Backgrounder on divestment from fossil fuels

- **Socially responsible investment practices have been around for a long time.** Churches and conscientious investors have already taken steps to limit or exclude investment in such things as armaments, alcohol, tobacco and pornography, on the grounds that it is immoral to profit from industries which cause grave social harm.

- **The movement to divest from fossil fuels is gaining in momentum**. By September 2014 over 800 organizations with more than $50 billion in assets had officially committed to divestment, including the Rockefeller Brothers Foundation, World Council of Churches, The Church of Sweden, the University of Glasgow and Stanford University. The trend has continued, with the Toronto-based Catherine Donnelly Foundation as well as 3 dioceses plus the national superannuation(pension) fund of the Anglican Church in Australia divesting in late 2014. This spring the Church of England announcing its divestment from coal and oilsands (£12 million from a combined fund of £9 billion). French insurance company Axa has also recently pledged to move €500million out of coal investments and to triple its investment in green technologies and services. In the past few months, the United Church of Canada, the Anglican Diocese of Montreal and the Anglican Diocese of Ottawa have all voted to divest from fossil fuels.

- **Why focus on oilsands among all fossil fuels**? All fossil fuels contribute to climate change, and thus, ultimately, divestment efforts should include them all. However, the production of petroleum from Canada's oilsands is extremely capital- and energy-intensive and results in greenhouse gas emissions significantly higher than conventional crude oil. It is also the fastest-growing source of greenhouse gas emissions in Canada. (http://www.pembina.org/oil-sands/os101/climate). Thus divestment from industries heavily involved in the oilsands is a significant first step for institutions seeking to limit their contributions to climate change.

- **Divestment does not mean sacrificing financial returns**. According to John Cook of Greenchip Financial and Andrew Heintzman of Investco Capital, in the past 5 years, the TSX with all its oil and gas constituents has significantly underperformed the TSX 60 excluding fossil fuel companies, and over the past 10 years, performance has been virtually identical with or without oil and gas in the index (Source: John Cook and Andrew Heintzman in *The Globe and Mail*, Dec. 24, 2014)
- Timothy Nash, a financial planner and economics instructor at Sheridan College, who blogs at www.sustainableeconomist.com agrees that divestment won't sacrifice returns and notes that his fossil free model portfolio performed as well or better than a traditional balanced portfolio over both 3 and 5 year periods. This trend is expected to continue as governments are consciously moving toward renewable energy. (Posted at www.sustainableeconomist.com on February 13, 2015.)

- **Continuing to invest in fossil fuels is financially risky in the long-term.** Mark Carney, governor of the Bank of England (and former governor of the Bank of Canada) cautioned last fall that "the vast majority of [fossil fuel] reserves are unburnable" if rises global temperature are to be kept below 2 degrees Celsius, and called on investors to consider the long-term impacts of their decisions. (Source: *The Guardian*, 13 October 2014). As carbon pricing initiatives change the relative prices faced by consumers and producers, alternative clean energies take a larger share of the market, and potential regulatory changes limit future fossil fuel production, it makes practical economic sense to limit exposure to those industries. The June 2015 commitment by the G7 nations to end fossil fuel burning by the end of this century means the writing is on the wall for fossil fuel industries: it is time for prudent investors to seek better long-term investment prospects. The recent slump in oil prices could be just the beginning of a much longer trend. "The impacts investors are seeing in their portfolio from the current oil-price shifts may be similar to what they can expect to see in the context of longer-term risks associated with the shift away from fossil fuels, particularly those associated with higher carbon emissions," says Peter Chapman, executive director of the Shareholder Association for Research and Education. (Source: *Toronto Star*, Nov. 2, 2015)

- **Renewable energy sources are a good investment** – not only are they cleaner, but they are more productive over the long-term, more predictable than fossil fuels, and their price is falling, making them increasingly competitive. Developing countries, including China, are increasing turning to renewable sources of energy. (Source: http://grist.org/author/michael-t-klare)

- **Financial planners are available to help institutional investors go "fossil free"**. Greenchip Financial, based in Toronto, has been offering fossil fuel free investment portfolios since 2007, which involve not only divestment from fossil fuels but reinvestment in renewable energy sources and energy efficient technologies. Genus Capital Management, based in Vancouver, also offers a suite of five fossil free funds for institutional investors. As of October 29, 2015, the S&P Dow Jones Indices and Toronto Stock Exchange launched 3 new climate change indices to track the performance of companies traded on the Canadian market which limit carbon emissions, have smaller relative carbon footprints, and which own no fossil free reserves.

- **Trustees/investment committees have a fiduciary responsibility** to the organizations they serve. This requires them to be prudent and think long-term about the implications of their decisions, as well as to reflect the values of their institution. Jim Yong Kim, president of the World Bank, urges: "Be the first mover. Use smart due diligence. Rethink what fiduciary responsibility means in this changing world… Every company, investor and bank that screens new and existing investments for climate risk is simply being pragmatic." (Source: *The Guardian,* 16 March 2015). In a recent speech to Lloyd's of London, Bank of England governor Mark Carney noted that climate change poses an increasing risk to global financial stability, but that "earlier action will mean less costly adjustment… The more we invest with foresight, the less we will regret in hindsight." (Source: http://www.bankofengland.co.uk/publications/Documents/speeches/2015/speech844.pdf)

- **Finally, divestment expresses our values**. The Marks of Mission of the Anglican Communion, which are echoed in our baptismal vows, call us to strive to safeguard the integrity of creation and sustain and renew the life of the earth, as well as to seek to transform unjust structures of society and to pursue peace and reconciliation. Divestment and socially responsible re-investment is a way for us to put these principles into practice.
- To quote the Climate Change Policy of the National Investing Bodies of the Church of England: "As Christians, we have a divinely mandated responsibility for the physical world, for its creatures and for one another, especially the weakest and least. This requires us to do all we can to mitigate whatever is damaging creation and God's creatures, and to promote all that is good… This responsibility to take action applies to us as individuals and as institutions within the Church… As Christian individuals, we all have responsibilities to live more sustainable lives and to challenge ourselves about our patterns of consumption, our use of fossil fuels and our personal contribution to climate change. We also have a similar interest in ensuring that [the Church's] investments are managed in a manner that is consonant with its witness and mission."
- In addition, this Diocese is part of the Anglican Church of Canada, which is a party to the Indian Residential Schools Settlement and committed to reconciliation with Canada's indigenous peoples. As such, we are called by the recommendations of the Truth and Reconciliation to affirm the United Nations Declaration on the Rights of Indigenous Peoples and to ensure that our institutions, policies, programs, and practices comply with its principles, including the principle of free, prior and informed consent. Fossil fuel activities, including oilsands production, pipelines, and fracking disproportionately affect the territories and communities of indigenous peoples in Canada.