housing and renewable energy will also help build sustainable local economies here in Scotland. This is something councils can do right now, within their existing structures.



## Why pensions, why fossil fuels?

Pension funds are some of the largest investors in the world and in 2016 UK pension fund assets were greater than the national income.<sup>1</sup> With the government now requiring many more workers to join a pension fund through auto-enrolment, their influence over the wider economy will only grow. The money we put aside for our retirement is becoming increasingly powerful.

Yet at the same time industry practice ignores the concerns of fund members and the wider economy. Profit is paramount. Investments are made for short-term financial gain. Members views, and their future welfare, is by and large not considered relevant.

This state of affairs is untenable in a world where pension funds bear such a major responsibility for the future health of our economy and indeed, our society and environment.

Scotland's local councils bear the responsibility of looking after their workers in their retirement. To do this they invest in the Scottish Local Government Pension Scheme, a £35.4 billion pension scheme with 505,769 members across Scotland and administered by 11 local councils.<sup>2</sup> One in 10 Scots are a member of the fund and the scheme's advisory board estimates one in five of the population have a financial interest in the fund.

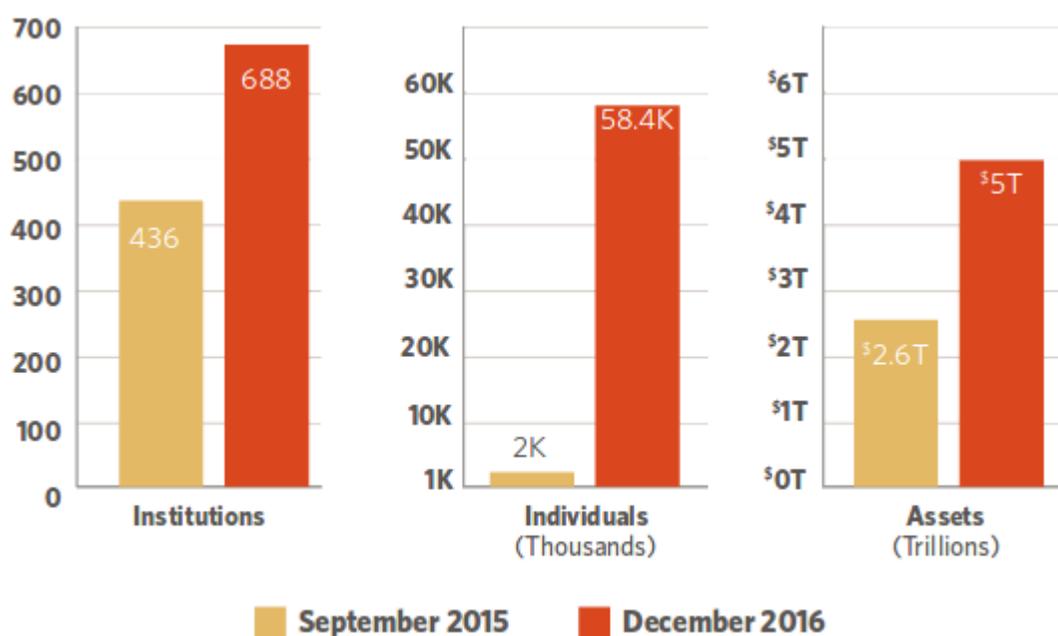
We believe that everyone has a stake in how pension funds are invested and that council pensions, managed with input from our elected local councillors, have a major role to play in creating a pensions industry that is not just paying out pensions, but also making sure we will have a future worth retiring for.

Common Weal, UNISON Scotland and Friends of the Earth Scotland believe Scotland's councils can take the opportunity to lead the pensions industry out of its short-term thinking and towards an investment practice that takes on the biggest challenge of our age: climate change.

### What is divestment?

Divestment, also known as disinvestment or divestiture, is the process of selling a financial asset. We are calling for funds to publicly commit to divest from fossil fuels and reinvest in social housing and renewable energy.

#### How divestment has grown



*At the last count the fossil fuel divestment movement had doubled within 15 months, with the value of assets held by divesting institutions and individuals exceeding \$5 trillion.*

*Graph courtesy of Arabella Advisors.<sup>1</sup>*

<sup>1</sup> Source: [http://www.actuarialpost.co.uk/article/pension-fund-assets-in-22-markets-up-to-\\$36--4tn-in-2016-10614.htm](http://www.actuarialpost.co.uk/article/pension-fund-assets-in-22-markets-up-to-$36--4tn-in-2016-10614.htm)

<sup>2</sup> Source: <http://lgpsab.scot/sab-annual-report-201516/>

Across the world 701 institutions, with total investments valued at \$5.5 trillion USD, have committed to divest from fossil fuels.

In Scotland the Universities of Glasgow, Abertay, West of Scotland and Queen Margaret, along with the United Reform Church, have fully committed to divestment, whilst the Church of Scotland, Heriot-Watt and Edinburgh Universities have made partial commitments.

Five pension funds in the local government scheme have committed to cut their fossil fuel investments: the Environment Agency Pension Fund, Haringey, Waltham Forest, Southwark and South Yorkshire.<sup>3</sup>

These funds haven't just cut their investment in fossil fuels: many have also committed to increase investment in sustainable projects like local renewable energy.

## The need for a just transition

Scotland needs investors willing to put money back into local communities.

We are in the midst of a housing crisis. 62 per cent of social housing falls beneath the Scottish Housing Quality Standard and 335,000 households are on social housing waiting lists. Inequality is rising and 1 in 7 young people in Scotland are unemployed<sup>4</sup>. Tightly squeezed budgets at Holyrood and local councils mean the public sector is not providing the investment needed to kick-start local economies and drive economic regeneration.

These challenges would be serious on their own. But Scotland also faces massive job losses from the oil and gas industry. Recently thousands of jobs have been lost as companies have cut costs to make up for lower oil revenues. With production having peaked in 1999<sup>5</sup> there can be no long-term future for oil and gas extraction in Scotland.

Stark as this picture is we believe we can turn these challenges into an opportunity.

Scotland has been leading the fight against climate change with world-leading legislation and carbon emissions falling considerably over the last 10 years.

In 2015 world leaders, recognising that the burning of fossil fuels is damaging the earth's ability to support life, signed a historic treaty aimed at limiting global warming to 1.5°C.

With the world making the shift away from fossil fuels and towards renewable energy Scotland can continue to lead the way in tackling climate change by taking money out of fossil fuels and putting it back into local economies.

Scottish councils are already investing small amounts in renewable energy and sustainable housing. In this report we will show how much more could be achieved if they committed to end investments in fossil fuels and reinvested significant sums in socially and environmentally beneficial projects.

Action is needed elsewhere in the Scottish economy. But whilst wider and deeper reform of the financial system is also necessary, what we are proposing in this report is something that can happen right now, within existing structures.

The need for action is urgent in order to avert the environmental and economic costs of climate change and to rebalance the economy to one which provides enough decent jobs making things in clean ways. Shifting our economy away from dependency on fossil fuels will be critical in responding to the climate crisis, but this transformation is also an opportunity to build thriving local economies.

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<sup>3</sup> For more details see councils that have divested, p.17.

<sup>4</sup> Sources: <http://www.bbc.co.uk/news/uk-scotland-37940847> <http://www.bbc.co.uk/news/uk-scotland-scotland-business-37223040>

<sup>5</sup> Source: <http://www.bbc.co.uk/news/uk-scotland-scotland-politics-26326117>

## The threat of the carbon bubble

Whilst there are plenty of positive reasons to divest and reinvest, doing so would also cut pension funds' exposure to the risks inherent in owning shares in an industry that's on the way out. Scotland is taking a weighty financial gamble when it invests its pension wealth in fossil fuels.

This is because the value of fossil fuel companies is directly linked to the amount of coal, oil and gas that the companies control and can physically burn.

To cut carbon emissions in line with the climate policies established by governments, like the Scottish Government's world leading Climate Change Act, there is a limit on the amount of fossil fuels that can be burnt. Climate policies reduce the volume of usable fossil fuel reserves. The resulting excess reserves are known as *unburnable carbon*.

At the UN's Paris summit in 2015 the world's governments agreed to an aim of limiting global warming to 1.5°C above pre-industrial levels. It has been estimated that this requires at least 80% of *known* fossil fuel reserves to be kept in the ground. If we are to meet globally agreed targets to cut carbon emissions the *vast majority* of fossil fuel companies' reserves are unburnable.

Neither the share prices or business models of fossil fuel companies reflect this reality. Companies such as BP and BHP Billiton are extracting the fossil fuels that are driving us headlong into a dangerously scorched future, warmed by 6°C or more.

If and when government action reduces demand for fossil fuels the carbon bubble will burst and fossil fuel companies share value will plummet. Unable to sell their unburnable carbon reserves, fossil fuel companies will be burdened with useless machinery and infrastructure, no longer required in a world running on renewable energy.

The *carbon bubble* is evidence that climate change is a financial, as well as environmental threat to society.<sup>6</sup>

Mark Carney, Governor of the Bank of England has warned that the "vast majority of [fossil fuel] reserves are unburnable" if climate change is to be limited to safe levels as pledged by the world's governments.<sup>7</sup>

In 2015 the deputy head of the Bank of England's Prudential Regulation Authority said "we are seeing evermore frequent 'record' weather events; storms; floods; hotter summers; intense rainfall. As the world increasingly limits carbon emissions, and moves to alternative energy sources, investments in fossil fuels and related technologies may take a huge hit."<sup>8</sup>

Later that year Carney gave a widely publicised speech which concluded starkly: "There is a growing international consensus that climate change is unequivocal... once climate change becomes a defining issue for financial stability, it may already be too late."<sup>9</sup>



*The Edinburgh Solar Cooperative launched in 2016 and generates energy in local schools. Photo by Colin Hattersley*

<sup>6</sup> For a more detailed discussion of the carbon bubble see this article published on Reinvest Scotland: <http://reinvest.scot/financial-topics/carbon-bubble/>

<sup>7</sup> For more about this speech read the article in the Guardian website: <https://www.theguardian.com/environment/2014/oct/13/mark-carney-fossil-fuel-reserves-burned-carbon-bubble>

<sup>8</sup> Full text of the speech can be found on the Bank of England website: <http://www.bankofengland.co.uk/publications/Pages/speeches/2015/804.aspx>

<sup>9</sup> For more about this speech read this article on the New York Times website: <http://www.nytimes.com/2015/10/01/upshot/one-of-the-worlds-most-powerful-central-bankers-is-worried-about-climate-change.html? r=0>

The Bank of England's work on climate change should be a wake up call for investors, pension funds and councils to think very seriously about whether their investment plans are consistent with a sustainable future.

Fund managers and investment professionals have been slow to change the way they invest to protect their investments from these risks.

A 2015 report by Scottish Environment Link concluded that "Scotland's financial sector, with a particular focus on pension funds and longer term investments, is heavily reliant on the fossil fuel industry and carbon based assets..." The report called for public and private investors to move quickly to "divest fossil fuel investment assets to reduce or eliminate risk related to carbon."<sup>10</sup>

There is a strong financial case to say that government action on climate change makes fossil fuel investments inherently risky, and that they should be avoided by long-term investors. If this case is understood divestment is simply an act of self defence for investors.

However the carbon bubble also reminds us that government action could fail, and fossil fuels *could* continue to be profitable long into the future. If this were to happen climate change would spiral out of control with the global economy pounded by rising seas inundating coastal cities, the spread of diseases, mass extinctions, extreme weather damage, loss of human life and the collapse of nation states.

The future of pension funds is intrinsically linked with that of the wider economy. They will not be able to escape the damage that fossil fuels will wreak on our future economy. Instead they must cut out carbon risk and invest in a way that actively contributes to fighting climate change.

## Divestment: a look at the law

By continuing to invest in the companies most responsible for global climate change councils are failing to protect their pension fund members' best interests and risk losing huge sums as government action to curb climate emissions sees fossil fuel companies' value plummet.

With these risks widely known by fund managers failure to act could leave them open to legal challenge.

What legal issues are relevant for councils considering divesting from fossil fuels and pro-actively investing in socially and environmentally beneficial projects in their local area?

The first priority of councils is their duty to act in the best interests of those who pay into and rely upon the pension fund: fund members and employers.<sup>11</sup> This duty, known as fiduciary duty, comes first when councils approach their investment strategy: they must serve the best interests of their members.

There is a clear and strong case that council workers and other fund members have their interests best served by a pension fund which helps limit the threat of climate change and supports the development of their local community.

New Scottish legal advice published by the scheme's advisory board<sup>12</sup> in 2016 has helped clarify how local councils should deal with environmental and social issues in their investments.

The advice says that funds are expected to have "long-term investment horizons". This guidance echoes the approach given by the Law Commission of England and Wales who stated that "the primary aims of an

<sup>10</sup> 'Scotland and the Carbon Bubble: a report for Scottish Environment Link', January 2015.

<sup>11</sup> In this document we use members to refer to individual people who are members of pension funds, sometimes referred to as 'beneficiaries'. We refer to employers who contribute to pension funds as employers, although readers should note that in other literature employers are occasionally referred to as members.

<sup>12</sup> In full, the Scottish Local Government Pension Scheme Advisory Board. The letter and legal opinion they issued can be found at <http://lgpsab.scot/fiduciary-duty-guidance/>

investment strategy is therefore to secure the best realistic return over the long term, given the need to control for risks".<sup>13</sup> The legal direction here is clear: investing to make a quick buck, in companies with no long-term plan, is not consistent with funds' legal duties.

Councils are expected to consider environmental and social issues at the point at which they make investments and to review such issues periodically.

Environmental and social issues may influence what they invest in as long as they don't risk "financial detriment". Since there is significant evidence showing that fossil fuels are of high risk and low long-term value, this enables an approach of ending fossil fuel investment.

Councils are advised that "investment options may be restricted where the investment returns to the fund may be negatively impacted by such environmental, social or governance factors." In other words, if a financial case can be made, divestment is an option.

A recent update in the European Union rules for pension funds<sup>14</sup> compels funds to consider environmental and social issues when making investment decisions, and to carefully assess related risks such as the stranding of fossil fuel assets. Although Scotland is currently set to leave the EU, Scottish public bodies would do well to maintain compliance with EU law in the case of Scotland seeking re-entry.

When approaching any change to their investment policies councils should satisfy themselves that they have collected sufficient financial and legal advice to be clear that they are acting in their members' best interests. However this is easy to achieve, and indeed has been done by those funds which have already divested from fossil fuels.<sup>15</sup>

Where action has been limited it is attributable to funds focusing on short-term returns, failing to identify financial risks posed by the carbon bubble, and following outdated practices which do not give sufficient consideration to environmental and social issues.<sup>16</sup>

A full appreciation of the legal framework reveals that far from being prevented from considering issues like climate change, funds are in fact required to take issues like climate change into account when making investment decisions.

The Bank of England has advised that funds may face "both regulatory and shareholder action if they fail to adequately consider, misrepresent or conceal climate change-related risk."<sup>17</sup>

A 2016 legal opinion concluded that if it could be shown that climate change had financial implications for funds those funds taking no effective action would be in breach of their legal duties.<sup>18</sup>

Funds could also face charges of intergenerational inequity: if fossil fuels are being retained due to their strong performance in the very short-term at the expense of exposing the fund to longer-term risks, this would be unfairly benefiting older members over younger members.

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<sup>13</sup> Source: 'Is it always about the money? Pension Trustees' duties when setting an investment strategy: guidance from the Law Commission', 1 July 2014.

<sup>14</sup> For more information see the announcement by Share Action and summary published on Go Fossil Free: <https://shareaction.org/press-release/iorps-shareaction-welcomes-victory-for-responsible-investment-of-pensions-in-the-eu/>  
<https://gofossilfree.org/stranded-assets-risk-assessment-now-mandatory-for-eu-pensions/>

<sup>15</sup> See councils that have divested, p.17.

<sup>16</sup> A review of why pension funds are not taking fossil fuel risks into account in their investment strategies was carried out by Share Action and ClientEarth in 2016: <https://shareaction.org/wp-content/uploads/2016/09/ClimateInvestmentDuties-InvestorReport.pdf>

<sup>17</sup> Source: <http://www.bankofengland.co.uk/prd/Documents/supervision/activities/pradefra0915.pdf>

<sup>18</sup> Source: <http://www.clientearth.org/pension-trustees-face-legal-challenge-ignoring-climate-risk-leading-qc-confirms/>

## Investments in fossil fuels

Our analysis, based on the 2016 financial year and using a list of the world's 200 biggest extractors of fossil fuels, shows that Scottish councils currently invest £1,683 million in fossil fuels, 4.8% of the total value of the scheme.<sup>19</sup>

£637 million of this was directly invested by councils, of which £543 million is invested in oil and gas and £113 million in coal. As a handful of companies are both oil, gas, and coal operators these numbers have some overlap. The majority of the funds that councils hold in fossil fuels, £1,046 million, is invested through intermediaries.

The total figure represents a £3,300 stake in fossil fuels for every member of the local government pension scheme.

Friends of the Earth Scotland previously published an analysis of data from the 2015 financial year<sup>20</sup> and found that Scotland's local councils were investing £1,664 million in fossil fuels.

Our new analysis includes more data and uses a more sophisticated method of estimated indirectly held funds. Nonetheless the comparison between these two totals is remarkable. Whilst global governments signed a UN treaty on climate change, described by First Minister Nicola Sturgeon as a "historic agreement [that] sends a signal of certainty about the global economy's low carbon future" and by others as "heralding the end of the fossil fuel age",<sup>21</sup> Scotland's local governments continued to invest heavily in the companies most responsible for climate change.



### Fossil fuels under the spotlight

**BHP Billiton** is one of the world's largest mining companies and 12th largest extractor of coal globally<sup>22</sup>. It has been listed as one of the companies most singularly responsible for climate change. The company is currently mining in the centre of the Borneo rainforest and is facing prosecution over Brazil's worst ever environmental disaster, when a dam holding back waste water from an iron ore mine broke in 2015. The company is accused of bribery in the US and China. Samuel Arregoces

(pictured on the left) was evicted to make way for the expansion of one of the world's largest open-cast coal mines, a joint venture of BHP's in Colombia. He came to Scotland in 2015 and said "the story of coal mining here has been 30 years of destruction, 30 years of pain."<sup>23</sup> Scottish councils invest £19.5 million directly in BHP Billiton.

**BP** are a supermajor, one of the world's six largest non-state owned oil and gas companies. Fleeting branding themselves *beyond petroleum* they have shed their renewable businesses in recent years in favour of new investment in deep sea and arctic drilling, highly-polluting tar sands developments, and fracking. BP have campaigned against subsidies for renewable energy and have close ties with the oppressive regime in Azerbaijan. They were fined \$18.7 billion, the largest environmental fine in US history, for the "gross negligence" regarding the 2010 Deepwater Horizon spill which devastated the Gulf of Mexico.<sup>24</sup> Scottish councils invest £64 million in BP.

<sup>19</sup> Methodology and data sources are detailed in the Appendices.

<sup>20</sup> Local Government Pensions, Fossil Fuels, and the Transition to a New Economy (2015): [http://reinvest.scot/wp-content/uploads/2016/09/Local\\_Government\\_Pensions\\_and\\_Fossil\\_Fuels.pdf](http://reinvest.scot/wp-content/uploads/2016/09/Local_Government_Pensions_and_Fossil_Fuels.pdf)

<sup>21</sup> Sources:

<http://www.bbc.co.uk/news/uk-scotland-scotland-politics-35087241>

<http://www.businessgreen.com/bg/blog-post/2469692/the-superlatives-are-justified-paris-agreement-ratification-could-herald-the-end-of-the-fossil-fuel-age>

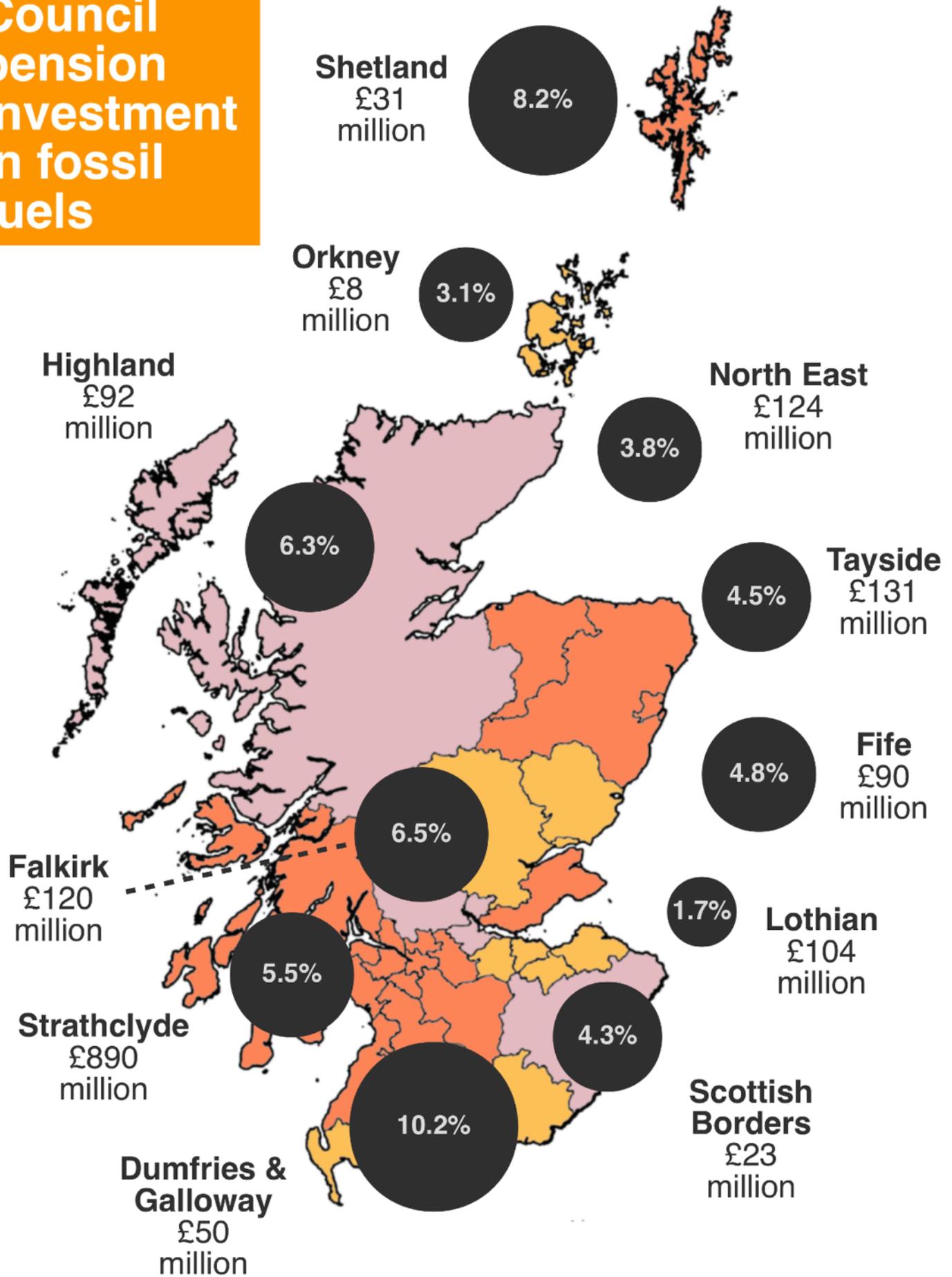
<https://www.theguardian.com/environment/2015/dec/12/paris-climate-deal-200-nations-sign-finish-fossil-fuel-era>

<sup>22</sup> Data obtained from the Carbon Underground 200, correct as of 16 March 2016.

<sup>23</sup> Read more about BHP Billiton on the Friends of the Earth Scotland blog: <http://www.blog.foe-scotland.org.uk/index.php/2015/12/where-your-money-goes-the-toxic-toll-of-bhp-billiton-in-borneo-and-colombia/>

<sup>24</sup> For more information about BP read the Friends of the Earth Scotland blog: <http://www.blog.foe-scotland.org.uk/index.php/2015/11/where-your-money-goes-bp-corruption-spills-and-gross-negligence/>

# Council pension investment in fossil fuels



Scottish council pension fund investment in fossil fuels using 2016 data. Methodology and sources are detailed in the Appendices. Full data tables can be downloaded at [www.reinvest.scot/fossilfuels](http://www.reinvest.scot/fossilfuels).

## Fossil fuel investments by council pension fund

Fund name	Fund value (£ '000)	Direct in Oil and Gas	Direct in Coal	Direct in Fossil Fuels	Indirect in Fossil Fuels	Total in Fossil Fuels	%
Dumfries & Galloway	692,148	20,611	-	20,611	49,877	70,488	10.2%
Falkirk	1,837,451	59,303	19,244	73,012	46,572	119,585	6.5%
Fife	1,853,629	11,122	1,127	11,479	78,136	89,615	4.8%
Highland	1,469,269	36,168	6,733	40,472	51,854	92,326	6.3%
Lothian	5,978,577	92,066	2,097	94,164	10,118	104,282	1.7%
North East	3,268,036	51,112	16,316	63,622	60,497	124,119	3.8%
Orkney	265,949	5,446	1,087	6,113	2,125	8,238	3.1%
Scottish Borders	542,570	5,470	3,475	8,576	14,807	23,383	4.3%
Shetland	375,707	-	-	-	30,830	30,830	8.2%
Strathclyde	16,242,149	194,633	51,468	246,101	643,654	889,755	5.5%
Tayside	2,900,207	67,353	11,745	72,957	58,144	131,101	4.5%
<b>TOTALS</b>	<b>35,425,692</b>	<b>543,284</b>	<b>113,291</b>	<b>637,107</b>	<b>1,046,182</b>	<b>1,683,289</b>	<b>4.8%</b>

Note that although some councils manage their pension fund not just for their own council area but also on behalf of neighbouring areas, namely:

- Falkirk operate their pension fund on behalf of Stirling and Clackmannanshire.
- Lothian is operated by the City of Edinburgh Council on behalf of East Lothian, West Lothian and Midlothian.
- North East is operated by Aberdeen City Council on behalf of Aberdeenshire and Moray.
- Strathclyde is operated by Glasgow City Council on behalf of East Ayrshire, North Ayrshire, South Ayrshire, North Lanarkshire, South Lanarkshire, Renfrewshire, East Renfrewshire, Inverclyde, East Dunbartonshire, West Dunbartonshire and Argyll & Bute.
- Tayside is operated by Dundee City Council on behalf of Angus.

## Top 10 fossil fuel companies

Company name	Amount Scottish councils have invested (£ '000)	Company description	Local government pension fund investors
Royal Dutch Shell	129,936	Oil and gas company	Lothian, Highland, Fife, Strathclyde, Tayside, Falkirk, Orkney, North East, Dumfries & Galloway, Scottish Borders
Rio Tinto	74,107	Coal company	Strathclyde, Orkney, Scottish Borders, Fife, Highland, Tayside, Lothian, North East
BP	63,977	Oil and gas company	North East, Strathclyde, Falkirk, Tayside, Lothian, Highland, Dumfries & Galloway
Exxon Mobil	44,008	Oil and gas company	Strathclyde, Highland, Lothian, Fife
EOG	40,661	Oil and gas company	Scottish Borders, Orkney, North East, Strathclyde, Falkirk, Tayside, Highland, Fife, Lothian
Eni	31,474	Oil and gas company	Strathclyde, Lothian
Centrica	27,964	Oil and gas company	Fife, Lothian, Falkirk
Total	25,783	Oil and gas company	North East, Lothian, Tayside, Highland, Strathclyde
Apache	20,047	Oil and gas company	Scottish Borders, Strathclyde, Tayside, Highland, Lothian, Fife, Orkney
BHP Billiton	19,467	Oil, gas, and coal company	Orkney, Scottish Borders, Fife, North East, Falkirk, Tayside, Highland, Falkirk

A complete list of fossil fuel companies which have received investment from Scottish council pension funds along with our methodology is listed at [www.reinvest.scot/fossilfuels](http://www.reinvest.scot/fossilfuels).



*BP was given the largest ever environmental fine in US history for their role in the Gulf of Mexico disaster.*

*Photo by the US Coast Guard.*

# Investments in renewable energy and social housing

Scotland's communities need investment, and clearly pension fund members and local communities interests are well served by investments such as social housing and renewable energy which can bring major benefits to local areas.

In this chapter we review some encouraging examples of Scottish councils developing expertise and putting investment behind socially and environmentally beneficial projects.<sup>25</sup>

We have chosen to focus on renewable energy and social housing as experience suggests that these areas are in urgent need of investment and that it is possible for pension funds to gain a long-term profit from these investments without unduly extracting wealth from these sectors.

Undoubtedly there are other sectors which could benefit from investment by pension funds and we are keen to support further research and innovation about other schemes that could benefit both communities and pension funds.

We are however very wary of congratulating councils on investing in *any* infrastructure. Strathclyde and Lothian invest significantly in public-private partnership schemes relating to schools, hospitals, prisons, motorways, airports, water infrastructure, car parks, and military installations. Ironically, many of these investments, whilst delivering a strong return to the pension fund, are draining much needed cash from local government budgets through expensive public-private partnerships.<sup>26</sup>

We believe the examples we have included represent some of the best infrastructure investment from Scottish council pension funds. We have focused on investment within Scotland, including only investments where we could identify a specific renewable energy or social housing project. In two cases a small proportion of the example investments have financed biofuel projects, which had some positive features but also elements we assess to be unsustainable. These are listed in the Appendices but not detailed in the main text.

Publicly available information on pension funds' infrastructure investments is not easy to find, especially those held by intermediaries, and we would be supportive of funds publishing more information about their investments in these areas.

## How much is invested?

Only a handful of the largest funds have dedicated resources and expertise for investing in infrastructure. Of those that have a considerable proportion of their investment is held in dubious projects like prisons and public-private partnership schemes.

In 2015 a Scottish Parliament investigation found that five of the 11 Scottish council funds had made investments in infrastructure.<sup>27</sup>

- Lothian had £300 million invested in infrastructure (in 2016 they updated this figure to £592 million of which they say over half is invested in the UK).<sup>28</sup>
- Strathclyde estimated their infrastructure investments to be worth £350 million.
- The Falkirk Pension Fund invested £86 million in their infrastructure fund.
- Fife invested up to £92 million in global infrastructure.
- Borders invested some funds in infrastructure indirectly.

Although treated as a separate class of asset many funds also had significant investments in commercial property.

The examples of renewable and social housing investment we list below<sup>29</sup> represent a total value of £234 million from three funds: £135 million came from Strathclyde, £45 million from Falkirk and £54 million from

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<sup>25</sup> An explanation of the sources used for the examples in this chapter can be found in the Appendices.

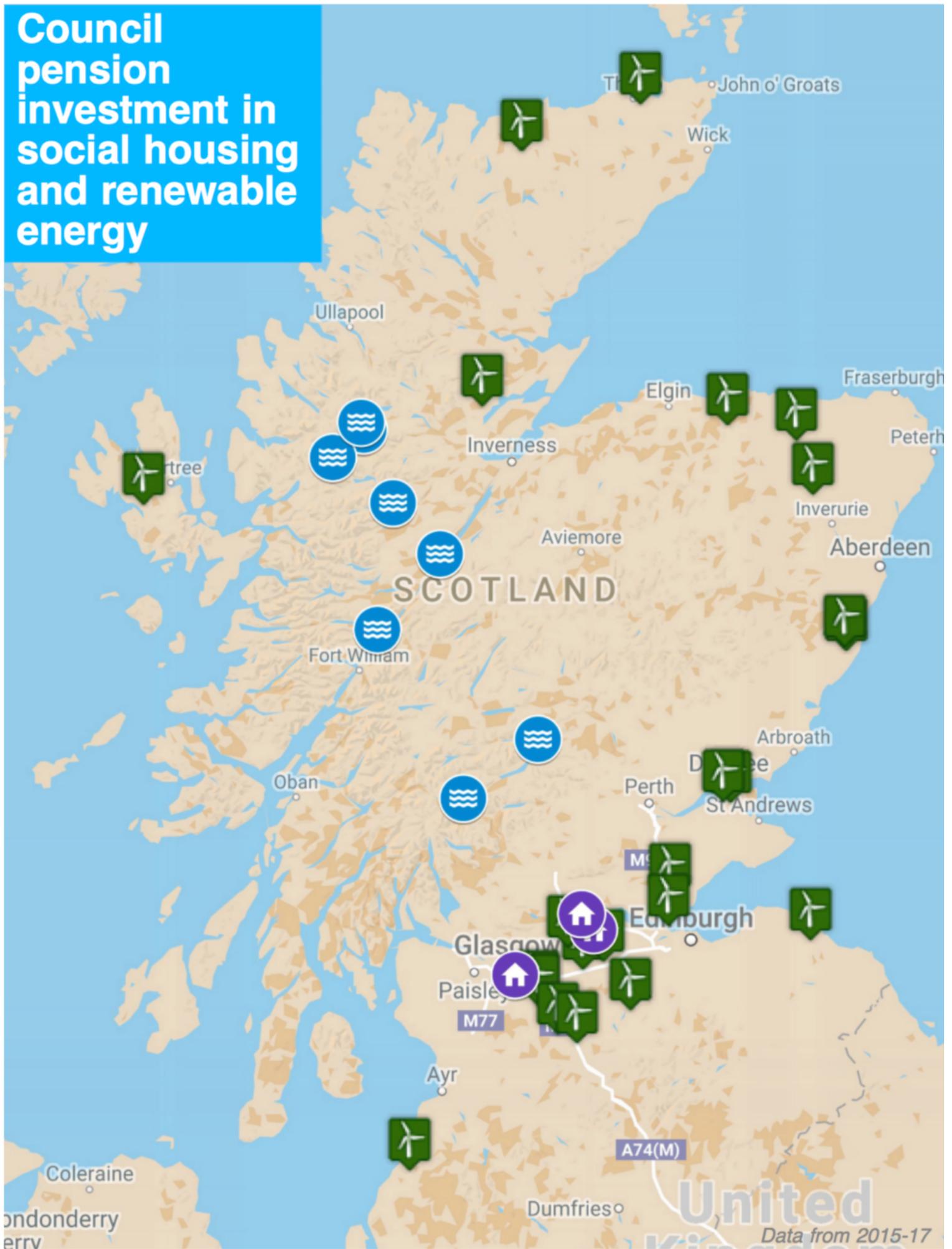
<sup>26</sup> For more information about public-private partnerships we recommend: *A new approach to financing public investment* by Common Weal: <http://allofusfirst.org/tasks/render/file/?fileID=9B6146D1-ECD3-1117-25EBC91E5A2EF7E8>

<sup>27</sup> Source: <http://www.parliament.scot/parliamentarybusiness/CurrentCommittees/94373.aspx>

<sup>28</sup> Source: [http://www.lpf.org.uk/news/article/25/harburnhead\\_infrastructure\\_investment\\_update](http://www.lpf.org.uk/news/article/25/harburnhead_infrastructure_investment_update)

<sup>29</sup> A reminder that sources for all the examples in this chapter can be found in the Appendices.

# Council pension investment in social housing and renewable energy



Social housing (marked purple), hydroelectric (marked blue) and wind farm (marked green) schemes which have received investment from Scottish council pension funds. Data sources are detailed in the Appendices. An interactive version of this map can be found at [www.reinvest.scot/reinvest](http://www.reinvest.scot/reinvest).

Lothian. No examples could be found for the other eight Scottish council funds.

As a crude measure, this represents around 6% of the total infrastructure and property holdings of Scottish local government pensions, or 0.7% of the scheme's total £35 billion value.

We could only find one example of the sort of return councils were getting on these investments: the Lothian Pension Fund report they expect a 3.5% annual return over inflation on their wind farm at Harburnhead.

## Forth Valley housing

The Falkirk Pension Fund provided funding for a major programme of new housing, including council housing, in the Forth Valley. The scheme was funded with £30 million from the Falkirk Pension Fund and £6 million from the Scottish Government into Hearthstone Investments, who then funded the construction. 62 houses have been built in Larbert, and will be managed by the Housing Association Castle Rock Edinvar. 190 houses are planned, delivering homes to the area whilst providing a highly dependable return to the fund.

## Commonwealth Games Athlete's Village

The athlete's village for the 2014 Commonwealth Games was constructed in the East of Glasgow with £35 million of investment from the Strathclyde Pension Fund. The accommodation has since been converted into social and private housing with the first residents moving in February 2015 (pictured, right).

## Hydroelectric power

The Strathclyde Pension Fund has £10 million invested in Albion Community Power, who own a number of small hydroelectric schemes in the Western Highlands. The company's hydro stations have a combined generating capacity of 6 MW, enough to power 4,000 homes. The company owns other hydroelectric and solar energy installations in England and Wales.

The Falkirk and Lothian funds have a £47 million share in Ancala Renewables. They in turn own Green Highland Renewables who operate, maintain and construct hydroelectric schemes, building 40 MW of hydroelectric capacity in Scotland over the last 10 years.

## Wind power

Strathclyde's £10 million investment in Albion Community Power has also helped fund a 1.5 MW wind farm at Goathill in Fife.

In June 2015 Strathclyde invested £30 million in Temporis Onshore Wind who primarily own and operate small-scale wind and solar schemes in the UK. Their 18 Scottish wind power installations make up a significant proportion of the Scottish case studies we have shown on the map over the page.

Resonance British Wind Energy build small wind farms. In Scotland they have constructed 11 turbines at four sites, creating 23.7 MW of capacity, as well as other sites in England and Wales. They have received a £10 million investment from the Strathclyde Pension Fund.

The Lothian and Falkirk funds jointly invested £10 million for a 50% stake in a new wind farm in West Lothian. Harburnhead's 22 turbines, sited in the Southern Pentland Hills, became operational in late 2016, generating 52 MW of power, enough to power 31,000 homes. According to the Lothian Pension Fund, the scheme will deliver returns of at least 3.5% in excess of inflation over its 25-year life.

Outside of Scotland Strathclyde have invested £50 million in the UK Green Investment Bank Offshore Wind Fund, who have provided finance for a number of wind farms in England, Wales and Northern Ireland, and Lothian invest £12 million in Hg Capital Renewable Power who fund district heating, wind and solar schemes across Europe.



# Planning ahead for pensions and the climate

Although a major risk to the future of our economy, the time scale over which climate change will affect our lives is, in the main, beyond the short-term focus of professional investors.

This means that investors seeking to secure their funds for the long-term need a climate change plan which ensures those managing money on their behalf don't carry on with a business-as-usual approach.

A number of major investors, including local councils, have such a plan.

As set out in *What is divestment* (p.5), eight Scottish universities and churches and five UK local government pension funds have committed to cut their investments in fossil fuels, part of a global movement of 701 investors with combined assets of \$5.5 trillion USD.<sup>30</sup> Many have also pledged to increase investment in projects which benefit their local communities.

We will detail three local government pension funds that have made strong commitments to act on climate change, and discuss what councils here in Scotland are doing to respond.

## Waltham Forest, London

In September 2016, the London Borough of Waltham Forest Pension Fund became the first UK pension fund to commit to fully divest from fossil fuels.

The fund's new policy states that it will "exclude fossil fuels from its strategy over the next five years". They will also invest more in wind energy and local infrastructure.

The policy received the full backing of the Conservative and Labour councillors who sit on the Council's Pensions Committee.

Councillor Simon Miller, chair of Waltham Forest Pension Fund said: "Not only does this mean that the fund will not be invested in stranded assets, but will be actively investing in cleaner, greener investments to the benefit of our community, borough and environment."<sup>31</sup>

The Fund's Statement of Investment Principles (SIP) will be changed to enshrine this commitment. The pension fund was valued at £735 million and invested £23.9 million in fossil fuels.

Over the winter of 2016/17 Waltham Forest's victory was followed by divestment announcements in the nearby councils of Haringey and Southwark, and London's new Mayor Sadiq Khan is pressuring the London Pension Fund Authority to cut its fossil fuel investments.<sup>32</sup>

## Environment Agency Pension Fund

In October 2015, the Environment Agency Pension Fund, part of the local government scheme, announced it would end most of its investments in fossil fuels within the next five years.

The announcement was made with the publication of a new investment policy for the fund, which outlined a goal of ensuring the fund's investments and processes were 'compatible with keeping the global average temperature increase to remain below 2°C relative to pre-industrial levels.'<sup>33</sup>

The Fund has around 40,000 members, is valued at £2.9 billion in size and at the time invested around £72.5 million (2.5%) in fossil fuels.

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<sup>30</sup> Campaign group 350 maintain a list of organisations that have divested from fossil fuels at <https://gofossilfree.org/commitments/>

<sup>31</sup> Source: <http://walthamforestecho.co.uk/waltham-forest-council-pension-fund-first-in-uk-to-quit-fossil-fuels/>

<sup>32</sup> Source: <http://www.pensions-expert.com/DB-Derisking/LPFA-feels-divestment-pressure>

<sup>33</sup> Source: <https://www.eapf.org.uk/%7E/media/document-libraries/eapf2/climate-change/policy-to-address-the-impacts-of-climate-change.pdf?la=en>

The policy included three targets to be achieved by 2020:

- Invest 15% of the fund in low carbon investments.
- Decarbonise the fund's shareholdings in coal by 90% and oil and gas by 50%.
- Support progress towards a transition to a low carbon economy by working with investors, fund managers, companies, researchers, and political leaders

This new approach reinforces past efforts by the fund to invest responsibly. In 2015 the fund invested £280 million in a new Legal & General fund that follows the *MSCI Low Carbon Index*, a list of companies that don't invest in coal, major oil companies and other fossil fuels, reducing carbon exposure. The fund also invests £19 million in a 'Low Carbon Workplace Fund' which lends to energy efficiency programmes for commercial buildings.

## South Yorkshire

In November 2015 the South Yorkshire Pension Fund committed to low carbon investment policy that excludes 'pure' coal and tar sands companies with "a long term tilt towards a low carbon economy within its portfolios".<sup>34</sup>



The fund is valued at £5.55 billion and invested around £317 million (5.7%) in fossil fuels. In 2015 they published a responsible investment policy and in March 2016 an accompanying 'Climate Change Policy', stressing that the fund will continue to engage with fossil fuel companies but also that "consideration will be given to reducing exposure to high-carbon intensity companies that fail to respond to engagement by not demonstrating a decrease in carbon intensity or carbon risk... Over time endeavour to manage a tilt within portfolios in favour of lower carbon assets in-line with the Paris Agreement, with a view towards progressively decreasing the Fund's carbon exposure."<sup>35</sup>

## What are Scottish councils doing?

No Scottish councils have made a public commitment to divest and reinvest. To find out how they were dealing with climate change issues we asked them questions about what they were doing to make their pension funds sustainable.<sup>36</sup>

Less than half of the funds asked had discussed how climate change would affect their fund (Lothian, Tayside, Strathclyde, Fife and Falkirk). Orkney said they had discussed the issue but later admitted they had no written evidence to prove this.

Three funds had produced reports on the issue (Lothian, Tayside and Strathclyde). Tayside's is very short and simply states the fund's investments in fossil fuels and some of the arguments for and against divestment. Lothian and Strathclyde's reports are more detailed, but focus on the very short-term practical costs of changing their policy: a thorough assessment of the scale of climate change risks to the fund is lacking.<sup>37</sup>

None of the councils said they had adapted their investment approach in response to the UN treaty signed in Paris.

<sup>34</sup> Source: <http://gofossilfree.org/uk/press-release/south-yorkshire-pension-fund-commits-to-low-carbon-investments-ahead-of-paris-talks/>

<sup>35</sup> Source: <http://www.sypensions.org.uk/Investments/Investment-Policies-and-statements>

<sup>36</sup> You can view our Freedom of Information Requests and the responses we got in full at [www.reinvest.scot/sources](http://www.reinvest.scot/sources).

<sup>37</sup> In 2015 the City of Edinburgh Council and Glasgow City Council passed resolutions at full council meetings that called for a report to set out the feasibility, costs and benefits of introducing a partial or complete fossil fuel divestment strategy for the Lothian Pension Fund and Strathclyde Pension Fund respectively.

Instead of seeking to move away from the companies most responsible for causing climate change many funds stated that a policy of engagement was adequate. This entails investors discussing concerns with companies they invest in, and putting pressure on companies to change their business practices. Scottish councils paid external contractors £258,258 to engage with the companies they invest in on their behalf in the 2015-16 financial year. This figure is almost certainly an underestimate as Strathclyde, the largest fund, refused to tell us how much they spent, claiming commercial confidentiality.<sup>38</sup>

We also asked funds if they had consulted their members about climate change and fossil fuel investments. We found that only two funds: Tayside and the Scottish Borders, had consulted their members about *anything* in the last 10 years, and neither of these two consultations addressed climate change.<sup>39</sup>

Several councils told us they are members of the Carbon Disclosure Project (CDP) and/or Local Authority Pension Fund Forum, and some have signed the UN Principles on Responsible Investment. Strathclyde have recently joined the Institutional Investors Group on Climate Change and we have recently learned that they are investigating the carbon footprint of their portfolio.

## Is enough being done?

Given the scale of the threat posed by climate change to the wider economy, investors like pension funds, who have a stake in the future health of the economy, should be working as hard as possible to both limit the risks posed by climate change to their investments, and to limit climate change *full stop*. Only by pursuing both of these strategies can fund members and the general public be confident that councils are securing their pension funds for the future.

It is therefore deeply concerning that the majority of the funds are yet to even seriously discuss climate change at board level.

Most of those that have discussed climate change have produced reports on the issue and carried out internal training: a normal procedural response in identifying risks. Carbon footprinting is to be welcomed, but it is likely that this tool will only identify companies which are high users of fossil fuels rather than focus attention to those which supply fossil fuels.

Of those few councils which have discussed climate change we are concerned that the actions they have resolved to take does not meet the scale of the problem.

Those funds that have discussed climate change were confident that the money they spend on engaging with the firms they invest in was effective in limiting their exposure to the risks associated with climate change. There are a number of problems with this approach:

1. Companies carrying out engagement on climate issues believe that fossil fuel companies can be discouraged from extracting fossil fuels. More often than not this has shown to be false. Oil, gas and mining companies are specialised, short-term profit driven, and in the main not providing leadership on moving away from dirty sources of energy.
2. Companies will only take engagement seriously if they believe you may withdraw investment from them. By continually espousing engagement as the only strategy for dealing with risks, pension funds are giving irresponsible companies a free hand.
3. Our experience suggests that there are many in the financial industry who do not believe that climate change poses serious risks. Responsible investors should be wary that the short-term focus of the financial industry discourages serious consideration of issues like climate change, and that some may be using engagement as a sticking plaster for the industry's current inability to cope with long-term challenges.
4. Endless discussion and engagement with fossil fuel companies will do little to change their behaviour whilst leaving the pension fund exposed to the risks of the carbon bubble and other associated risks.

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<sup>38</sup> This total breaks down as follows. Fife: £86,000, Lothian: £76,000, Tayside: £44,433, North East: £31,825, Falkirk: £20,000. Dumfries and Galloway, Highland, Orkney, Scottish Borders, and Shetland spent nothing on engagement. Strathclyde refused to say.

<sup>39</sup> The Tayside Pension Fund consulted their members about divesting from tobacco companies in 2013. The Scottish Borders Council asked their members about what their broad approach should be on responsible investment in 2010. Details of both consultations can be found via the Freedom of Information request links at [www.reinevst.scot/sources](http://www.reinevst.scot/sources).

We are encouraged that three funds Scottish funds are investing directly in infrastructure like social housing and renewable energy. However, the positive benefit these investments are having could be significantly amplified if they were part of a joined-up strategy to tackle climate change.

Scottish councils should take a lead from the funds discussed in the case studies above by making a commitment to divest from fossil fuels over five years and reinvest in environmentally and socially beneficial infrastructure in their local communities.

A timed policy of divestment from fossil fuels has the following benefits:

1. Divestment protects pension funds from climate change risks by cutting out companies most unfit for the future.
2. By making an example of the companies contributing most to climate change, divestment encourages wider action to limit climate change and the economic havoc it will bring.
3. As public bodies councils have a legal duty to contribute to Scottish action on climate change. The way these duties relate to pension investment are narrowly defined (see *A look at the law*, p.8) but still material, and could be strengthened in the future.
4. Many councils have already made commitments to invest responsibly. Divestment would fulfil this commitment and enhance the existing engagement they practice by showing companies that they take these issues seriously.
5. Divestment could free up funds held in stocks and shares to reinvest in useful projects that benefit the local community.

We would recommend that councils incorporate a policy of divestment and reinvestment in their Statement of Investment Principles, a mandatory document that describes their investment strategy.<sup>40</sup>

## What if councils ignore climate change?

If councils do not act boldly on climate change it will be harder for the rest of us to cut carbon emissions and build a sustainable society.

If councils do not develop the policy and expertise to invest more in beneficial local projects, Scotland will miss out on the opportunities that this investment could bring.

Furthermore, councils that do not take this issue seriously risk losing significant fund value and face the possibility of a legal challenge.

As discussed in *The threat of the carbon bubble* (p.7), the Bank of England has advised that funds may face “both regulatory and shareholder action if they fail to adequately consider, misrepresent or conceal climate change-related risk”<sup>41</sup> and a 2016 legal opinion concluded that if it could be shown the climate change had financial implications, funds taking no effective action would be in breach of their legal duties.<sup>42</sup>

Funds could also face charges of intergenerational inequity: if fossil fuels are being retained due to their strong performance in the very short-term at the expense of longer-term risks, this would be unfairly benefitting older members over younger members.

Ignoring climate change won't make it go away. If as time passes investors continue with *business as usual* the risk of financial and environmental catastrophe will only grow.

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<sup>40</sup> For more information about best practice contact the Reinvest Scotland campaign via [contact@reinvest.scot](mailto:contact@reinvest.scot)

<sup>41</sup> Source: <http://www.bankofengland.co.uk/prad/Documents/supervision/activities/pradefra0915.pdf>

<sup>42</sup> Source: <http://www.clientearth.org/pension-trustees-face-legal-challenge-ignoring-climate-risk-leading-qc-confirms/>

# Recommendations

## For councils

In a 2016 report by Share Action and Client Earth barrister Frances Lawson stated that as a bare minimum to be consistent with the law, funds must get specialist advice on climate change, assess its impact on their investments and adopt a strategy to deal with the risks identified.<sup>43</sup>

However, we believe it is not enough for pension funds to simply adapt to a world affected by climate change. We need our councils to actively contribute to a better future with a strategy that seeks to build investor power to reduce fossil fuel use and rebalance the economy towards low-carbon solutions.

This report recommends that councils which run pension funds should:

1. Divest from fossil fuels by adding a commitment to exit these companies over five years to their Statement of Investment Principles.
2. Assess the wider risks posed to all companies they invest in from climate change, produce a strategy for low-carbon investment, and require their fund managers to do likewise.
3. Talk to funds which have implemented industry standard policy on fossil free investment such as Waltham Forest Council and the Environment Agency Pension Fund.
4. Collaborate with other responsible investors to invest in Scottish communities.

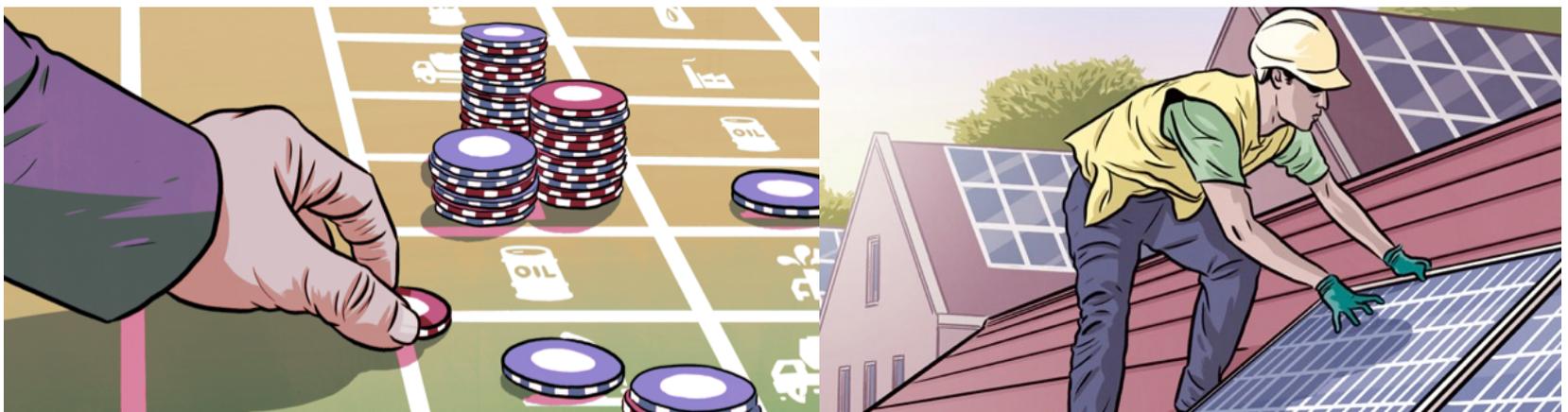
## For the Scottish Government

Council pensions are run by local government and we do not believe the Scottish Government should instruct councils, unions or staff on how to manage these funds.

However we do believe they could have a role in assisting councils in investing shrewdly in socially and environmentally beneficial infrastructure in Scotland by:

1. Setting funds aside to co-fund marginal social housing and renewable schemes, building on the good practice in the Forth Valley housing schemes.<sup>44</sup>
2. Develop an investment vehicle or bond which pension funds can invest in, to pool resources and risk for investment in environmentally and socially beneficial schemes in Scottish communities.

We would also envisage that the Scottish Local Government Pension Scheme Advisory Board would have a role in developing these proposals.



<sup>43</sup> Source: <http://www.documents.clientearth.org/wp-content/uploads/library/2016-09-08-the-hot-debate-on-climate-risk-and-pension-investments-coll-en.pdf>

<sup>44</sup> See UNISON Scotland report for more information: [http://www.unison-scotland.org.uk/housing/FundingAndBuildingTheHomesScotlandNeeds\\_Mar2013.pdf](http://www.unison-scotland.org.uk/housing/FundingAndBuildingTheHomesScotlandNeeds_Mar2013.pdf)

# Appendices

## 1. Fossil fuel data sources and methodology

We compiled the data on local government pension funds' investments in fossil fuels using responses to Freedom of Information requests (listed at [www.reinvest.scot/sources](http://www.reinvest.scot/sources)) and the annual reviews of the 11 funds.

10 of the pension funds have direct holdings in fossil fuel companies. These were determined by cross referencing companies listed with the independently collated *Carbon Underground* list of the 100 largest coal companies, and 100 largest oil and gas companies, by the amount of fossil fuels extracted (<http://fossilfreeindexes.com/research/the-carbon-underground/>). This list is not comprehensive as it excludes smaller companies, but is widely used and easily available, and so allows comparison between other funds.

All 11 pension funds also had money invested in index funds and bond funds. Given the high likelihood that a portion of these funds were subsequently invested in fossil fuel companies we compiled a list of index and bond funds from the data from councils. We then downloaded data about how much each fund had invested in fossil fuels from the website *Fossil Free Funds* and applied the relevant figure (<https://fossilfreefunds.org/>). We then took an average of the exposure of these funds in fossil fuels and applied this number to index and bond funds not listed on Fossil Free Funds. For the purposes of this report we have not applied any fossil fuel exposure to gilts, currency, commodities, derivatives, partnerships, venture capital, hedge funds, real estate/property, or other 'alternative' funds.

It should be noted that our methodology is slightly improved from that used in the 2015 report "Local Government Pensions, Fossil Fuels, and the Transition to a New Economy" and as such data from the two reports is not exactly comparable.

## 2. Reinvestment examples with sources

Name of investor	Invested (£ millions)	Investment vehicle	Nature of investment	Sources
Falkirk Pension Fund	30	Hearthstone Investments	Social and private housing in the central belt	Scottish Parliament*
Strathclyde Pension Fund	35	Direct	Commonwealth Legacy housing scheme	Scottish Parliament*
Strathclyde Pension Fund	10	Albion Community Power	UK Hydroelectric, wind, solar power and biomass	Investment: Scottish Parliament* Scheme: <a href="http://www.albioncommunitypower.co.uk/energy-production">http://www.albioncommunitypower.co.uk/energy-production</a>
Falkirk Pension Fund	10	Green Highland Renewables via Ancala Renewables equity	Hydroelectric and wind power in Scotland	Investment: FOI response at <a href="http://www.reinvest.scot/sources">www.reinvest.scot/sources</a> Scheme: <a href="http://www.greenhighland.co.uk/">http://www.greenhighland.co.uk/</a>
Lothian Pension Fund	37	Green Highland Renewables via Ancala Renewables equity	Hydroelectric and wind power in Scotland	Investment: FOI response at <a href="http://www.reinvest.scot/sources">www.reinvest.scot/sources</a> Scheme: <a href="http://www.greenhighland.co.uk/">http://www.greenhighland.co.uk/</a>
Strathclyde Pension Fund	10	Resonance British Wind Energy	UK wind farms	Investment: FOI response at <a href="http://www.reinvest.scot/sources">www.reinvest.scot/sources</a> Scheme: <a href="http://www.resonanceassetmanagement.com/news">http://www.resonanceassetmanagement.com/news</a>
Strathclyde Pension Fund	30	Temporis Onshore Wind	Small scale UK wind power, solar and biomass	Investment: FOI response at <a href="http://www.reinvest.scot/sources">www.reinvest.scot/sources</a> Scheme: <a href="http://temporiswind.com/">http://temporiswind.com/</a>
Strathclyde Pension Fund	50	UK Green Investment Bank Offshore Wind Fund	Offshore wind farms in the UK	Investment: Scottish Parliament* Scheme: <a href="http://www.ntrplc.com/news/article/ntr-acquires-third-wind-farm-from-res">http://www.ntrplc.com/news/article/ntr-acquires-third-wind-farm-from-res</a>
Lothian and Falkirk Pension Funds	10	FIM Wind Energy	Wind farm at Harburnhead, West Lothian	<a href="http://www.lpf.org.uk/news/article/25/harburnhead_infrastructure_investment_update">http://www.lpf.org.uk/news/article/25/harburnhead_infrastructure_investment_update</a>
Lothian Pension Fund	12	Hg Capital Renewable Power	District heating, wind, solar across Europe	Investment: FOI response at <a href="http://www.reinvest.scot/sources">www.reinvest.scot/sources</a> Scheme: <a href="http://www.hgcapital.com/renewable-energy/current-investments">http://www.hgcapital.com/renewable-energy/current-investments</a>
<b>Total</b>	<b>234</b>	<b>Falkirk total: £45 million</b>	<b>Lothian total: £54 million</b>	<b>Strathclyde total: £135 million</b>

\*Scottish Parliament Local Government and Regeneration Committee "Report on Pension Fund Investment in Infrastructure and City Deal Spend", 2015. Source: <http://www.parliament.scot/parliamentarybusiness/CurrentCommittees/94373.aspx>

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countries have ratified the Paris UN climate treaty representing 81.9% of carbon emissions

"This historic agreement [that] sends a signal of **certainty about the global economy's low carbon future**"  
– Nicola Sturgeon

# 80%

proportion of fossil fuels said to be unburnable

# £35,425,692,000

2016 value of the Scottish local government pension scheme

# 1 in 5

Scots have a financial interest

"Scotland's financial sector is heavily reliant on the fossil fuel industry and carbon based assets"  
– Scottish Environment LINK

# £1,683,289,000

Scottish council stake in fossil fuels

# £3,300

per scheme member

# 4.8%

of the scheme

vs.

# 0.7%

invested in social housing and renewable energy

# 335,000

households on social housing waiting lists

# £19,467,000

in BHP Billiton

"the story of coal mining here has been 30 years of destruction, 30 years of pain."  
- Samuel Arregoces, evicted to make way for BHP mine

'There is a growing international consensus that climate change is unequivocal... once climate change becomes a defining issue for financial stability, **it may already be too late.**'  
– Mark Carney, Governor of the Bank of England

"It makes no sense to invest in companies that undermine our future."  
– Archbishop Desmond Tutu