

## **Agenda item 8 – Pension fund divestment from fossil fuel industries**

***Submitted to the Leader of the Council, Councillor Zoe Nicholson by Councillor Adrian Ross, in accordance with the Council's Cabinet Procedure Rules***

### **Proposal**

That, in light of the coronavirus crisis, Cabinet write to the Pensions Committee of East Sussex County Council asking it to:

1. Immediately freeze any new investment in the top 200 publicly traded fossil fuel companies
2. Ask all fossil fuel companies in which the pension fund holds investments for a firm commitment to entirely decarbonise by 2030;
3. Commit itself, over the course of the next 4 years, to divest the East Sussex Pension Fund from any investments in companies that do not provide that commitment by March 2021.

### **Rationale**

Prior to the coronavirus crisis, there was extensive evidence that investments in fossil-fuel companies were likely to significantly under-perform other investments.

The coronavirus, and governments' responses to it, have very substantially increased the risk of investment losses from companies involved in the extraction and consumption of fossil fuels. In addition, the crisis and the likely recession and increased unemployment that will ensue, has left Council staff even more reliant on the pension benefits that they have accrued.

Both Lewes District Council (LDC) and East Sussex County Council (ESCC) have recognised and declared climate emergencies and have made commitments to decarbonise. They are under moral, and potentially legal, obligation to act on these.

### **ESCC Pensions Committee Position**

In response to previous divestment requests, the ESCC Pensions Committee has stated that<sup>1</sup>:

1. It is committed to secure the best realistic return over the long-term and to meet the East Sussex Pension Fund's pension commitments within an acceptable level of risk
2. It believes by increasing pressure on oil and gas companies, through active shareholder engagement, it can get companies to improve their corporate behaviour.

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<sup>1</sup> Climate Change and Investment report to LDC Audit & Standards Committee, 18 March 2019

With regard to the first point, the evidence before and since the start of the coronavirus crisis strongly suggests that fossil-fuel investments will not offer good returns at an acceptable level of risk.

The second point is valid, but only insofar as that influence is exercised. The ESCC Pension Committee should therefore ask these companies for a commitment to entirely decarbonise in a timescale consistent with the carbon-reduction commitments made by ESCC and LDC.

The East Sussex Pension Fund's responsible investment policy already says that:

"Ultimately the Fund will always retain the right to disinvest from certain companies or sectors in the event that all other approaches are unsuccessful and it is determined that the investment is no longer aligned with the interests of the Fund or that the issue poses a material financial risk."<sup>2</sup> Furthermore, the East Sussex Pension Committee has accepted the "best practice guidance" of the Local Authority Pension Fund Forum that "The Fund's long-term goal is for 100% of assets to be compatible with the net zero-emissions ambition by c.2050 in line with the Paris agreement".<sup>3</sup>

In preparing to bring this proposal to Cabinet I have compiled supporting evidence in relation to:

- Pension Investment Returns
- Increased Risk of investment losses as a consequence of Coronavirus
- Climate commitments which have been made by Lewes District Council and East Sussex County Council

Officers have advised that Cabinet Procedure Rules require me to provide a concise statement relevant to the issue, for which reason I have not included that supporting evidence here. However, I would like to take the opportunity to highlight key pieces of that evidence for Cabinet members at your meeting and, if you support my proposal, to ask that this supporting evidence accompanies any letter written to the Pensions Committee of East Sussex County Council.

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<sup>2</sup> <https://www.eastsussex.gov.uk/media/12836/investment-strategy-statement-2019.pdf>

<sup>3</sup> <https://divesteastsussex.wordpress.com/questions-answers-at-escs-full-council-meetings/>