

## **PUBLIC QUESTIONS TO COUNCIL – 23 MARCH 2022**

### **a) Question from Michael Pomerantz (in attendance), to Councillor D Wilson, Chair of Pensions and Investments Committee**

“What evidence does the Council have that engagement works better than divestment in terms of influencing a fossil fuel company's actions?”

#### **Response:**

“Fossil fuels are expected to remain an important part of the energy mix for many years to come and the producers of fossil fuel products are also major developers of renewable energy solutions. Engagements, particularly collaboratively, and coordinating engagements with other like-minded investors by our organisations such as the Local Authority Pension Fund Forum enables us to influence companies as they adapt their business models for the transition to a low carbon economy.

Investor engagement has encouraged investee companies to improve the quality of their climate related disclosures and to commit to targets for reducing greenhouse gas emissions. The major oil and gas companies from the UK, the Netherlands, France, Italy, Spain and Norway have all now committed to achieving net zero greenhouse gas emissions by 2050. Ongoing engagement is encouraging companies to clearly explain their climate aligned strategies with transparent plans for how their assets and business strategies will adapt to achieve net zero emissions and with creative transition timetables.

As a responsible long-term investor Derbyshire Pension Fund is well placed to provide support to companies right across the economy during the energy transition influencing corporate behaviour through engagement to achieve real world reductions in greenhouse gas emissions instead of walking away from a table. Thank you.”

There was no supplementary question.

### **b) Question from Wendy Bullar, Divest Derbyshire (not in attendance) to Councillor D Wilson, Chair of Pensions and Investments Committee**

“On behalf of the Divest Derbyshire campaign we applaud the rapid action of the Derbyshire Pension Fund in divesting from Russian investments. The recent situation in Ukraine shows how unstable fossil fuel investments are and the need to reduce our reliance on oil and gas from autocratic regimes. As one energy analyst has shown if the 649 wind and solar projects already

cleared for development in the UK were actually built they would, collectively, more than offset the gas that is currently imported from Russia.

Given the huge opportunities in investment in renewables coupled with the need to reduce our reliance on fossil fuels, what is stopping our Pension Fund from equally urgent action in divesting from fossil fuels and investing in renewables instead? The development of Renewables across Derbyshire would offer excellent job and business opportunities for the people of this county.”

**Response:**

“Derbyshire Pension Fund is continuing to liaise closely with its underlying managers regarding the unwinding of its exposure to investments in Russia following the Russian invasion of Ukraine and the subsequent imposition of sanctions against Russia.

Russian companies, which are subject to the influence of the Russian state, are no longer expected to meet investor expectations for environmental, social and governance standards and the likelihood of effective engagement between investors and Russian companies has deteriorated significantly.

Investors are, however, able to engage effectively with the fossil fuel companies to encourage and support the transition to net zero greenhouse gas emissions and to support the development of renewable energy solutions.

The Pension Fund has made commitments of over £275m to renewable energy funds over the last few years, representing around 4.5% of the Fund’s total investment portfolio. The assets in these funds will include investments in: onshore wind; offshore wind; solar; hydro and battery storage.

Due to the weight of money that investors are currently trying to invest in this asset class, investors are now required to accept more risk in order to access their required level of return, for example, by accepting construction risk rather than investing in assets that are already built. The Pension Fund will continue to assess opportunities in renewable assets, balancing potential risks and returns and the geographical mix of assets for any further incremental renewable investments in the context of a diversified investment portfolio.”

**c) Question from Dr Stephen Martin (not in attendance) to Councillor D Wilson, Chair of Pensions and Investments Committee**

“The climate and Covid crisis is taking a growing toll on the mental health of children and young people. Increasing levels of “eco-anxiety” – the chronic fear of environmental doom –are likely to be damaging to many in the long term. A 2020 survey of child psychiatrists in England showing that more than half (57%) are seeing children and young people distressed about the climate crisis and the state of the environment. The best chance of increasing optimism and hope in the eco-anxious young and old is to ensure that we do everything possible to mitigate the climate emergency. If the Derbyshire Pension Fund does not divest from fossil fuels, and the continued funding of fossil fuel extraction continues, what is the future for our next generation-especially your children and grandchildren?”

**Response:**

“I am sure we all share Dr Martin’s concern regarding anxieties expressed by children and young people about the climate and about the environment.

The risks associated with climate change are wide-ranging and climate change is an issue for all sectors of the economy. It is essential that all participants in the economy, both on the supply side of energy and the demand side of energy, adapt their business models for the transition to a low carbon economy.

Divestment of the producers of fossil fuel products would have no impact on real world carbon emissions and would remove Derbyshire Pension Fund’s ability to influence fossil fuel companies during the energy transition via collaborative engagements with other investors.

In addition to engaging with the fossil fuel companies on their climate-aligned strategies, and their plans for achieving net zero greenhouse gas emissions, investors are increasing engaging with the users of energy, including the industrial, transportation and building companies, and with the banks who finance energy projects.

This recognises that for investors to be able to continue to deliver diversified investment portfolios and for the goal of a net zero economy to be reached, reductions in greenhouse gas emissions will need to be achieved across all sectors.

As a responsible long-term investor, Derbyshire Pension Fund is well placed to provide support to companies right across the economy during the energy transition, influencing corporate behaviour through engagement to achieve the desired goals.”