

COUNCIL - MONDAY, 4 SEPTEMBER 2023

MOTIONS ON NOTICE

9(1) Leicestershire Pension Fund fossil fuel investments Motion

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

Charnwood Borough Council notes:

- Charnwood Borough Council has millions of pounds invested in fossil fuels via the Leicestershire Local Government Pension Scheme (LLGPS). In March 2021 the Fund's total investments in fossil fuel producing companies were estimated at £154million, 3.7% of the Fund's assets.
- Approximately 2100 members of the Pension Scheme are, or have been, employed by Charnwood BC and joined the LLGPS because the Council makes employer contributions to the Leicestershire Pension Scheme.
- In our Corporate Strategy 2020-24, the Council pledged to become a carbon neutral organisation by 2030 to help tackle climate change. The Council's current Climate Change Action Plan 2018-2030 commits us to reduce the carbon emissions generated by our own operations to Net Zero by 2030.
- A proportion of the LLGPS fossil fuel investments should be considered as part of Charnwood BC's carbon footprint.
- The United Nations Paris Agreement 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 reserves.
- Former bank of England governor, Mark Carney, has warned that fossil fuel investments risk becoming "enormous, stranded assets"¹, i.e. worthless, unsellable shareholdings.
- 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 the pensions can be paid, ensuring that this is undertaken at the best possible value".
- The long-term sustainability of the LLGPS should not be put at risk by investing in companies which are in terminal decline resulting in 'stranded assets'. Nor should the Pension Fund fail to take responsibility for the credibility and financial support it currently provides to fossil fuel companies by continuing to invest in them even as they open up new fossil fuel reserves which the world can no longer afford to burn.
- The UN International Energy Agency (IEA) has called on financial bodies to stop investing in fossil fuel production² and predicts that global oil demand will significantly fall by 2030. Expected action by governments to limit carbon emissions will ultimately leave fossil fuel reserves unsellable.
- 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 will be most affected by the climate crisis.
- The current generation owes it to future generations to ensure we do not exceed the internationally agreed temperature increase threshold of 1.5 degrees C

above pre-industrial global heating levels, by removing support for the continued production of new fossil fuels.

- Public divestment from fossil fuel producers supports the introduction of effective climate legislation that would ensure the world achieves the level of carbon reduction required to avoid catastrophic climate breakdown.
- The LLGPS' strategy for decarbonisation of the Scheme's investment portfolio by 2050 (agreed March 2023) will not be sufficient to ensure this Council meets its carbon neutral target by 2030 and provides credibility and financial support for the continued production of new fossil fuels.

This Council therefore commits to:

- 1) Calculate and publish the scale of Charnwood's carbon footprint associated with pension investments in the Leicestershire Local Government Pension Scheme (LLGPS).
- 2) Call on the LLGPS to urgently put in place and act on:
 - a) A public commitment to divest from the top 200 companies involved in fossil fuel production by 2027.
 - b) A transparent process by which they will carry out this divestment.
 - c) Urgently review its Net Zero Climate Strategy to:
 - i) Use robust measures which do not enable the companies it invests in to greenwash themselves.
 - ii) Include a clear and effective escalation process, culminating in divestment from companies they invest in who fail to act to reduce their carbon emissions.
- 3) Work with other local District and County Councils and councillors in Leicestershire and Rutland, as well as Loughborough University and other relevant employers in the pension scheme, to call on our shared Pension Fund to urgently and publicly end their investment in fossil fuel producing companies.

Sources:

1. <https://www.cnbc.com/2021/10/21/climate-stranded-assets-show-the-need-for-rapid-energy-transition-carney-says.html>
2. <https://www.cnbc.com/2021/05/18/stop-investing-in-fossil-fuels-to-meet-net-zero-targets-iea-says.html>
3. <https://www.ffisolutions.com/the-carbon-underground-200-500/>