

Council Motion - Leicestershire Pension Fund fossil fuel investment

The Council declared a climate emergency on 25 June 2019 and adopted its Zero Carbon Roadmap on 31 March 2020. The targets are for the Council to be net zero carbon by 2030 and for the district by 2050. The Zero Carbon Action Plan focuses on what the Council can directly action, what it can influence and what it can help facilitate and lead.

North West Leicestershire District Council has millions of pounds invested in fossil fuel producing companies via the Leicestershire Local Government Pension Scheme (LLGPS).

In 2023, LLGPS undertook a consultation exercise on the pension's fund Net Zero Climate Strategy which the Council responded to.

The LLGPS fund's strategy says that climate change is a material risk both to wider society and the £5.5 billion Pension Fund which must pay the pensions of over 100,000 scheme members on behalf of over 200 employers.

The Strategy commits the Fund to becoming net zero by 2050, with an ambition for sooner in line with the Paris Agreement goals to limit global temperature well below 2°C, with the aim of achieving a 1.5°C limit. This is supported by the interim target to halve the carbon intensity of the Fund's measurable investments by 2030. This will be supported through a number of targets and measures including:

- Decreasing the Fund's exposure to fossil fuel reserves and increasing exposure to climate solutions, such as renewable energy, and technology related to the transition to net zero.*
- Supporting real-world emissions reduction through an active engagement programme targeting companies contributing the most to the Fund's climate metrics.*

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.

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.

The LLGPS current strategy for decarbonisation of the Scheme's investment portfolio by 2050 as agreed in March 2023 provides credibility and financial support for the continued production of new fossil fuels and needs to be reviewed.

This Council therefore commits to:

- 1) 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*
- 2) *Work with other local authorities and councillors in Leicestershire and Rutland, as well as 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>