

GENERAL SYNOD

Debate on a Motion from the National Investing Bodies

Summary

In 2015, General Synod affirmed its support for the newly adopted climate change policy of the Church of England National Investing Bodies (NIBs). This debate will follow a presentation from the NIBs on the action that they have taken to implement the policy and the impact that it has had. The motion asks Synod to affirm its support for the Paris Agreement and the NIBs' approach to the urgent ethical challenge of climate change. It urges the NIBs to continue their intensive efforts, using all the tools at their disposal as investors, to advance the transition to a low carbon economy.

Background

1. The Church of England National Investing Bodies (NIBs)¹ adopted a new, comprehensive ethical investment policy on climate change in April 2015².
2. The policy was developed by the Church of England Ethical Investment Advisory Group (EIAG) following a two-year policy review incorporating theological reflection, stakeholder consultation, and consideration of the tools available to investors to advance the transition to a low carbon economy.
3. The policy was debated at General Synod in July 2015 and affirmed with 255 votes in favour and none against – the motion passed is attached as Annex 1.

The NIBs' policy on climate change and investment

4. The NIBs' policy on climate change uses all the tools available to the NIBs, found across their suite of ethical investment policies, to advance the transition to a low carbon economy:
 - Disinvestment
 - Investment
 - Engagement with companies
 - Engagement with policy makers
5. The NIBs believe that there is no single means by which they, and other investors, can bring about the urgent transition to a low carbon economy. The NIBs' firm conviction is that investors must make determined and sustained use, as appropriate, of *all* the tools at their disposal.
6. Since 2015, the NIBs have put themselves at the forefront of global investor action on climate change, including via engagement. This is a position that we wish to maintain for as long as we think that engagement is more effective than disinvestment in securing the shift to the low carbon world that we need to see.

¹ There are three national investing bodies: the Church Commissioners, the Church of England Pensions Board, and the CBF Church of England Funds managed by CCLA.

² www.churchofengland.org/sites/default/files/2017-11/Climate%20Change%20Policy%20.pdf

The NIBs' motion

7. The motion put forward for debate invites Synod to embrace and affirm the action taken by the NIBs, and the continued action planned, before asking the NIBs to report back to Synod on progress once again in three years' time.
8. Taking the elements of the motion in turn:
 - a) **The Paris Agreement**
 - Synod has not debated climate change since the conclusion of the Paris Agreement in December 2015.
 - Members are invited to welcome the Agreement and its goals.
 - b) **The NIBs' climate change policy**
 - Members are invited to affirm, as they did in 2015, that the NIBs have the support of Synod for the comprehensive climate change policy that they are implementing with determination and significant resource.
 - c) **Disinvestment – thermal coal and oil sands**
 - On adoption of the climate change policy, the NIBs sold shares in companies deriving more than 10% of their revenues from the mining of thermal coal (used in power generation) and the production of oil from oil sands. These are the highest carbon fossil fuels from which we must transition most urgently.
 - Members are invited to affirm their support for this disinvestment action.
 - d) **Transition Pathway Initiative**
 - The Transition Pathway Initiative (TPI)³ is a significant new initiative developed by the NIBs in collaboration with the Grantham Research Institute at the London School of Economics (LSE) and the Environment Agency Pension Fund.
 - The initiative was designed specifically in response to the Synod request in 2015 for the NIBs to publish an 'engagement framework'. It enables the NIBs to track the alignment of companies in high carbon sectors – not just fossil fuel companies – with the transition to a low carbon economy.
 - TPI has many applications, supporting both engagement and investment analysis, through its assessments of whether companies are improving their response to climate change and aligning their business plans with the Paris Agreement.
 - TPI is supported by investors with over £6 trillion of assets.
 - Members are invited to affirm their support for this initiative.
 - e) **Engagement and disinvestment**
 - The NIBs' climate change policy states that the primary focus of action on climate change will be engagement. Since the adoption of the policy the NIBs have grown their engagement teams and been at the forefront of engagement successes including the passing of shareholder resolutions at BP, Shell, Exxon, Anglo American, Glencore and Rio Tinto.

³ www.lse.ac.uk/GranthamInstitute/tpi/

- Shell is an example of the changes being achieved. Since the July 2015 Synod, Shell has: abandoned its Alaskan Arctic drilling programme; sold all its undeveloped oil sands assets in Canada; established a New Energies Business which now contains companies involved in electric vehicle charging, solar power and electricity supply; and set an ambition to halve the carbon footprint of the energy products it supplies by 2050, for which it was applauded by the Executive Secretary of the UN Framework Convention on Climate Change.
- The NIBs' climate change policy makes clear that, if companies are unresponsive to engagement, disinvestment should follow.
- When TPI was launched in January 2017, the NIBs announced that, beginning in 2020, they would use TPI assessments to start to disinvest from companies that are not taking seriously their responsibilities to assist with the transition to a low carbon economy.
- Synod members are invited to support this policy of robust engagement with the threat of disinvestment as a key lever for change, as called for by Synod in 2015.

f) Investment in renewable energy and low carbon technology

- At the end of 2017 the Church Commissioners held £296m of fund investments qualifying as low carbon using green bond methodology, including sustainable forestry, an environmental opportunities fund, and a wastewater fund with investments in biogas.
- In respect of holdings in individual listed companies, the Commissioners' holdings in companies contributing to climate solutions were 'overweight' compared to their benchmark and more than twice the size of their holdings in integrated oil and gas companies, which were 'underweight' compared to the Commissioners' benchmark.
- The Commissioners have actively marketed forest and rural land for commercial wind and solar farms, ending 2017 with operational wind farms in Scotland with 32MW of capacity and solar farms in England and Wales with 9MW of capacity.
- The Pensions Board ended 2017 with £330m of investment commitments to infrastructure, at least 20% of which is expected to be invested in renewable and clean energy projects.
- Both the Commissioners and the Pensions Board invest with Generation Investment Management, which was co-founded by former US Vice President Al Gore, and all of whose investments must meet sustainability criteria. The Commissioners' mandate was valued at £403m at the end of 2017; the Pensions Board have committed £75 million.
- At the end of 2017 2.34%, or £31.2m, of the CBF Church of England Investment Fund was dedicated to investments in renewable energy or low carbon technology. This was greater than the Fund's exposure to investments in conventional energy.
- The CBF Church of England Investment Fund's low carbon investments include wind and solar energy, facilitating increased capacity being delivered to the UK National Grid, and sustainable forestry.

- Synod members are invited to support the NIBs' policy of proactively seeking to scale up their low carbon and renewables investments.

g) Reporting back to Synod

- The NIBs recognise climate change as Synod's highest priority ethical investment issue and welcome the opportunity regularly to report on action and progress, and to receive feedback.
- Members are invited to support a further report to Synod by the NIBs in three years, including on the NIBs' commitment to start to disinvest from companies that are not taking seriously their responsibilities to assist with the transition to a low carbon economy.

Amendment from Diocese of Oxford

9. The Diocese of Oxford will propose an amendment to clause (e) of the NIBs' motion. The amendment will urge the NIBs to require fossil fuel companies to align their business plans with the Paris Agreement by 2020 or, automatically, face immediate disinvestment.
10. The NIBs and the Diocese of Oxford are united on the seriousness of climate change and the extreme urgency of carbon emissions peaking and then declining. There is no disagreement that the NIBs as investors should do their utmost to hasten the transition to a low carbon economy; no disagreement that fossil fuel companies need to align their business plans with the goal of the Paris Agreement; no disagreement that there is a role for disinvestment as an ethical investment tool on climate change.
11. The difference revolves around whether, if the NIBs and other investors are not successful in persuading fossil fuel companies to align their businesses with the Paris Agreement in two years' time, the NIBs should be forced automatically to walk away from the fossil fuel sector, even if they believe that they can have more impact on the problem of climate change by remaining invested and engaged with the sector, or disinvesting from some and remaining invested and engaged with others. Disinvestment will not cause companies immediately to become aligned with the Paris Agreement.
12. Many oil and gas, and mining, companies, are changing their strategies as they adjust to the reality of the transition to a low carbon economy. The advice we take from the LSE indicates that all scenarios for future energy supply consistent with the Paris Agreement involve a need for fossil fuels through to 2050 – but a lesser need than in scenarios consistent with a higher global average temperature rise. TPI enables us to identify companies that are aligning their strategy with the requirement for progressively lower carbon energy and that merit continued investment.
13. The NIBs have no intention to remain invested in companies behaving in an unethical way. They *will* divest from companies that set themselves against transition and against engagement. But the NIBs can only continue to influence the transition of fossil fuel companies if they are on the field of play. There is no other investor in the UK that can challenge companies with the moral authority and profile of the NIBs. Engagement is the most significant ethical investment contribution that the NIBs can make. For as long as our robust engagement appears capable of accelerating the shift away from fossil fuels faster than disinvestment, we should continue with it. Pulling out wholesale

and hoping other investors fill the engagement void left by our departure is not, we believe, Christian ethical leadership.

+David Manchester

ANNEX 1: CLIMATE CHANGE AND INVESTMENT MOTION PASSED BY GENERAL SYNOD, 13 JULY 2015

‘That this Synod, accepting that the threat posed by climate change to the environment and human wellbeing requires urgent action to reduce the consumption of fossil fuels, and recognising that achieving this effectively without creating damaging and unintended economic consequences requires political subtlety, flexibility and a focus on achievable change:

- (a) affirm the policy on climate change and fossil fuel investment developed following the Southwark DSM passed by the Synod in February 2014, recommended by the EIAG, and adopted by the National Investing Bodies (‘the NIBs’);
- (b) welcome the disinvestment by the NIBs from companies focused on the extraction of oil sands and thermal coal;
- (c) urge the NIBs to engage robustly with companies and policy makers on the need to act to support the transition to a low carbon economy and, where necessary, to use the threat of disinvestment from companies as a key lever for change;
- (d) urge the NIBs to encourage the work of those energy companies committed to carbon pricing and investing in research into cleaner fuels, natural gas and carbon capture and storage;
- (e) request the EIAG and the NIBs to publish their ‘engagement framework’ by June 2016;
- (f) urge the NIBs proactively to seek and scale up investment in renewable energy and other low carbon energy sectors and to track low carbon indices; and
- (g) request the EIAG and the NIBs to report to the Synod within three years with an assessment of the impact of the policy adopted, including the efficacy of engagement and the progress made on portfolio decarbonisation.’

The following amendment was rejected:

In paragraph (c) at the end insert “including the threat of disinvestment from oil companies within three years unless they have committed to ceasing oil exploration and reducing production consistently with limiting the global temperature rise to 2°C”.