

The fossil fuel industry has been minimising climate change for many years – moving from ‘nothing to worry about’ to ‘too late to do anything about it’ without missing a beat.

Of course, the cost and scope of the transition to a zero-carbon world must be scrutinised. Debate and challenge are essential. But there are many vested interests who stand in the way of progress.

One perverse new front is the fight against investors working to push for a rapid transition to a post-carbon world. Claims that membership of global climate coalitions might ‘breach antitrust rules’ have led to a host of major investors withdrawing their support.

Even though most lawyers conclude that the danger of falling foul of anti-trust rules is minimal – the effect is to chill investors’ efforts to help combat climate change. And that may well be the point: not to enforce anti-trust rules, but to intimidate investors into bowing to a specific vision.

To be very clear: this assault on global climate action is an assault on investor rights – specifically, the right to freely choose how to invest your money. And it is more than ironic that this assault is led by those who profess to revere free speech and free markets.

So, when I hear people claim that investors looking to galvanize action against climate change are ‘anti-capitalist,’ I am sceptical. In fact, I would argue it is they who are the real anti-capitalists.

There is a long and proud history of investors using the creative energy of capitalism to help overcome global challenges: modern slavery, human rights, gender inequality, deforestation, and public health are just a few examples. After all, strong economies require a flourishing humanity.

One such example, the Global Fund, is a global partnership of governments, NGOs, and the private sector, with the mission of fighting the spread of diseases like HIV and malaria. Since its inception in 2002, it has saved an estimated 65 million lives.

Few people would argue that it was wrong to do so.

Yet it is notable that efforts to combat climate change, which represents the greatest threat to humanity’s future, have provoked the most determined fightback.

One of the most sobering things about the debate around climate change is that many people don’t believe it will affect them – even though the physical consequences are already happening.

Some dismiss its impact. Vladimir Putin is reported to have said that if the temperature rises a few degrees, Russia will harvest more wheat in Siberia. Closer to home, I’ve heard people claim climate change is ‘fine’ because we’ll be able to produce more wine in England.

As tempting as this sounds, such climate change will come with catastrophic costs.

Climate change will be felt by the poorest first and hardest. And while the rich may think they won't have a price to pay, they couldn't be more wrong. Climate change doesn't discriminate between rich and poor: the beachfront property in Malibu is just as much at risk as the favela shack in Rio. Natural disasters don't just destroy lives, they destroy property, and those that have the most also have the most to lose.

The choices that we make today won't just impact us. It is future generations – our children – that will face the consequences of our inaction.

Do we want to leave them a world beset by famine, natural disasters, and social upheaval? So, we must start getting capital flowing intentionally towards the inevitable and necessary transition – it is a logical risk-return decision.

Our recent divestment from oil and gas companies is also a reaction to their misallocation of capital, especially when we are seeing the smart money of private equity and venture capital increasingly interested in financing the transition.

We see the effort to prepare for a net zero carbon world as a core part of our fiduciary duties. Our critics may argue that we're do-gooders who don't understand the realities of capitalism. Even that we're anti-growth. That, too, couldn't be further from the truth.

The Church Commissioners has been around for 320 years. Our investment strategy is, and always has been, to generate long-term returns. We have a fiduciary duty to maximise sustainable distributions for the benefit of the Church of England in England across generations.

Beyond the fundamental issue of protecting life on our planet, we see climate change as the hardest of financial risks. A risk which has the potential to materially impact our investments.

After all, if companies continue to bet on fossil fuels, how much will they be worth in the future? This is a question that any investor with a long-term horizon must ask. There is rising probability of 'stranded assets.' The physical impacts of climate change will cause huge volatility and costs across global industries. That isn't good for any portfolio – especially when such risks are becoming increasingly uninsurable. Indeed, there are legal risks to fiduciaries if they do not take climate change seriously.

These are systemic risks that require a systemic, collective response - and investors need to lead it. Climate change is very, very real and if we don't adapt your portfolio to a changing world, then we're going to see a catastrophic impact on our investments.

It's not a choice of between morals and money.

In this case, both morals and money point us in the same direction.

This opinion piece by Alan Smith, the Church of England's First Church Estates Commissioner, was originally published in the Daily Telegraph on 14 January, 2025.