



Dear Leicestershire Pension Committee,

Climate Action Leicester and Leicestershire would like to submit this letter and the Divest report attached to your next meeting.

As you know we have been watching and attending pension committee meetings for a year now, and have both asked questions and done a short presentation on why it is that we feel the Leicestershire LGPS should formally stop investing in fossil fuel companies rather than continuing with the current policy of engaging with them.

We are aware that you are in the process of developing a Climate Strategy, and so we want to:

- 1/. clarify our divestment request to you
- 2/. Raise a growing concern we have about where you are getting your expert information in favour of engagement as a policy from, and
- 3/. Send you the most recent briefing on divestment from Divest UK to reduce this imbalance.

### What we are asking.

In the light of the urgent need for the world to reduce its carbon emissions sufficiently by 2030 to prevent catastrophic climate change, we are asking the Leicestershire Local Government Pension Scheme to:

- 1/. Cease to make any new investments in the top 200 publicly traded fossil fuel companies.**
- 2/. Divest from direct ownership and any commingled funds that include fossil fuel public equities and corporate bonds within 5 years.**
- 3/. Make a public statement to divest from fossil fuel companies, giving a date by which you commit to being fully divested, and calling for national and international regulation of the fossil fuel industry to ensure the world remains below 1.5°C of global heating.**

We understand why you want to engage with Shell and BP, but we also know that shareholders have been actively engaging with them on the need to stop developing new reserves and rapidly reduce their emissions for over 30 years, and yet they continue to develop new reserves which the world cannot afford to burn. Hence we do not think there is evidence to support the position that engagement will create a sufficient shift in carbon emissions fast enough to keep the world from catastrophic climate change. This is why we are asking you to stop providing social licence for these fossil fuel companies by divesting, and instead to publicly call for regulation of the fossil fuel industry. A [recent academic study](#) found that divestment did result in reduction in the carbon emissions of the companies divested from. It also found that AGM climate resolutions had little impact on fossil fuel companies carbon emissions.

The next 5-10 years are crucial in limiting / mitigating the impact that we have on the planet and the severity of the impacts we will experience for years to come. The IPCC's report last year said that **we are due to hit 1.5 degrees warming by 2034 under current plans and progress**, while a UN report found that **we need to slash 45% of emissions globally by 2030 to reach carbon neutrality by 2050**. However, under current emissions commitments from countries there is actually due to be a 16% increase in emissions in 2030 compared to 2010 levels. So, a 2050 net-zero target must include much more urgent and immediate timelines, otherwise a 2050 target cannot and will not be met. This is why we don't believe there is sufficient time to continue with a policy of engagement with fossil fuel companies.

### Our growing concern.

Watching your meetings, we are becoming increasingly concerned that you are getting almost all your expert input on the question of the effectiveness (or otherwise) of engagement and divestment, from people who have been employed specifically because they are committed to the practise of "Responsible

Investment”, which is committed to engagement. You are consistently hearing from them that engagement is effective, and that divestment undermines the likelihood of changing the behaviour of fossil fuel companies.

Specifically, you are repeatedly hearing that The Transition Pathway Initiative provides evidence that companies are aligned to the Paris Agreement by assessing and validating their carbon performance. This is concerning because the Transition pathway Initiative and CA100+ benchmark both primarily assess and validate the communication and target setting of fossil fuel companies, rather than their actual performance, and so they are able to seem to perform well when in fact they are in reality both continuing to develop new reserves which cannot possibly be burnt without taking the world above the Paris Agreement of 2°C. You can see this in the table below.

## BIG OIL REALITY CHECK: ASSESSING THE OIL MAJORS' CLIMATE PLANS

								
<b>Ambition</b>								
Stop exploration	Only in new countries	No	No	No	No	No	No	No
Stop approving new extraction projects	No	No	No	No	No	No	No	No
Decline oil and gas production by 2030	<30% drop by 2030	No	Plateau by 2025, decline only for oil	No	No	No	No	No
Set long-term production phase-out plan aligned with 1.5°C	No	No	No	No	No	No	No	No
<b>Integrity</b>								
Set absolute target covering all oil and gas extraction (full equity share)	Absolute; major Scope 3 loophole	No	Yes	Scope 3; intensity target only	No	Scope 3; close to absolute	Scope 3; intensity target only	Scope 3 "net zero" only in Europe
Do not rely on carbon sequestration or offsets	No	No	No	No	No	No	No	No
Be honest about fossil gas as high carbon	No	No	No	No	No	No	No	No
End lobbying and ads that obstruct climate solutions	No	No	No	No	No	No	No	No
<b>Transition Planning</b>								
Commit to explicit end date for oil and gas extraction	No	No	No	No	No	No	No	No
Commit plans and funding to support workers' transition into new sectors	No	No	No	No	No	No	No	No

**COLOR CODE FOR RATING COMPANY COMMITMENTS AGAINST CRITERIA**

Grossly insufficient	Insufficient	Partial alignment	Close to alignment	Fully aligned
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Usually Climate Action is strongly in favour of engagement, but in the case of fossil fuel companies it would require them to completely change their business model – it's like asking a supermarket chain to stop selling food. As a pension committee, we would really like to see you transfer your engagement energy to other companies you hold shares in which can change to reduce their carbon footprints.

### **Addressing the imbalance of information**

We attach the most recent briefing from Divest UK because we feel it clearly sets out the argument for divestment rather than engagement, specifically when it comes to fossil fuel companies. Please would you read and consider it as you develop your Climate Strategy.

We would also ask that you consider inviting experts who are in favour of divestment to address you. Mark Campanale from Carbon Tracker used to work in Responsible Investment and is an expert on both the financial risk when investing in fossil fuel companies, and also on the impacts of engagement vs divestment. Similarly, Dr Ellen Quigley at Cambridge University is the co-author of a major report comparing engagement and divestment in relation to fossil fuel companies. She started her research from a neutral position, but doing the research moved her to supporting divestment rather than engagement.. Both of these experts are willing to make presentations to pension committees in the UK. We would be very happy to put you in touch with either of these experts if this would be helpful.

Thankyou,  
Zina Zelter,  
on behalf of Climate Action Leicester and Leicestershire.

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