This is LeicsDivest, Climate Action Leicester and Leicestershire's formal response to your Net Zero Climate Strategy consultation.

It has been endorsed by the following groups:

Charnwood Green Party
Extinction Rebellion Leicester
Friends of the Earth, Leicester
Global Justice Leicester
Green Guardians (local Muslim group)
Greenlight (local Christian group)
Harborough Climate Action
Leicester Campaign for Nuclear Disarmament
Leicester Car Sharing Club
Leicester and District Trades Union Council
Leicester and Leicestershire Unite Community Branch
Leicester Green Party
Leicester Laudato Si Circle (local Catholic group)
Leicestershire Labour for a Green New Deal
South Highfields Neighbours (residents' group)
Transition Leicester
Tilton Green (Community group)
UNISON, Leicester City Branch
Unite, Loughborough University Branch
Unite, Reps Committee of LE05 Leicester City Council Branch

<u>Consultation Question 3: To what extent do you agree or disagree with the draft Net Zero Climate Strategy?</u>

We do not agree with the draft Net Zero Climate Strategy as it stands because it is too weak. We strongly support the pension scheme developing and using a strong and effective climate strategy designed with the goals of reducing climate risk to the fund and, more importantly, putting real pressure on the financial and business world to deliver net zero by 2050, and halfway to net zero by 2030.

However, we do not support your proposed net zero strategy as it stands because it **undermines these goals.** As a public body, representing its pension membership, the Council run Pension Scheme has significant power to set social norms and expectations – providing companies you invest in a social license to operate.

Specifically we believe:

- The CA100+ benchmarks you are proposing to use as criteria to assess if companies are meeting your targets allow companies to 'greenwash' themselves rather than making the necessary changes to their actions and carbon emissions. This makes them less rather than more likely to reach net zero and encourages other companies to do the same. You need to be much more specific about which CA100+ benchmarks you will apply to which sectors, and how you will enforce this in order to use them effectively.

- You fail to include specific requirements to end new fossil reserves for fossil fuel producing companies to meet by 2025 and 2027. This, combined with your failure to specify an escalation process culminating in divestment from this very specific group of businesses if they fail to meet such specific requirements, means you are choosing not to use your main power – the withdrawal of social licence - to push the UK and other governments to put in place effective climate legislation. Instead, this strategy leaves you continuing to provide (instead of publicly withdrawing) social licence for these companies as they persist in opening up new fossil fuel reserves which the world cannot use without triggering catastrophic climate change of well above 2^{o}C of global warming.
- Your targets are too weak, as we specified in our response to your September consultation (attached for reference).
- You do not enable the scheme to invest locally in renewable energy and fuel poverty solutions such as insulation or energy efficient social housing. You are allowed to invest up to 5% of the fund locally, in this case within Leicestershire and Rutland. Alternatively, you could take the proportion of the fund currently invested in fossil fuel production, which is already at risk of becoming stranded assets, and invest it locally which would be more secure.

<u>Consultation Question 4: What, if anything, is missing from the Strategy?</u>

There are 6 key things missing from your Net Zero strategy.

1. **A <u>public</u> commitment to end your investments by 2025 in companies which produce fossil fuels and are spending capital on opening up <u>new</u> reserves.** Including this would mean you were using your social licence to make it clear that you and the public do not support the development of new fossil fuel reserves which would push the world above 2^{o}C of global warming, and also send a signal to the UK and other governments and businesses that you want to see effective climate legislation put into place to ensure the world does not fail to meet the Paris Agreement of staying below 2^{o}C heating.

2. **A careful selection of <u>effective</u> criteria** (from the CA100+ benchmark or elsewhere) with tweaking for each high carbon sector where needed (by sector we mean: oil and gas, oil and gas distribution, cement, automobiles, electric utilities, consumer goods and services) making it clear to the companies that you invest in that you expect them to make real change swiftly.

   For example, all companies should be required to meet medium term Net Zero targets WHICH ARE PARIS ALIGNED (so 3.3 and 4.3 from the CA100+ benchmark, but not anything else from the 1st, 2nd,3rd and 4th categories which do not require Paris alignment), along with key measures 5.1B, 6.1B and 8.2B. Consideration could be given to whether all sectors should be required to meet 5.2B, depending on how fast it is physically possible to transition. Similarly, only some sectors (above all the oil and gas sector and diversified mining which are key drivers of climate change) need to be held to short term as well as medium term Paris aligned targets.

   At the moment your proposal to use all the CA100+criteria, categories1-6, makes companies which are deliberately greenwashing themselves look good. For example, BP scores 16/22 using all the measures in the 6 categories you propose to use, most of which are based on reporting or don't require Paris alignment. There are 7

specific individual CA100+ criteria which would be effective for assessing real commitment to Paris alignment you should use for them, please see below in question 5 and in our attachment on the CA100+ criteria for more detail on this. One of these is 8.2B in climate governance (category 8) which you do not include and the rest of which are in category 2-6. BP scores zero on these 7 criteria at the moment, and Shell scores 2.
BP and the other big fossil fuel producing companies such as Shell are well aware of these criteria and how they can get a green ticks on them without actually changing their underlying business modal of producing vast quantities of oil and gas. They spend millions on public relation campaigns in order to look good. By using your proposed broad-brush approach to CA100+ benchmark, you make it easy for them to do just this. This facilitation of greenwashing makes it harder for the world to effectively move to Net Zero, raising the risk of catastrophic climate change both for the pension scheme and for all our futures.

You should pay special attention to the criteria for the banks and insurance sector. Banks and insurance companies – for example JPMorgan who you invest in – currently enable many of the new fossil fuel projects being developed around the world. Unlike fossil fuel producing companies who cannot realistically change a business model based on a hugely expensive physical network of rigs and pipelines, banks and insurance companies are able to change who they fund. This means they are responsive to shareholder pressure and therefore clear criteria and engagement with them could be very effective.

3. **<u>Specific</u> dates by which you <u>require</u> different sectors to achieve the criteria you set.** In the case of the oil and gas sector because they are a primary driver of carbon emissions, the dates should be by 2025 (as that leaves them 5 years to then achieve the essential carbon reduction of 50% by 2030). In the case of some sectors they may need more time as your strategy suggests – but there should still be specific dates by which you expect them to comply with your chosen criteria.

4. **A <u>clear</u> escalation strategy** in the runup to the dates you have set. The escalation strategy should include:

- Communication of your escalation strategy and dates to the organisations you invest in.
- Engagement with these companies including warnings if they do not seem to be on track.
- Systematic voting against the re-election of company directors where they are failing to meet your requirements, and explaining why you are doing this and encouraging other shareholders to do the same.
- Public statements that you will divest if they fail to fulfil your requirements by the specific date.
- If they fail to comply by the given date, divestment from the companies in question and a public statement explaining why you have divested.

This process would be an effective use of your power to provide and revoke social licence. It would make it clear that you do require genuine action to prevent catastrophic climate change. It would also demonstrate that you (and the councils and universities who are the main employers in your pensions scheme) do not support the continuation of current activities which cause climate change.

5. **A mechanism by which <u>local</u> communities, businesses, housing associations, schools and councils can apply for investment in projects which jointly reduce carbon emissions and fuel poverty** – for example renewable energy generation, home insulation, energy efficient social housing, heat-pump based district heating etc.

   While such a mechanism would have running costs, there are other local government pension schemes who are investing locally, so you could learn from them. It would also make a huge difference to our local communities struggling with the double blow of the energy crisis and climate change.

6. **A specific engagement and escalation <u>strategy for the banks and insurance companies</u> you invest in**, pushing them to rapidly end their funding and insurance of new fossil fuel reserves and new key infrastructure for such projects, for example the East African Crude Oil Pipeline. Banks and insurance companies enable fossil fuel producers to open up new oil and gas fields. Not only is this risky for their own investors, it also means they are enabling the majority of the carbon emissions driving climate change. But they have other options (unlike fossil fuel producers) and therefore high quality engagement with them could be effective.

<u>Consultation Question 5: Any further comments on the Strategy.</u>

This Net Zero Climate strategy is currently weak to the point being counter-productive. Rather than putting it in place and then trying to improve it, you should add in these missing things urgently and then activate it. A Net Zero strategy is essential – but not one like this. Please include in it:

- Specific requirements and dates for fossil fuel companies, banks and insurance companies to stop developing new fossil fuel reserves accompanied by a commitment to publicly stop investing in them if they fail to do this.
- Selective use of only effective CA100+ measures so as to avoid greenwashing and have a real understanding of how companies are performing in their transition to Net Zero.
- Specific dates for different sectors to decarbonise and a clear escalation strategy if they fail to act.
- A local investment mechanism to support local action on fuel poverty and carbon reduction.

As it currently stands, this Net Zero Climate Strategy is damaging for everyone as we all face worsening climate change. It also discriminates against your younger pension members who will still have to live in the world in 50 years. The financial world, and pension funds in particular, carry real power when it comes to making change. At the moment you are failing to act responsibly. Please rewrite this strategy.

Footnotes:

Examples of CA100+ criteria which you could effectively use to assess real action on Paris Aligned carbon reduction. A more detailed version of these is attached.

3.3 The company has set medium term carbon reduction targets (2026-2035) which are aligned with the goal of limiting global warming to 1.5°C.

4.3 The company has set short term greenhouse gas reduction targets (up to 2025) which are aligned with the goal of limiting global warming to 1.5ºC.

5.1B The company quantifies key elements of the actions it will take in its decarbonisation strategy to meet its medium and long term carbon reduction targets – including scope 3 emissions. (This is only valid if they meet 3.3 and 4.3.)

5.2B The company has set a target to increase the share of green revenues in its overall sales OR discloses the green revenue share that is above sector average.

6.1B The company explicitly commits to align its capital expenditure pans with the Paris Agreement's objective of limiting global warming to1.5ºC AND to phase out investment in unabated carbon intensive assets or products.

8.2B The company's CEO and/or at least one other senior executive's remuneration arrangements incorporate progress towards achieving the company's greenhouse gas reduction targets as Key Performance Indicators determining performance linked compensation (requires meeting relevant target indicators for short and medium term targets).

10.2B The quantitative scenario analysis explicitly includes a 1.5° Celsius scenario, covers the entire company, discloses key assumptions and variables used, and reports on the key risks and opportunities identified.