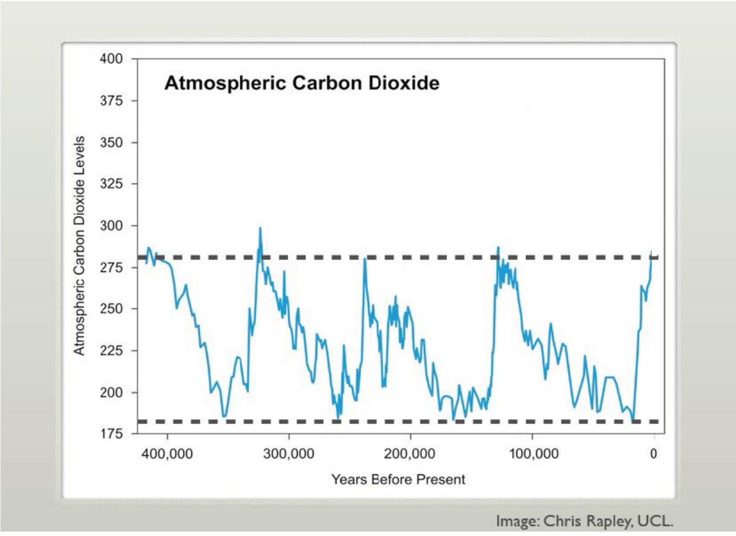
O X F O R D   D I O C E S A N   S Y N O D

Disinvestment from Fossil Fuel Companies

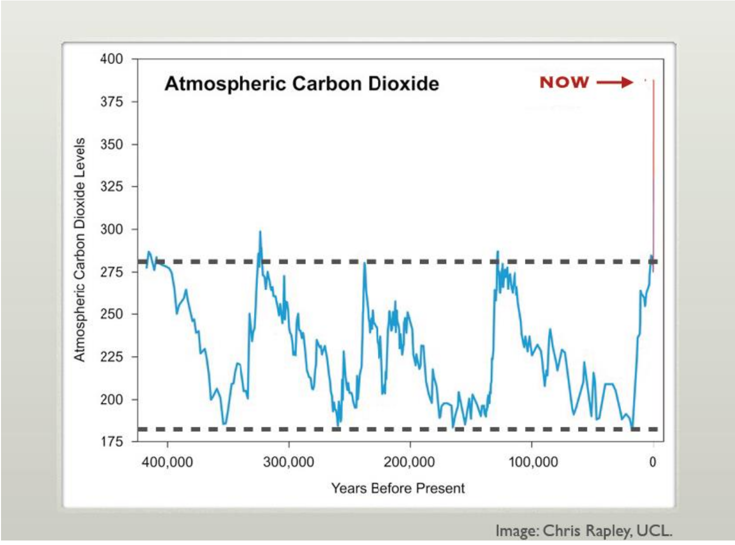
"It makes no sense to invest in companies that undermine our future." – Desmond Tutu

The Scientific and Moral Case

The Biblical witness is unambiguous, God cherishes His creation and calls on us to share in this cherishing (Gen 1:1, 26-31; Pss. 104; 148; Rom. 8:18-25). The science behind anthropogenic (i.e., human caused) climate change is compelling and increasingly becoming more so. We have witnessed an enormous and unprecedented increase in greenhouse gases in the earth's environment over the past decades. The most telling measure of this increase is the amount of carbon (indicated in parts per million or ppm) in the atmosphere. Over the past 800,000 years the earth has seen a natural cycle of gradual rise followed by a gradual decline of carbon in the atmosphere. At its height the carbon has tended to reach around 275 ppm and at its least about 170 ppm. This natural cycle, which scientists discovered through studying ice cores from the Antarctic, has been displayed as follows:

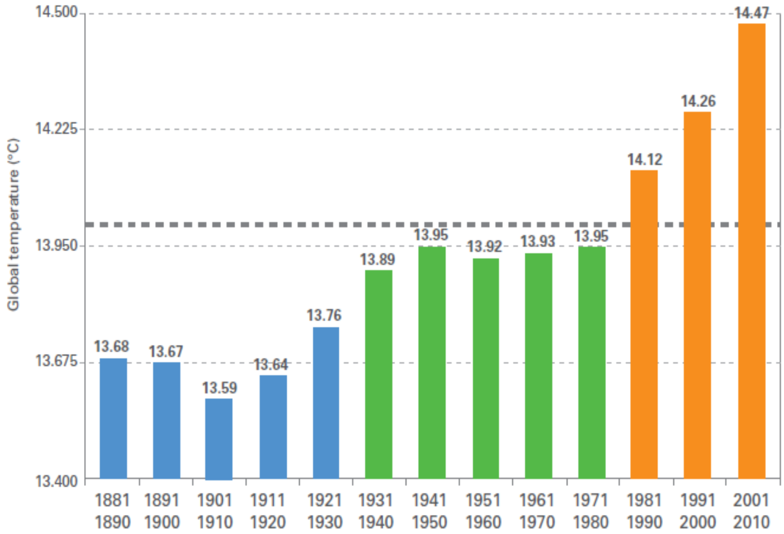


Over the past 150 years, this natural and gradual process has given way to an inexorable rise of carbon in the atmosphere. That rise is displayed in the following graph:



The above graph is now a few years out of date; carbon passed 400 ppm for the first time in April of 2014.[1] The concentrations of carbon in the atmosphere are now higher than at any time since well before the advent of the human race.

Despite some claims to the contrary, the rise in the concentration of carbon has been paralleled by a rise in average global temperature. In short, the "noughts" were the hottest decade on record. Prior to that, the hottest were the 90s, followed by the 80s, and then the 70s (and the 40s), with the 60s, 50s and 30s being only slightly cooler. The following graph shows the inexorable rise since 1901.



The global average is now nearly a degree (0.8ºC) higher than it was a hundred years ago. Recently some sceptics have pointed to a levelling off in the rise in temperature, between 1996 and 2012, as evidence that global warming is not happening. This "cherry-picking" of the evidence, however, is simply misleading. The overall trend, for over a century, has been for higher global averages, and the fifteen year levelling off was just that – a levelling off: Global temperatures remain higher than at any time in recorded history.

While it may seem counter-intuitive to regard a 0.8ºC rise over a hundred and fifty year period as dramatic, scientists are convinced that a rise of more than 2ºC in the global average will have catastrophic consequences. Many are concerned that even a 2ºC rise will have serious consequences. The dramatic loss of ice in the Arctic and the equally concerning thinning of the ice sheets in the Antarctic, the rise in sea levels, the rise in sea temperatures, the increased acidity of the sea, the nearly universal and spectacular retreat of glaciers, and the frequency and ferocity of droughts (in some parts of the world) and floods (in others) witnessed over the past decades, all portent disastrous results if the 2ºC threshold is passed.

As a result, the 2009 Copenhagen Accords committed world governments to keep global warming to under 2ºC. For that to happen, world CO_2 emissions will have to peak by 2020 and then steadily decline thereafter. There is no sign of this happening. On the contrary, the fossil fuels industry continues as if nothing has changed. The latest report of the IPCC (Intergovernmental Panel on Climate Change) concludes that 60-80% of known reserves of

[1] http://co2now.org/.

coal, oil and natural gas will have to stay in the ground to stay below the 2ºC increase.[2] And, yet, fossil fuel companies continue to spend billions of dollars in the search for more reserves. Increasingly that search involves the investment of millions of dollars in expensive, low yield fields, such as tar sands, deep sea and Arctic projects.[3]

While the fossil fuel industry continues to pursue policies which will affect all of us, and will have the greatest and most disastrous impact on the world's poorest communities, the ethical case for action is clear and decisive. If the Church is to do more than merely "give lip-service" to the doctrine of stewardship of creation and the dominical command to love our neighbour it must not continue to profit from coal, oil or natural gas. But the financial case for disinvestment is also strong.

The Financial Case

Many investors see oil, gas and coal as safe long-term investments. Yet financial analysts are increasingly warning that climate change poses a huge threat to their value, leading many institutions, funds and individuals to begin moving their money towards alternative investments.

Many of those choosing to disinvest are reallocating funds across various sectors. However, there is also growing interest in moving funds to support clean energy, energy efficiency and other low-carbon sectors. Supporting these sectors will encourage a global shift in investment, helping to raise the funds urgently needed to transition towards a low-carbon future. The Church can use its significant resources to support this transition.

As noted above, the amount of carbon contained in known fossil fuel reserves may be five times higher than the amount we can burn while still having a good chance of keeping temperature rise to below 2ºC. If world leaders succeed in signing an international agreement in Paris in 2015 that will sufficiently limit greenhouse gas (GHG) emissions, more than two thirds of the assets on which oil, gas and coal investments are valued will see a drastic fall in value and could become 'stranded' or worthless. Mark Carney, Governor of the Bank of England, is only the most recent high profile figure to warn of a "carbon bubble", i.e., the over-valuing of fossil fuel companies which results from disregarding the fact that most of their assets are unburnable.[4]

Increasing numbers of institutions, funds and individuals are joining the global divestment movement, removing oil, gas and coal investments from their portfolios and reinvesting in clean technology and other sectors. As those choosing to disinvest include growing numbers of large-scale funds, the risk that fossil fuel investments will become 'stranded assets' increases. A coalition of philanthropist organisations, including the Rockefeller Brothers Fund, has disinvested from more than £31 billion in fossil fuel assets. HSBC's analysts have warned that falling demand for oil and gas as the world transitions to a low-carbon economy

[2] UN Framework Convention on Climate Change, Copenhagen Accord, 2009, (http://unfccc.int/resource/docs/2009/cop15/eng/l07.pdf); HM Government, Climate Change Act 2008.

[3] Carbon Tracker Initiative, *Oil and Gas Majors: Fact Sheets 2014 (*http://www.carbontracker.org/wp-content/uploads/2014/09/CTI-Oil-Gas-Majors-Company-Factsheets-August-2014-FULL.pdf).

[4] http://www.theguardian.com/environment/2014/oct/13/mark-carney-fossil-fuel-reserves-burned-carbon-bubble.

would result in a 40-60% drop in market capitalisation for European energy companies.[5] The financial services company UBS has recently advised that the fossil fuels disinvestment campaign is an "effective movement", a "catalyst for change" and "signal[s] a structural shift in energy procurement and usage in the next couple of decades".[6]

While the divestment movement is growing (including among others the World Council of Churches, Church of Sweden, Joseph Rowntree Charitable Trust, University of Glasgow), some investors remain concerned about the financial impact of disinvesting from fossil fuels, fearing a negative impact on returns. However, numerous studies demonstrate that the financial risk associated with disinvesting is much less significant than perceived by investors. Moreover, a number of studies have found that fossil-free portfolios can outperform conventional fossil fuel-dependent investments.[7]

Reinvesting in a low-carbon future

In order to meet global energy demand without fossil fuels, rapid scaling up of renewable energy, energy efficiency and other low-carbon sectors is now needed. The International Energy Agency (IEA) estimates that $1 trillion a year of investment in clean technology is required to transition away from fossil fuels quickly enough to hold temperature rises to 2ºC . Global investment in renewable energy is currently at $300 billion a year. Given the trillions of dollars spent on exploring and producing fossil fuels each year, the challenge is not in finding new funds to finance this transition, but in reallocating global investment. Many fossil-free funds and portfolios include a mix of sustainable sectors such as renewable energy, energy efficiency and transport, reducing investment risk by spreading funds across different projects (e.g. the Abundance and Trillion Fund).

What we are proposing (and what we are <u>not</u> proposing)

The Church and other investors have been engaging with the fossil fuel companies to try to persuade them to use their resources and expertise to diversify into other forms of energy and to develop carbon capture and storage, but they are continuing to explore for and develop new reserves. The time has come for the Church to make clear to the fossil fuel companies that they are not doing nearly enough to prepare for a low carbon future. The Church must start a phased programme of disinvestment, in the same way that the many organisations described above are disinvesting, both to persuade the fossil fuel companies to change their policies and to protect the Church's investments in the longer run. Our motion proposes that we disinvest from the highest-carbon fossil fuels first. The time-frames in our motion also allow time for the Church's investors to find good alternative investments while maintaining the income and growth prospects of its portfolio.

We are <u>not</u> proposing that anybody should stop buying or using fossil fuels. This would clearly be impractical: most of us need petrol in our cars and have gas-fired central heating, and electricity generation depends on coal and gas. This can and must be changed in time, but only if the fossil fuel companies behave responsibly.

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[5] Operation Noah, *The Financial Case for Disinvesting from Fossil Fuels and Reinvesting in Low-Carbon Sectors*, (http://brightnow.org.uk/wp-content/uploads/2013/08/Financial-case-for-disinvesting-in-fossil-fuels_Oct2014.pdf).

[6] UBS, *ESG Keys: Fossil Fuel Disinvestment (*https://neo.ubs.com/shared/d1ekB96P7Fg) 30 September 2014

[7] Operation Noah, *The Financial Case*.

Conclusion

Lord (Nicolas) Stern, the author of the government's *2006 Review on the Economics of Climate Change* succinctly states:

> If we burn all current reserves of fossil fuels, we will emit enough CO_2 to create a prehistoric climate, with earth's temperature elevated to levels not experienced for millions of years … Smart investors can already see that most fossil fuel reserves are essentially unburnable because of the need to reduce emissions … Investing in companies that rely solely or heavily on constantly replenishing reserves of fossil fuels is becoming a very risky decision.[8]

Disinvesting from fossil fuels is a theological, moral and financial imperative. If left unchecked, the effects of climate change will be catastrophic and will be felt by all of us. They are already being felt by some of the world's poorest communities. There are also significant financial risks now associated with fossil fuel investments, with the threat of 'stranded assets' becoming more likely as the negotiation of a global limit on emissions grows closer and increasing numbers of institutions move their money away from fossil fuels. Moreover, numerous studies demonstrate that the financial risk associated with disinvesting is much less significant than perceived by investors. As Christians we are answerable to God for our stewardship of His Creation, our stewardship of our investments and our care for the poor, who are already suffering from Climate Change. On the basis of the above, we urge Synod to vote for the following motion.

20th October 2014

Darrell Hannah, Rector, All Saints', Ascot Heath
Hugh Lee, Member of General Synod

That this Synod:

- **(i) recognising the damage being done to the planet through the burning of fossil fuels;**
- **(ii) aware of the huge reserves held by gas, oil and coal extraction industries;**
- **(iii) committing itself to taking seriously our Christian responsibility to care for the planet ("the earth is the Lord's");**
- **(iv) acknowledging the financial responsibilities of the Church's national investing bodies;**
- **(iv) noting that a review of recommended ethical investment policy with regard to climate change has been begun by the Church of England Ethical Investment Advisory Group ('EIAG')**

calls on the General Synod of the Church of England to debate a motion in the following form:

'That this Synod:

- **(a) urges the National Investing Bodies to disinvest from all coal companies (except those investing in carbon capture) and tar sand companies at the earliest opportunity,**
- **(b) urges the National Investing Bodies to examine the possibility of disinvestment from oil companies but not before three years from now,**
- **(c) urges the National Investing Bodies to examine the possibility of disinvestment from natural gas companies but not before five years from now,**
- **(d) calls on parishes and individual Christians to take steps to encourage the government and political parties to act quickly on climate change.' "**

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[8] N. Stern, Foreword, Carbon Tracker Initiative, *Unburnable Carbon 2013: Wasted Capital and Stranded* Assets, p.7 (http://www.carbontracker.org/report/wasted-capital-and-stranded-assets/).

Bracknell Deanery Synod passed a very similar motion by 18 votes to 4 in February 2014.

The above motion also builds on, and takes further, the following motion from the Diocese of Southwark which was passed by General Synod in February 2014 by 274 votes to 1:

‘That this Synod:

(a) recognising the damage being done to the planet through the burning of fossil fuels;

(b) aware of the huge reserves held by gas, oil and coal extraction industries;

(c) committing itself to taking seriously our Christian responsibility to care for the planet (“the earth is the Lord’s”);

(d) acknowledging the financial responsibilities of the Church’s national investing bodies; and

(e) noting that a review of recommended ethical investment policy with regard to climate change has been begun by the Church of England Ethical Investment Advisory Group (‘EIAG’)

(i) call upon the national investing bodies to ensure that their investment policy (including the option of disinvestment) is aligned with the theological, moral and social priorities of the Church which find expression in the reports “Sharing God’s Planet” and “Church and Earth 2009-2016” and in the “Shrinking the Footprint” campaign;

(ii) call upon the EIAG to publish the report of its review by the end of 2014; and

(iii) request the Archbishops’ Council to reconstitute the Shrinking the Footprint working group, so that it reports direct to the Council, to monitor, facilitate co-ordination and promote the responses of all parts of the Church of England to environmental challenges.’