



DIVEST OXFORDSHIRE FROM FOSSIL FUELS

TO: OXFORD CITY COUNCIL AND OXFORDSHIRE COUNTY COUNCIL

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

Why is this important?

Our local authority has a duty to look out for the public good. Fossil fuels are in direct conflict with the public good: investing in them poses a risk both to investors and to the planet. So Oxfordshire County Council should take a moral, political and economic stand against them by taking our money away from fossil fuel companies and putting it into investments that are less at risk from climate change legislation and more compatible with our values.

Divestment from fossil fuels would make a powerful statement that the fossil fuel industry is morally and economically unviable, and that the people of Oxfordshire wish to support an alternative, sustainable energy future that will leave the planet in a shape that allows us, our children and grandchildren to live safely on it.

Financial research has called into question the valuations of fossil fuel companies due to their reliance on reserves, which may become unburnable if carbon legislation comes into effect.

Petition to Oxfordshire County Council by Fossil Free Oxfordshire, 24 February 2015

We applaud the County Council's efforts to reduce its carbon emissions, your partnership with the Low Carbon Hub, and other valuable initiatives. Our proposals offer an *additional* route the Cabinet could take to consolidate its leadership role in this area.

Our petition, with over twelve hundred signatures, calls upon Oxfordshire County Council:

1. Immediately to freeze any new investments in fossil fuels;
2. Within 5 years to divest from all direct and indirect holdings in fossil fuel companies.

Why? We offer three compelling reasons.

ONE: Investments in fossil fuels risk becoming financially stranded assets.

Proven reserves of fossil fuels already contain four times the world's remaining 'carbon budget' – that's the total amount of carbon that can ever be released into the atmosphere, if the world is to remain within safe climate limits¹. This means the majority of these reserves can never be burned: they become stranded assets.^{2 3} To quote Professor Lord Stern and his colleagues: "The scale of this carbon budget deficit poses a major risk to investors. They need to understand that 60 – 80% of coal, oil and gas reserves of listed firms are unburnable."⁴

In spite of this, fossil fuel companies continue to gamble with their shareholders' assets by investing massively in developing *yet more* reserves. The President of the World Bank has warned institutional investors to rethink their fiduciary duties in light of this rapidly growing risk of stranded assets.⁵ The Governor of the Bank of England has launched a major enquiry into this risk.⁶

TWO: We understand that trustees have a fiduciary duty to maximise returns. However, research clearly demonstrates that **fossil-fuel divestment carries no financial penalty** – if anything it brings better returns.^{7 8}

The smart money is already beginning to divest (see examples below).⁹ The rapidly growing renewables sector offers some attractive alternatives – an Oxfordshire example is the Westmill Solar Farm, in which Lancashire County Council has invested significantly.¹⁰

THREE: We draw Council's attention to **Guidance from the Law Commission** (2014) on the fiduciary responsibilities of trustees when setting investment strategies: "Trustees are required to balance returns against risk. This is not a question of maximising returns: *risks matter just as much as returns.*"¹¹

In summary: 1. there are no specific financial risks in divesting from fossil fuels. Whereas 2. holding onto these stocks carries a rapidly growing risk of being left with financially stranded assets.

We commend this petition to Cabinet members as a fundamental issue of public responsibility, and also as consistent with Oxfordshire County Council's other laudable initiatives to tackle climate change.

REFERENCES (continued overleaf):

¹ IPCC Fifth Assessment Synthesis Report,
(http://www.ipcc.ch/pdf/assessmentreport/ar5/syr/SYR_AR5_SPMcorr1.pdf).

² Carbon Tracker Initiative, *Unburnable Carbon 2013*,
(<http://carbontracker.org/wpcontent/uploads/2014/09/Unburnable-Carbon-2-Web-Version.pdf>)

Oil Investors at Brink of Losing Trillions of Dollars in Assets. By Alex Morales, Bloomberg News Markets Watchlist, 2 Dec 2014. (<http://www.bloomberg.com/news/articles/2014-12-02/oil-investors-may-be-running-off-a-cliff-they-can-t-see>)

³ <http://www.theguardian.com/environment/2015/jan/07/much-worlds-fossil-fuel-reserve-must-stay-buried-prevent-climate-change-study-says>.

⁴ Carbon Tracker Initiative, *Unburnable Carbon 2013*,
(<http://carbontracker.org/wpcontent/uploads/2014/09/Unburnable-Carbon-2-Web-Version.pdf>), p. 8

⁵ UN Press Release, *Safeguarding Future Retirement Funds – Time for Investors to Move Out of High-Carbon Assets Says UN’s Top Climate Official*,
(http://unfccc.int/files/press/press_releases_advisories/application/pdf/pr20140115_ceres_final.pdf).

⁶ **Bank of England investigating risk of 'carbon bubble'**, Damian Carrington, *The Guardian*, 1 December 2014. (<http://www.theguardian.com/environment/2014/dec/01/bank-of-england-investigating-risk-of-carbon-bubble>) (<http://www.parliament.uk/documents/commons-committees/environmentalaudit/Letter-from-Mark-Carney-on-Stranded-Assets.pdf>).

⁷ *Beyond Fossil Fuels: The Investment Case for Fossil Fuel Divestment*, Impax Asset Management, (<http://www.impaxam.com/media-centre/white-papers/beyond-fossil-fuels-investment-case-fossil-fueldivestment>).

⁸ MSCI ESG Research, *Responding to the Call for Fossil-fuel Free Portfolios*,
(http://www.msci.com/resources/factsheets/MSCI_ESG_Research_FAQ_on_Fossil-Free_Investing.pdf).

⁹ (<http://blueandgreentomorrow.com/2013/07/05/norwegian-pension-fund-divests-from-financially-worthless-fossil-fuels/>).

(<http://www.telegraph.co.uk/finance/newsbysector/energy/oilandgas/11114591/Rockefeller-family-sells-out-of-fossil-fuels-and-into-clean-energy.html>).

Tom Steyer, *Statement to the Middlebury College Board of Trustees*, 22nd Jan 2013,
(<http://middleburycampus.com/wp-content/uploads/2013/01/SteyerLetter.pdf>).

German Utility E.ON to focus on renewables (<http://uk.reuters.com/article/2014/12/01/us-e-on-divestiture-idUKKCN0JE0WJ20141201>)

¹⁰ **Lancashire County Council invests in Westmill Solar Farm.**
(http://www3.lancashire.gov.uk/corporate/news/press_releases/y/m/release.asp?id=201302&r=PR13/0065)

¹¹ Is it always about the money? Pension trustees’ duties when setting an investment strategy: **Guidance from the Law Commission.**
(http://lawcommission.justice.gov.uk/docs/lc350_fiduciary_duties_guidance.pdf)