Cleaning up Glasgow and Strathclyde's investments

A briefing on the campaign to divest the Strathclyde Pension Fund from fossil fuels

October 2021

The climate crisis and fossil fuels

Glasgow City Council administers the Strathclyde Pension Fund which, at £26 billion, is one of Europe's largest pension funds. Its 220,000 members are drawn from across Glasgow and the West of Scotland and include workers in local government, education, social and emergency services, care, refuse collection, charities and more besides.

A great many people depend on the Strathclyde fund to safeguard their future, but as well as generating income for our retirement pension investments also shape what the future will look like.

The need for investors like pension funds to invest sustainably has never been greater. In its latest report the UN Intergovernmental Panel on Climate Change (IPCC) gave the world a stark warning: **climate change is widespread, rapid, and intensifying**, and only drastic reductions in greenhouse gases in this decade can prevent even more widespread devastation and extreme weather.[1]

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1 UN, August 2021. 'Secretary-General's statement on the IPCC Working Group 1 Report on the Physical Science Basis of the Sixth Assessment' https://www.un.org/sg/en/content/secretary-generals-statement-the-ipcc-working-group-1-report-the-physical-science-basis-of-the-sixth-assessment

The core challenge in addressing this crisis is transitioning away from fossil fuels. In May 2021, the International Energy Agency (IEA) produced a roadmap for how the global energy sector could meet the Paris Agreement goals. It recommended "a huge decline in the use of fossil fuels", stating that "there is no need for investment in new fossil fuel supply in our net zero pathway" and there should be "no new oil and gas fields approved for development".[2] Underscoring this, the UN Secretary General Antonio Guterres said we must "**sound a death knell for coal and fossil fuels, before they destroy our planet**."

Calls to wind down fossil fuel production have been made for decades but fossil fuel companies remain undeterred. In 2019, major oil and gas companies spent over 99% of their capital expenditure on the development of fossil fuels and the vast majority were planning to increase production decades into the future, despite making "net zero" pledges.[3]

Those investors who have placed their faith in fossil fuel companies have lost out: UK local government pensions collectively lost £2 billion by not divesting from oil and gas[4] while sustainable funds have been shown to deliver higher returns, both before and during the pandemic.[5] A 2021 study by Carbon Tracker found that globally, **investors have lost US $123 billion** by betting on fossil fuel stocks in the last ten years while renewable energy investments *gained* US $77 billion.[6]

Unable to respond to the pace of change required and faced with transition costs and stranded assets, the future prospects for fossil fuel companies look increasingly bleak. Instead of adapting to the future energy economy they have instead lobbied for financial handouts and undermined public policy that would cut fossil fuel demand and help keep us safe from environmental catastrophe.[7] We need investment to be moved away from fossil fuel production and we need the polluters' poor behaviour to be challenged.

How much does Strathclyde invest in fossil fuels?

Early in 2021 Friends of the Earth Scotland published a UK-wide assessment of local government pension investment in fossil fuels.[8]

Using data published on the SPF website and using a more rigorous method covering a wider basket of companies we present an improved assessment the SPF's fossil fuel investments.

This assessment shows that whilst the SPF's direct holdings decreased during the 2020-21 financial year, the huge increase in the value of arms-length investments means that total fossil fuel exposure has likely increased, with the new estimated total investment in fossil fuels standing at a staggering £836 million.

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2 IEA, May 2021. 'Net Zero by 2050: A Roadmap for the Global Energy Sector' https://www.iea.org/reports/net-zero-by-2050

3 Oil Change International, 2020. 'Big Oil: Reality Check' http://priceofoil.org/2020/09/23/big-oil-reality-check/

4 Financial Time, 2020. 'UK public pension funds suffer £2bn hit to oil investments': https://www.ft.com/content/f74502ad-8ae9-4715-a297-364ab8418c11

5 Financial Times, 2020. 'Majority of ESG funds outperform wider market over 10 years': https://www.ft.com/content/733ee6ff-446e-4f8b-86b2-19ef42da3824
and Institute for Energy Economics and Financial Analysis (2021) 'Major investment advisors BlackRock and Meketa provide a fiduciary path through the energy transition': https://ieefa.org/major-investment-advisors-blackrock-and-meketa-provide-a-fiduciary-path-through-the-energy-transition/

6 Carbon Tracker, March 2021. 'A tale of two share issues': https://carbontracker.org/reports/a-tale-of-two-share-issues/

7 The lobbying efforts of the fossil fuel industry are well documented, recent examples from the UK and US follow:
Guardian, September 2021. 'UK ministers 'met fossil fuel firms nine times as often as clean energy ones''
https://www.theguardian.com/environment/2021/sep/10/uk-ministers-met-fossil-fuel-firms-nine-times-more-often-than-clean-energy-companies
DeSmog, September 2021. 'Oil Industry Launches Lobbying Blitz as Congress Targets Fossil Fuel Subsidies'
https://www.desmog.com/2021/09/02/oil-intangible-drilling-axpc-congress-fossil-fuel-subsidies/

8 https://foe.scot/campaign/fossil-fuel-divestment/local-government/

SPF investment in fossil fuels	2020	2021
Direct	£173 million	£138 million
Indirect (estimate)	£445 million	£698 million
Total	£618 million	**£836 million**

A complete data spreadsheet can be downloaded here.

SPF's largest direct investments in fossil fuel companies, 2021
• Mitsubishi UFJ … £31.3 million • Eni … £29.1 million • Equinor … £9.2 million • BP … £8.6 million • Chevron … £5.8 million • Independent Oil & Gas … £5.3 million • Lamprell … £4.9 million • Royal Dutch Shell … £4.8 million • Mitsui Chemicals … £4 million • Mitsubishi Heavy … £3.4 million • I3 Energy … £3 million • Beach Energy … £2.4 million • Premier Oil … £1.3 million

A note on the numbers

It is welcome that the SPF have begun regularly publishing a list of their investments online, including a list of direct investments in oil and gas. However, both in the press and in Council meeting papers, in an apparent effort to down play their investments in fossil fuels, the SPF have referred to confusing statistics such as their direct investments in energy companies (i.e. *excluding* arm's length investments whilst *including* renewable companies) or referring to direct investments in oil and gas (i.e. *excluding* arm's length investments and mining companies).

It is extremely misleading to suggest that the SPF is not responsible for investments in fossil fuel companies held in third party pooled funds, all the more so when our assessment shows that such investments likely dwarf directly held stocks.

Nonetheless whilst the assessment summarised here is the most rigorous we have yet produced it is important to stress that an estimate produced by third party organisations such as ourselves will never be as accurate or up to date as one produced by the fund themselves.

To address the confusion the SPF should regularly publish their own assessment of their investments in fossil fuels, including coal, oil and gas companies held directly and indirectly.

Divestment and the law

LGPS legal advice and Law Commission guidance states that the fulfilment of fiduciary duties do not prohibit pension funds from considering ethical factors in investment decisions, provided that doing so does not lead to a significant detrimental impact on financial performance.[9]

As fossil fuels are being increasingly economically and politically side-lined, the risk may in fact be on the other foot. Several legal opinions have concluded that pension fund trustees who take insufficient action on climate could be exposed to legal challenge,[10] and fossil fuel companies themselves are facing legal reprisals for their contribution to climate breakdown.

In a landmark case concluded in May a Dutch court forced Royal Dutch Shell to take much more serious action to align with the Paris Agreement[11] and UK campaigners have won the right to take the UK Government to the High Court over fossil fuel expansion.[12]

In October 2020, a report by London School of Economics assessed 125 oil and gas producers, coal miners and electricity groups on their preparedness for a lower-carbon economy. They found "no major oil, gas or coal company is on track to align their business with the Paris climate goal of limiting the global temperature rise to well below 2°C by 2050, despite net-zero emissions pledges."[13] This is not the only study which has concluded that major oil and gas companies are working against the Paris Agreement.[14]

It is reasonable to expect that fossil fuel companies may face further legal challenges and turmoil, with their investors paying the price financially, or left legally exposed themselves.

The financial risks of fossils

The impact of this turmoil has already had some financial impact. Studies have found that fossil fuel investors have lost out in recent years:

- A 2021 study by Carbon Tracker found that globally, investors have lost US $123 billion by betting on fossil fuel stocks in the last ten years while renewable energy investments *gained* US $77 billion.[15]

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9 *Referral to the Pensions Regulator Local Government Pension Scheme and Climate Risk, Feb 2017 – Client Earth and ShareAction* https://www.documents.clientearth.org/wp-content/uploads/library/2017-02-10-clientearth-referral-to-the-pensions-regulator-lgps-funds-coll-en.pdf
QC Opinion: The legal duties of pension fund trustees in relation to climate change, April 2017 – Client Earth https://www.documents.clientearth.org/library/download-info/qc-opinion-the-legal-duties-of-pension-fund-trustees-in-relation-to-climate-change/
"Is it always about the money?" Pension trustees' duties when setting an investment strategy, Guidance from the Law Commission http://www.lawcom.gov.uk/app/uploads/2015/03/lc350_fiduciary_duties_guidance.pdf
FTSE ex Fossil Fuels Index Series https://www.ftserussell.com/products/indices/ex-fossil-fuels
Legal Opinions and Summaries, Local Government Pension Scheme Advisory Board http://www.lgpsboard.org/index.php/board-publications/legal-opinions

10 ClientEarth (2016) *Pension trustees could face legal challenge for ignoring climate risk – leading QC confirms*, 2 December. Available at: https://www.clientearth.org/latest/latest-updates/news/pension-trustees-could-face-legal-challenge-for-ignoring-climate-risk-leading-qc-confirms/

11 https://www.bbc.co.uk/news/world-europe-57257982

12 https://www.energyvoice.com/oilandgas/north-sea/339988/climate-campaigners-uk-government-high-court-north-sea-oil-plans/

13 https://www.ft.com/content/16091645-98b3-4041-9ca2-053fb60181ba

14 For example: http://priceofoil.org/2020/09/23/big-oil-reality-check/

15 Carbon Tracker, March 2021. 'A tale of two share issues': https://carbontracker.org/reports/a-tale-of-two-share-issues/

- By November 2020 the Local Government Pension Scheme (LGPS) had collectively lost £2 billion by not divesting from oil and gas.[16]

Whilst in contrast low-carbon funds have prospered:

- Between 2010 and April 2021 MSCI found that 'fossil free' funds earned more than funds which contained oil, gas and coal companies'.[17]

- A study over ten years up until mid-2020 found that sustainable funds delivered higher returns than traditional funds, both before and during the pandemic.[18] In March 2021, BlackRock, the largest asset manager in the world, came to the same conclusion.[19]

- Modelling by LSE has shown that divesting from fossil fuels between 1925-2017 would have had no negative financial impact on funds.[20]

Oil and gas companies have shown themselves to be unwilling and unable to change course fast enough to meet the challenges of the transition away from fossil fuels.

Fossil fuel companies up close

UK and Netherlands based **Royal Dutch Shell** has been associated with a number of environmental and human rights violations worldwide.

The company has threatened to drill in the fragile environment of the Arctic[21] and is involved in shale gas fracking in a number of countries, a highly polluting form of oil and gas drilling.[22]

In January 2021 a Dutch court ruled that Shell must compensate a number of Nigerian villages for loss of life, illness and destruction caused by their pollution.[23] In May a court further ruled that the company must cut emissions by 45% by 2030, deeming its own climate plans to be insufficient.[24]

The company operates part of the Mossmorran gas plant in Fife, one of Scotland's largest polluters, and the scene of recent protests over emissions.[25] Shell is also part-owner of the Cambo field whose development is currently the focus of a major UK campaign.[26]

Strathclyde invest **£4,800,000** directly in Shell. The total investment including through intermediaries in unknown.

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16 Marriage, M. (2015) Almost $1bn wiped off the value of UK pensions' coal investments, *Financial Times*, 11 October. Available at: https://www.ft.com/content/cb6adb90-6e7b-11e5-aca9-d87542bf8673
Flood, C. (2020) UK public pension funds suffer £2bn hit to oil investments, *Financial Times*, 28 November. Available at: https://www.ft.com/content/f74502ad-8ae9-4715-a297-364ab8418c11

17 MSCI (2021) *MSCI ACWI ex Fossil Fuels Index (GBP)*. Available at: https://www.msci.com/documents/10199/d6f6d375-cadc-472f-9066-131321681404

18 Riding, S. (2020) Majority of ESG funds outperform wider market over 10 years, *Financial Times*, 13 June. Available at: https://www.ft.com/content/733ee6ff-446e-4f8b-86b2-19ef42da3824

19 Sanzillo, T. (2021) IEEFA: Major investment advisors BlackRock and Meketa provide a fiduciary path through the energy transition, *Institute for Energy Economics and Financial Analysis*, 22 March. Available at: https://ieefa.org/major-investment-advisors-blackrock-and-meketa-provide-a-fiduciary-path-through-the-energy-transition/

20 Grantham, J. (2018) The mythical peril of divesting from fossil fuels, *LSE Grantham Institute*, 13 June. Available at: https://www.lse.ac.uk/granthaminstitute/news/the-mythical-peril-of-divesting-from-fossil-fuels/

21 https://www.theguardian.com/business/2015/sep/28/shell-ceases-alaska-arctic-drilling-exploratory-well-oil-gas-disappoints

22 https://www.shell.com/energy-and-innovation/natural-gas/tight-and-shale-gas.html

23 https://www.foei.org/news/justice-shell-compensate-nigerian-farmers-oil-spill

24 https://www.bbc.co.uk/news/world-europe-57257982

25 https://theferret.scot/ineos-sse-exxon-carbon-polluter/

26 https://www.huffingtonpost.co.uk/entry/everything-you-need-to-know-about-the-stop-cambo-campaign_uk_615b1b7ee4b0487c8561d785

UK-based **BP** are one of the world's biggest fossil fuel producers. After spending a brief period branded as *beyond petroleum* BP have continued to explore for new oil and gas, including in Scottish waters.[27]

BP have been found to have close ties with the oppressive regime in Azerbaijan.[28] 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.[29]

The company is a financial backer of the proposed gas export scheme in Mozambique which has been associated with forced displacement and militarisation.[30]

Strathclyde invest **£8,600,000** directly in BP. The total investment including through intermediaries in unknown.

How is Glasgow responding?

Glasgow City Council declared a climate emergency in 2019[31] and set-up a working group to discuss how the City should respond. That group's recommendations stated:

> "We recommend that Glasgow City Council works with the other employers and members to make a **wholesale shift** away from investment in hydrocarbons."[32]

The Council was required to respond to this recommendation and in April 2021 a motion was negotiated and passed at full council requesting action for divestment. The motion, passed by 63 of the 68 voting Councillors, stated that Glasgow City 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."[33]

The City Administration Committee have since underscored this by signing the C40 declaration. This global initiative commits Glasgow to "increase our investments in climate solutions and the green economy, and to divest municipal investments from fossil fuel companies" as well as to "encourage the city — or other relevant — pension fund to develop a policy to **divest from fossil fuel companies**, as part of a wider climate risk management strategy."[34] 23 of the 25 Councillors present voted for the motion.[35]

Upon announcing Glasgow's signature of the C40 declaration Glasgow City Treasurer, Councillor Ricky Bell said: "As a city, and home to one of the UK's biggest pension funds, we've already put the fossil fuels companies on notice that it's change or be dropped. Standing shoulder to shoulder with our peers across the planet to shift from high carbon investments and put our money where our mouth is by championing investments in the green economy – it's good news for our funds and good news for our climate.

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27 https://www.thenational.scot/news/16908656.bp-granted-approval-new-30-million-barrel-north-sea-oil-field/
28 https://issuu.com/platformlondon/docs/all_that_glitters_pdf
29 https://www.theguardian.com/environment/2015/jul/02/bp-will-pay-largest-environmental-fine-in-us-history-for-gulf-oil-spill
30 https://foe.scot/solidarity-frontline-communities-bp-agm/
31 https://www.climateemergency.uk/blog/glasgow/
32 https://www.glasgow.gov.uk/councillorsandcommittees/viewSelectedDocument.asp?c=P62AFQDN0GZLZ3DNDX
33 Glasgow City Council, 1st April 2021, https://www.glasgow.gov.uk/councillorsandcommittees/agenda.asp?meetingid=17375
34 https://www.glasgow.gov.uk/councillorsandcommittees/viewDoc.asp?c=P62AFQDNZLDN81UT81
35 https://www.glasgow.gov.uk/councillorsandcommittees/viewDoc.asp?c=P62AFQDNZLDNUTT1DN

He continued: “Fossil fuels are already plummeting in popularity as investment propositions. Increasing sustainable investments is an effective way of not only protecting our assets from climate-related risks but also about creating jobs and opportunities in the green economy. We’re helping build that road to decarbonisation, forcing the big oil and gas firms to reform… the market alone won’t deliver for our planet. But cities like ours... can apply that pressure for change.”[36]

The Council has been careful to clarify, correctly, that these political commitments are non-binding on the local government pension fund. Councillors who sit on the Strathclyde Pension Fund committee must act in the best interests of its corporate and individual members, including Glasgow City, but also other employers and members. However, as Cllr. Bell chairs the SPF Committee it is reasonable to infer that when making these bold claims he is also in a position to enact them.

Following the City Council motion, the issue was formally handed to the Strathclyde Pension Committee who discussed the issue on 2nd June 2021[37] and resolved to:

1. Agree that an assessment of energy sector companies in SPF portfolios is conducted to ensure all are meeting minimum standards to be agreed in consultation with investment managers and Sustainalytics.
2. Agree that if any do not meet these standards, that SPF should disinvest from them.
3. Agree that any disinvestment should be completed as quickly as possible whilst ensuring no detriment to the financial stability of the fund.

This motion represented the first time that the SPF recognised that **divestment was a relevant tool** for the fund to use against companies with poor performance on climate change, and in that sense, represented a step forward.

With divestment acknowledged in principal, an outline of which companies should be divested from was due at the September meeting. As the last SPF Committee meeting before COP26 there was considerable attention and interest from members, unions and campaigners on the outcome.

The draft plan to be discussed was entitled “Climate Change Strategy – Assessment of Energy Companies”.[38] Although the paper claimed to enact divestment, we found it to fell short of the clear and bold ambition set the City Council.

Disturbingly the proposal stated that “most of the current holdings” in energy companies would be unaffected by the policy, a lack of ambition would be realised by several proposed minimum standards which are too easy for companies to pass without meaningful action.

Divest Strathclyde, UNISON and Friends of the Earth Scotland wrote to the Councillors on the Strathclyde committee with a set of demands for the policy.[39] Here’s how the Strathclyde Pension Fund’s proposal stacked up against our demands:

	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	No completion date for divestment, or for when the policy will be finalised.

36 https://www.c40.org/news/cop26-cities-divest-fossil-fuels-invest-solutions/
37 https://www.glasgow.gov.uk/councillorsandcommittees/Agenda.asp?meetingid=17546
38 https://www.glasgow.gov.uk/CouncillorsandCommittees/Agenda.asp?meetingid=17815
39 https://foe.scot/resource/letter-from-unison-scotland-divest-strathclyde-and-friends-of-the-earth-scotland/

	set by Glasgow City Council's own Climate Emergency Implementation Plan (2025).[40]	
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 *as well as* 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.

The SPF proposal was billed as a working document, so its adoption by the Committee does not represent the conclusion of the issue. It is conceivable that it could be heavily amended to bring out a just, transparent and effective policy of fossil fuel divestment.

Our demands

Meeting together in August 2021 representatives from UNISON, Friends of the Earth Scotland and Divest Strathclyde are agreed that the divestment process should:

1. Be completed as soon as practically possible with a published completion date (to be consistent with best international practice and the timescale already set by Glasgow City Council's own Climate Emergency Implementation Plan this should be 2025).[41]
2. Apply to indirect and arm's length investments *as well as* those invested directly in-house.

40 https://www.glasgow.gov.uk/CHttpHandler.ashx?id=50623&p=0
41 https://www.glasgow.gov.uk/CHttpHandler.ashx?id=50623&p=0

3. Be fully transparent with regular information published about which companies have been sold and ongoing consultation with fund members, their trade unions, and climate campaigners.

Regarding the standards to be applied, we would like to see:

- Industry-leading standards that require energy companies to be at least fully aligned with the UN Paris Agreement, as judged by independent assessments.
- Companies who do not meet minimum standards placed on a 'red' list and divested from immediately, with an announcement following shortly afterwards.
- 'At risk' companies placed on an 'amber' list to be moved to the 'red' list if they do not improve within six months.
- Companies who pass minimum standards on the 'green' list should be commended and remain on the SPF's portfolio but should be annually reviewed to make sure that they are still compliant with the minimum standards.
- Consideration of fossil fuel service and transportation companies and companies with high fossil fuel consumption who are not prepared to move towards a zero-carbon future.

Examples to follow

We have collected some examples of pension funds which are divesting from fossil fuels which we hope the SPF can follow.

New York

The New York State Common Retirement Fund (NYSCRF) is a US $268 billion fund providing pensions to over one million public workers.[42]

In December 2020, the fund announced a comprehensive new policy to address the climate crisis likely to result in divestment from fossil fuel companies, with additional measures to increase investments in climate solutions to US $20 billion.

State comptroller, Thomas P. DiNapoli said "New York State's pension fund is at the leading edge of investors addressing climate risk, because investing for the low-carbon future is essential to protect the fund's long-term value."

The fund is using in-house staff and consultants, including Carbon Tracker, to assess the performance, outlook and transition readiness of its fossil fuel holdings. Reviews of all fossil fuel holdings including any resulting divestment must be completed by December 2024.

Activities which will flag companies for review include fossil fuel production, oil and gas servicing, and fossil fuel transportation and storage, such as pipeline operators and Liquefied Natural Gas terminals.

Assessments are being carried out in tranches according to Global Industry Classification Standard sub-sectors, with the outcomes – i.e. which companies have been earmarked for divestment – published on completion.

The first tranche was completed in June 2020 and saw divestment of 22 thermal coal companies that exceeded a 10% revenue threshold and failed to evidence a rapid exit from fossil fuels. Tar sands were reviewed in the second tranche, with seven companies divested in April 2021.

In August 2021, the fund began a review of its significant investments (US $640 million) in shale oil and gas companies while announcing divestment from 5 further coal companies. In 2022 the Fund

[42] Sources for this case study are included in the end notes.

will then begin to review other oil and gas holdings; oil and gas equipment and services; and oil and gas storage and transportation.

New York State hasn't published the criteria it is using to carry out this assessment, but according to US organisation Stand.Earth who have been speaking to the Comptroller's office about the ongoing process, the following are taken into account:

- Capital expenditure on expansion projects
- Investments in non-fossil fuels
- Diversification
- Reporting
- Responsiveness to their requests for more information
- Carbon disclosure[43]
- Climate related goals of the companies including the strength and detail of any plans to get to zero emissions
- Companies which are not earmarked for divestment are subject to annual reassessment with progress reports published annually. The first of these was published in April 2021.

New York City's pension funds, which are held separately from the State, are worth US $190 billion. It announced its intention to divest from fossil fuels in January 2018, with the Mayor announcing in January 2021 that US $4 billion in fossil fuel holdings would mostly be sold by the end of the year. The City's pensions are also increasing investment in climate solutions to US $6 billion.

London Borough of Islington

The London Borough of Islington Pension Fund was valued at £1.4 billion in 2021 with 21,000 members.[44] 46% of the Fund is invested in public equities and 25% in property.

Islington's fund uses the term 'decarbonisation' to describe the process of removing the exposure of its investment portfolio to fossil fuel reserves and production, as well as green-house gas intensive activities. The Fund is also keen to exploit opportunities presented by the transition to a low-carbon economy. It has implemented a number of relevant measures in recent years:

- In 2017 the Fund moved half of its passive equities to the low carbon tracker funds with the other half invested in-house tracking the FTSE UK Low Carbon Optimised Index.
- In 2018 the Pension Fund Committee committed to divestment of all fossil fuels in the Fund by 2022, to be enacted by divesting its own holdings and switching to fossil-free passive funds.
- £172 million initially allocated to sustainable infrastructure. The target was increased to 20% in 2021.
- Ongoing effort to fully decarbonise the portfolio as a "next step" after divestment from fossil fuels. Targets are set for 2026, 2030 and 2050.
- Comprehensive carbon foot-printing and Environmental and Social Governance (ESG) review conducted of the whole portfolio annually, in line with the recommendations of the *Taskforce on Climate-related Financial Disclosures*.
- Appointment of a fund manager with ESG specialism, a low-carbon infrastructure manager, and advice sought from Mercers and others.

43 Specifically company disclosures promoted by the organisation CDP: https://www.cdp.net/en/scores
44 Sources for this case study are included in the end notes.

- Councillors and officers attend specialist climate transition, objectives, framework and implication training.

Minimum standards for companies to determine if divestment is required are as follows:

- Assessment of absolute potential emissions in CO_2 equivalent, a reserves-based measure that focuses on emissions that could be generated if the proven and probable fossil fuel reserves owned by the companies in the portfolio were burned.
- Assessment of the carbon intensity of companies as measured by Weighted Average Carbon Intensity, an indicator of current climate-related risks facilitating comparison across asset classes and industry sectors.

Since 2016, Islington's policies have resulted in a 55% reduction in fossil fuel exposure, **69% reduction in absolute potential emissions** and a 33% reduction in current carbon intensity.

On financial performance, Islington is in the top quartile of performance in the local government scheme, and in the three years since its divestment policy has taken effect, has outperformed the scheme average.

More fossil free pensions

For comparison, we have collated the details of a selected list of pension funds who are divesting from fossil fuels:

Fund	AUM £ billion	Fund members	Fossil fuel divestment status	Further information
New York (New York State Common Retirement Fund), USA	198	1,000,000	Fossil fuel divestment commitment (2020) to be completed by 2024	See case study above and sources in end notes.
New York City funds, USA	140	At least 480,000	Fossil fuel divestment commitment (2018)	See case study above and sources in end notes.
Islington local government pension fund (LGPF), UK	1.4	21,000	Fossil fuel divestment commitment (2018)	See case study above and sources in end notes.
Cardiff LGPF, UK	2.0	43,000	Fossil fuel divestment commitment (2019) to be completed by 2024	https://foe.cymru/cardiff-council-makes-historic-decision-ditch-fossil-fuels https://www.futuregenerations.wales/news/cardiff-council-vote-to-divest-pensions-from-fossil-fuels-is-part-of-a-growing-movement-in-wales/
Lambeth LGPF, UK	1.4	21,900	Fossil fuel divestment began in 2019	https://love.lambeth.gov.uk/lambeth-fossil-fuel-divestment/
AP1 state pension fund, Sweden	35.9	Not disclosed	Fossil fuel divestment commitment (2020), anticipated completion in 2021	https://www.reuters.com/article/climatechange-investments-sweden-idUSL8N2B97HA
Welsh Parliament pension fund, UK	Not disclosed	Not disclosed	Fossil fuel divestment commitment (2020)	https://foe.scot/press-release/welsh-assembly-divest-pension-fund-fossil-fuels/

MP's pension fund, Denmark	Not disclosed	Not disclosed	Fossil fuel divestment began in 2018	https://translate.google.com/translate?sl=auto&tl=en&u=https://akademikerpension.dk/ansvarlighed/vi-ekskluderer/vi-frasaelger-fossile-selskaber/
Washington D.C. (District of Columbia Retirement Board), USA	6.53	20,700	Fossil fuel divestment commitment (2013), completed (2016)	https://lims.dccouncil.us/downloads/LIMS/32802/Introduction/PR20-1118-Introduction.pdf https://dcist.com/story/16/06/06/dc-retirement-board-divests-from-fo/
State of Maine (Maine Public Employees Retirement System), USA	11.2	156,000	Divestment legislation passed in 2021 applies to State pension fund	https://legislature.maine.gov/bills/getPDF.asp?paper=HP0065&item=4&snum=130 https://www.reuters.com/ https://electrek.co/2021/06/

Sources and Notes

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For more information visit:
www.foe.scot/divestment
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