

COUNCIL – 7TH NOVEMBER 2022

MOTIONS ON NOTICE

9(1) Charnwood Borough Council Divestment Motion

The following motion on notice has been submitted by Councillor Ward in accordance with Full Council Procedure Rule 9.12:

Charnwood Borough Council notes:

- Leicestershire Pension Fund, with which Charnwood Borough Council has its staff pensions, is estimated to have over £100 million invested in fossil fuels via the Local Government Pension Scheme.
- The United Nations Paris Agreement, reaffirmed at the 2021 Glasgow Climate Summit, commits our governments to keep the global temperature increase to under 2 degrees and aim for 1.5 degrees. Carbon budgets produced by the Intergovernmental Panel on Climate Change, United Nations and the International Energy Agency show that preventing two degrees of warming relies on not burning the vast majority of all proven fossil fuels.
- The UN International Energy Agency (IEA) predicts that global oil demand will significantly fall by 2030, leading their Executive Director to refer to oil and gas companies as potential ‘junk investments.’^[1] Action by governments to limit carbon emissions will ultimately leave fossil fuel reserves unburnable. It’s been estimated that this asset bubble, known as the ‘carbon bubble’, may be over €1 trillion in Europe alone.
- Former Bank of England Governor Mark Carney warned that fossil fuel investments risk becoming “stranded assets” as investors exit the sector. “A question for every company, every financial institution, every asset manager, pension fund or insurer – what’s your plan?”^[2]
- Pension funds have a fiduciary duty to consider the material risks of continued investment in fossil fuels. Fiduciary duty is defined by the Law Commission as “ensuring that pensions can be paid, ensuring that this is undertaken at the best possible value”.
- Pension funds have a legal duty to treat members “fairly as between them”. That means taking seriously the longer-term interests of younger members who may be affected more by the climate transition.

This Council commits to:

1. Recognising that fossil fuel investments should be considered as part of the council’s “carbon footprint” and divesting our pension fund is one of the most impactful steps we can take to reduce our impact on our community and the world.
2. Calling on Leicestershire Pension Fund to divest from fossil fuels through the development and adoption of responsible investment policies which:

- a. Immediately freeze any new investment in the top 200 publicly-traded fossil fuel companies.^[3]
- b. Divest from direct ownership and any commingled funds that include fossil fuel public equities and corporate bonds.
- c. Set out an approach to quantify and address climate change risks affecting all other investments.
- d. Actively seek to invest in companies that will reduce greenhouse gas emissions and minimise climate risk.

Footnotes:

[1] *Energy Investing: Exploring Risk and Return in the Capital Markets*, Joint Report by the International Energy Agency and the Centre for Climate Finance & Investment, Paris. Available at: <https://www.iea.org/reports/energy-investing-exploring-risk-and-return-in-the-capital-markets>

[2] <https://www.bbc.co.uk/news/business-50868717>

[3] As determined by the most recent Carbon Underground 200 list published by Fossil Free Indexes: <https://www.ffisolutions.com/research-analytics-index-solutions/research-screening/the-carbon-underground-200/>