

Review of Strathclyde Pension Fund’s proposed fossil fuel divestment policy

7th September 2021

Friends of the Earth Scotland, UNISON Scotland and Divest Strathclyde wrote to the Strathclyde Pension Fund Committee on 1st September encouraging the fund to bring forward strong proposals to divest from fossil fuels.ⁱ

The SPF have now published their draft plan “Climate Change Strategy – Assessment of Energy Companies”. In this document we review their plans and compare them to our demands.

The scale of this problem is significant: in the assessment we published in August we estimated the fund had exposure of £834 million to fossil fuels.ⁱⁱ

It is our view that, without major development and amendment, the SPF’s policy falls well short of our demands, the Paris climate goals, and those of the City Council, which requested action to divest from fossil fuels prior to COP26 on 1st April.ⁱⁱⁱ

The SPF’s proposal presumes that “most of the current holdings” in energy companies would be unaffected by the policy. This lack of ambition would be realised by several proposed minimum standards which are too easy for companies to pass without meaningful action.

Issues with the document are broken down by topic as follows:

	Demand from our letter	Assessment
1	Industry-leading standards that require energy companies to be at least fully aligned with the UN Paris Agreement, as judged by independent assessments.	Independent assessments are provided for but crucially the UN Paris Agreement, or its objective to seek to limit global warming to 1.5 degrees, is not mentioned.
2	Fossil fuel divestment to be completed as soon as practically possible, consistent with international best practice and the timescale set by Glasgow City Council’s own Climate Emergency Implementation Plan (2025). ^{iv}	No completion date for divestment, or for when the policy will be finalised.
3	Companies who do not meet minimum standards are divested from immediately.	Companies can fail minimum standards and still be kept by the SPF if they pass other tests (divestment is only possible for the most extreme polluters).

4	'Amber' listed companies are 'flagged' and put on notice for divestment within six months if they do not improve.	Companies may remain on the 'amber' list indefinitely: there is no deadline for them to improve.
5	Consideration of service and transportation companies and companies with high fossil fuel consumption who refuse to adapt.	All energy companies are included, although some service companies may fall outside this definition.
6	Action on indirect / arm's length investments <i>as well as</i> those invested directly in-house.	The SPF has previously refused to acknowledge responsibility for arms length's investments, so we infer that the new policy would only apply to directly invested funds.
7	Consultation with fund members, their trade unions, and climate campaigners.	Stakeholder consultation is not included.
8	Transparency measures including regular updates published on which companies have been sold.	Reporting and disclosure is not included.
9	SPF commits in principal to divest from fossil fuels.	Paper states that "implementation will lead to fossil fuel divestment."
10	Policy is likely to lead to divestment from the vast majority of fossil fuel investments.	Due to weak criteria and other factors detailed above most fossil fuel investments are likely to be retained.

ⁱ Our joint letter is available publicly online at: <https://foe.scot/resource/letter-from-unison-scotland-divest-strathclyde-and-friends-of-the-earth-scotland/>

ⁱⁱ This paper is available online at: <https://foe.scot/resource/spf-ctte-brief-aug-2021/>

ⁱⁱⁱ Extract from Glasgow City Council motion, 1st April: "The Council... resolves to write to the Strathclyde Pension Fund Committee, asking that it make a formal commitment to fossil fuel divestment prior to COP26, with the intention of divesting completely as quickly as possible, and no later than 2029; that it should continue to engage on the basis of the Responsible Investment strategy to address the impact and future of fossil fuels; and that it further considers how it can reinvest the Pension Fund Members' hard-earned money to drive a green recovery for the wider Strathclyde region."

^{iv} <https://www.glasgow.gov.uk/CHttpHandler.ashx?id=50623&p=0>