To: The Chair and Members of Derbyshire Pensions and Investments Committee

23 March 2017

Dear Sirs,

On behalf of 13 organisations from across Derbyshire we would like to present you with this petition signed by over 1,000 people calling on the Derbyshire Pension Fund to:

- Immediately freeze any new investments in fossil fuels
- Divest from direct ownership and any commingled funds that include fossil fuel public equities and corporate bonds within 5 years.

Our main objective is to reduce the risk of catastrophic climate change due to the burning of fossil fuels.

Fossil fuels are an investment risk

However, we also believe that fossil fuels represent a real investment risk. Industry experts, such as the Chair of Newton Investment Management, have pointed out that fiduciary duty compels divestment because fossil fuels are a bad investment.[1] Others have noted that fossil fuel companies risk losing $33 trillion in revenue over the next 25 years as climate change forces companies to leave oil, natural gas and coal in the ground.[2] The risks of climate change (and fossil fuel investments) to investors have been comprehensively documented by the financial industry.[3]

Pension Fund Committee must consider climate risk

As long term investors the Committee should be properly assessing the risks in advance instead of waiting until the point when markets properly price in climate risk. Climate change is a scientific certainty which is happening now, and will continue to get worse. It is incumbent upon the Committee to examine the risks properly. The Pensions Regulator pointed out in April 2016 that the long-term nature of pension schemes mean they are exposed to longer-term financial risks – such as climate change – which could be "*financially significant, both over the short and longer term.*"[4] Local Government Pension Funds that fail to address climate risk in their

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1 https://vimeo.com/195647189

2 www.bloomberg.com/news/articles/2016-07-11/fossil-fuel-industry-risks-losing-33-trillion-to-climate-change

3 Reports on climate risk by Blackrock, Schroders, Goldman Sachs, Economist Intelligence Unit etc are all listed in the Client Earth/Share Action Referral to the Pensions Regulator, 10 Feb 2017

4 www.thepensionsregulator.gov.uk/docs/draft-dc-investment-guide-2016.pdf

Investment Strategies are to be referred to The Pension Regulator, as the letter from Client Earth and Share Action, recently sent to the Committee, makes clear. Further, Pension Trustees who fail to consider climate risk could be exposing themselves to legal challenge in the future.[5] Legal opinion is that this analysis has to be done at the Committee level rather than being left to fund advisors.[6]

Engagement is not working

Although the Committee has stated its position is one of engagement rather than divestment, and we agree that engagement in some instances can be very helpful (e.g. improving conditions for workers, corporate policy), we believe this is far less effective when what you are objecting to is part of a company's core business. While oil companies are investing in renewables this is a tiny fraction of their operations (<0.5% total for Shell). In May 2016, a shareholder meeting of Shell resulted in a 97% vote rejecting a proposition to invest profits from fossil fuels into renewable energy projects. Statoil, regularly touted as one of the "best" oil companies, state that by 2030 their investments will still be at least 80% fossil fuels.[7] Even within the most "progressive" companies, oil and gas will continue to be the main part of their ***core business*** well beyond the point necessary to meet our carbon targets.

Alternative investments can provide value

While the fiduciary duty of the Committee compels you to look for investments which can provide good returns to finance the pension scheme, fossil fuel companies are only 7% of the global equity index and there are many other equity options that can provide equal or better returns than those from your fossil fuel investments. Perhaps your advisers can speak to other fund managers who have divested or who offer alternatives? A growing number of public sector or Local Government Pension Funds have announced that they will divest from fossil fuels and would presumably be able to offer advice on alternative investments.[8] Ideally these would be environmentally

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5 www.clientearth.org/pension-trustees-face-legal-challenge-ignoring-climate-risk-leading-qc-confirms/

6 www.documents.clientearth.org/library/download-info/qc-opinion-the-legal-duties-of-pension-fund-trustees-in-relation-to-climate-change/

7 www.statoil.com/en/news/2030-climate-roadmap.html

8 The Environment Agency Pension Fund will divest 90% of its coal assets and 50% of its oil and gas stocks by 2020; South Yorkshire Pension Fund will divest from companies focussed on coal and tar sands; Haringey Pension Fund will move £200 million into a low carbon fund; Waltham Forest Pension Fund will divest from fossil fuels within 5 years; Southwark Pension Fund will divest from fossil fuels; Hackney Pension Fund will cut exposure to fossil fuel equity investments by 50% over the next 6 years. Ireland will be the first country to divest from fossil fuels.

and socially beneficial investments that can also satisfy your Responsible Investment principles and improve the lives of Derbyshire residents.

We urge you and the new Committee to take note of our requests, and hope that the issue of climate risk and divestment from fossil fuels can be addressed as a matter of priority. Thank you.

The Divest Derbyshire campaign is supported by the following Derbyshire organisations (in alphabetical order):

Calow Against Gas Extraction (CAGE)
Derby Climate Coalition
Glossopdale Transition Initiative
Melbourne Area Transition
Sustainable Edale
Sustainable Hayfield
Transition Belper

Transition Chesterfield
Transition Hope Valley
Transition Matlock
Transition New Mills
Transition Wirksworth
University of Derby Students' Union.

We also acknowledge the support of the Youth Mayor of Derby and the students of Landau Forte College in Der