

## OXFORD DIOCESAN SYNOD

### FOSSIL FUELS DISINVESTMENT

This paper explains the background to proposed amendments to the motion to be proposed by the Reverend Darrell Hannah and seconded by the Reverend Hugh Lee.

As Chair of the Diocesan Board of Finance, I do not disagree with the sentiments underlying the motion, which echoes a motion at General Synod earlier this year that received resounding support, but I do have two principal concerns:-

1. The Ethical Investment Advisory Group of the Church of England ('EIAG'), in response to the February General Synod motion, has already commenced a review of ethical investment policy with regard to climate change and is planning to report as soon as is practicable. Through CCLA, the EIAG engages with a wide range of companies in which it invests its funds to press them to take more account of climate change. The conclusions of the EIAG review will influence the policy of the National Investing Bodies and the funds through which they and many other Church bodies, dioceses and parishes invest, including the funds managed by CCLA on behalf of the Central Board of Finance of the Church of England ('CBF'). The EIAG has already committed to report on these matters by 2015 and has now been asked by General Synod to report by the end of 2014. To require a change in investment policy in advance of that report would be impractical, preventing the use of those investment funds by Church bodies.
2. If the Diocese of Oxford is to propose this motion at General Synod as it stands, it would need to follow it immediately in respect of its own Glebe and other investments, which make significant use of charity and other managed funds as well as being invested directly. To invest all these funds directly would add considerably to the expense of investment management, a cost which would inevitably have to be met from an increase in parish share.

For this reason I propose to remove the timescales included in this motion, to enable the National Investing Bodies to await the outcome of the EIAG review. My proposed amendments to the motion are attached as an Appendix.

#### **The complexities of immediate disinvestment**

Most of the companies in which the Church invests have more than one business. The policy of the National Investing Bodies (and the Diocese) needs to take into account the complexity of the real world. Some companies which produce coal (including one in which the Diocese invests) also invest in alternative energy sources, including wind farms. What should the Church's attitude be to companies which have significant climate-friendly operations but a

limited proportion of their business involving fossil fuels, for example? The Church already engages with fossil fuel companies through the National Investing Bodies and CCLA, which administers the EIAG. To abandon such engagement by immediate divestment, even from those companies involved with the highest carbon fossil fuels, would remove the Church's influence with those companies from which we divest. Of course we cannot threaten divestment forever: we must show that we are willing to divest, but to adopt a motion requiring such immediate divestment both shows our hand and limits the scope for engagement.

The Church has established the EIAG to lead its thinking on the ethics of investing and to influence the managers of Church and charity funds. It includes and draws on significant expertise which understands the complexities of investment. To pre-empt its advice to the Church and the National Investing Bodies by mandating a timescale would be unhelpful. To make our call without a timescale will clarify the views of Church members for the EIAG, and strengthen its hand in engagement with fossil fuel companies.

### **The Diocese's investment position**

The Diocese has approximately £65 million of Glebe funds invested through Newton Investment Management both directly and through various managed funds, and some £2.8 million in other trust funds that benefit the Diocese, principally invested in CBF funds. These portfolios include investments in the oil and gas sector and other companies which produce coal, in proportions that are in line with the respective shares of the UK All Share index and global indices. To divest more quickly than the approach to be recommended by the EIAG would add to our own investment management expenses, as well as reducing the yield from our Glebe investments. Our investment advisers have told us that there would be an immediate annual cost of divestment from coal and tar sand companies in terms of yield and additional management expenses (because of the increased proportion of the portfolio which would be invested directly) of around £115,000; in the longer run divestment from all companies which produce fossil fuels would cost us up to £214,000 per annum: that represents approximately 1.1% on the annual share which would need to be requested from parishes.

This is not to deny that there are alternative investments for the funds through which we invest and that over time we might be able to match the yield foregone: it is merely to recognise that for a relatively small investing institution such as the Diocese to move 'ahead of the pack' could prove costly. By removing the timescales from our motion, much of this cost could be avoided. But members need to be aware that approval of this motion, even as amended, will lead to some additional and ongoing increase in parish share.

**John Tattersall**  
**Chair, ODBF**  
**October 2014**

## APPENDIX

### PROPOSED AMENDMENTS TO MOTION BEFORE DIOCESAN SYNOD

I propose the following amendments to the motion:-

1. In respect of call '(a)' that the word 'disinvest' be replaced by the words 'examine the possibility of disinvestment' and that the words 'at the earliest opportunity' be deleted.
2. In respect of call '(b)' that the words 'but not before three years from now' be deleted
3. In respect of call '(c)', that the words 'but not before five years from now' be deleted.

#### ***Amended motion:***

“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; and
- (v) 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 examine the possibility of disinvestment from all coal companies (except those investing in carbon capture) and tar sand companies;
- (b) urges the National Investing Bodies to examine the possibility of disinvestment from oil companies;
- (c) urges the National Investing Bodies to examine the possibility of disinvestment from natural gas companies; and
- (d) calls on parishes and individual Christians to take steps to encourage the government and political parties to act quickly on climate change.’ ”