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Fossil Fuel Divestment

A Plea for the Future

The time for investing in fossil fuels is over. WMPF must urgently commit to divesting from fossil fuels and reinvesting locally to support a low carbon future. We ask councillors to sign our pledge at <https://divestwmpf.org/the-pledge/>.

It is, I promise, worse than you think. If your anxiety about global warming is dominated by fears of sea-level rise, you are barely scratching the surface of what terrors are possible, even within the lifetime of a teenager today.

David Wallace-Wells, The Uninhabitable Earth

Climate change is an existential threat to humanity. Without global action to limit greenhouse gas emissions, the climate will change catastrophically with almost unimaginable consequences for societies across the world.

UK Treasury¹

A recent report by West Midlands Pension Fund has revealed for the first time that the fund invests up to £850 million, 6.9% of its total equities in fossil fuel companies.²

97% of climate experts agree that human activity, mainly the burning of fossil fuels has caused climate change.³ Despite a decades-long campaign of misinformation campaign by the threatened fossil fuel industry⁴, UK public concern has reached a record high.⁵ The public understands the combined threats of spiralling world hunger,⁶ mega-storms, lethal heat-waves⁷, huge regions uninhabitable⁸, diminishing water supplies due to melting Himalayan glaciers⁹, rising sea-levels and the death of all coral reefs, to name a few. Also people in the UK are noticing changes around them, such as more frequent extreme weather events (heatwaves, flooding, etc.), and are realising that climate change is not something that will only affect their children - it is something which impacts us all today.

The public now understands the win-win¹⁰ of green job-creation opportunities, of strong government climate policy and investment in low-energy homes, clean energy, etc. Joe Biden's victory has proven that climate is now an election winning issue. And renewables are beating fossil fuels¹⁶ on price much faster than experts at the IEA predicted. Plus, they are being downgraded by the credit agencies¹⁷, making fossil fuels an increasingly risky investment.

However, local government pension schemes like WMPF are still clinging onto the idea that “company level engagement continues to successfully drive behaviour”¹¹, even as profits are cut and valuations fall across the fossil fuel industry; an industry that despite the greenwash, spends 38% of its lobbying activity fighting climate legislation.¹²

This is where fossil fuel divestment steps in. It is the moving of money out of fossil fuels and into low-carbon and socially-beneficial investments.

It is time for councillors to ask themselves if it is right for the pension fund to be contributing to the destruction of humanity’s life support systems, investing in an industry determined to extract enough fossil fuels to create an “existential threat to humanity” (UK Treasury). A recent report by Oil Change International found that “not a single climate plan released by a major oil company comes close to aligning with the urgent 1.5°C global warming limit”¹³.

Councillors need to challenge the Fund to weigh the extremely speculative possibility of the fossil fuel industry transforming itself en-masse into a renewables industry within 10-20 years against the (increasingly unlikely) possibility of a continuation of its historically strong returns. History hasn’t been kind to incumbent industries like Kodak and Blockbuster who failed to respond to technological change. Even prior to the recent pandemic-related shock to the fossil fuel industry, research has shown stock market performance between 1990-2016 based on all stocks and excluding fossil fuels was statistically insignificant (< 0.01%)¹⁴. The Fund has a lot to lose from fossil fuels (Local Government Pensions already lost £683 million when coal crashed), and a huge amount to gain by being on the right side of history.

A vote in favour of divestment would demonstrate to the public that **councillors are serious** about tackling the climate emergency that they have declared; it is highly unlikely to negatively impact returns; indeed, it is more likely that returns will be protected if fossil fuel stocks plunge still further in a disrupted geopolitical landscape¹⁵.

Take Action

DivestWMPF asks local councillors to sign our pledge to support divestment:
<https://divestwmpf.org/the-pledge/>

Find Out More

DivestWMPF have produced a number of briefings for councillors, which are available on our website, divestwmpf.org. The following may be of particular interest:

- [Response to WMPF Climate Change Statement 2020](#)
- [Pensions Committee Briefing 2020](#)
- [Fossil Fuel Divestment - An Overview](#)
- [Individual Action Briefing](#)

Endnotes

1. UK Treasury Dec 2020 Net Zero Review: Interim report
[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/945827/Net Zero Review interim report.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/945827/Net_Zero_Review_interim_report.pdf)
2. This figure is based on the Climate Related Financial Disclosures 2020 report (<https://www.wmpfonline.com/CHttpHandler.ashx?id=17733&p=0>) which discloses 6.9% total equities invested in fossil fuels. The categories of investments which this includes is not detailed, so the following categories from the 2020 Annual Report (<https://www.wmpfonline.com/CHttpHandler.ashx?id=17729&p=0>) are assumed: UK equities, Overseas Equities, Pooled investment vehicles, totalling £12,308million March 2019. £849 million.
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7. BBC News, 2020, Climate change: UK could hit 40C 'regularly' by end of this century
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<http://priceofoil.org/2020/09/23/big-oil-reality-check/>
14. Auke Plantinga & Bert Scholtens (2020) The financial impact of fossil fuel divestment, Climate Policy
<https://www.tandfonline.com/doi/full/10.1080/14693062.2020.1806020>
15. Chatham House, 2019, Interview with Director-General of the International Renewable Energy Agency, Adnan Z. Amin: How the Global Energy Transition is Set to Disrupt the Geopolitical Landscape
<https://www.chathamhouse.org/2019/04/how-global-energy-transition-set-disrupt-geopolitical-landscape>
16. Ramez Naam, 2020, Solar's Future is Insanely Cheap
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17. The Guardian, Jan 2020, Rating agency S&P warns 13 oil and gas companies they risk downgrades as renewables pick up steam,
<https://www.theguardian.com/business/2021/jan/27/rating-agency-sp-warns-13-oil-and-gas-companies-they-risk-downgrades-as-renewables-pick-up-steam>

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