Pensions and Investments Committee 5 June 2024 Questions & Answers

From Laura Stevens on behalf of Divest Derbyshire (will attend if possible)**:**

At the March Pensions and Investment Committee the Pension Fund managers suggested that the fund may consider offsetting its carbon emissions in future, for example using carbon credits. Is the Council aware that offsetting carbon has been widely discredited, and that offsetting is no substitute for reducing emissions which can be easily done through divestment from fossil fuels? According to research from the Guardian and Corporate Accountability the vast majority of environmental projects most frequently used to offset greenhouse gas emissions have fundamental failings. Is the Council aware that other Pension Funds such as Wiltshire and West Yorkshire have already committed to divestment from fossil fuels and that 6 out of 9 Derbyshire councils also support this? If those councils have now passed motions to divest, how does DCC plan to accommodate their requests to do this if your Pension Board is managing their pensions?
https://www.theguardian.com/environment/2023/sep/19/do-carbon-credit-reduce-emissions-greenhouse-gases

Answer:

The Fund's ambition is to achieve a portfolio of net zero assets by 2050. It is anticipated that this will be achieved by decarbonising the Fund's investments to the extent possible, while seeking to maintain access to a highly diversified portfolio of investments assets to reduce concentration risk and volatility. As it is likely that there will continue to be some use of fossil fuels across the global economy by 2050, it is expected that as the Fund nears this period, it may still have some residual carbon emissions which cannot be avoided. These could potentially be offset by the use of verified carbon offset assets. However, it is too early to say whether this will be the case, and if so, what potential verified carbon offset assets will be used.

The general market demand for verified carbon offset assets is likely to grow moving forward as governments, businesses and individual citizens seek to reduce their carbon footprint and meet their net zero targets. This could generate potential investment opportunities which could be explored by the Fund (for example, timberland) subject to the risk and reward dynamics, together with the quality and robustness of the resulting carbon credits and the market demand/pricing for those carbon credits.

The Fund is aware of the recent announcements from Wiltshire Pension Fund with respect to working towards being divested from fossil fuel investments by 2030 (noting the potential for pooling arrangements to impose certain limitations on the policy) and from West Yorkshire Pension Fund with respect to not funding new fossil fuel developments and not increasing its holdings in listed fossil fuel stocks pending a review of its level of equity holdings in the oil and gas sector, which it said would include an assessment of the impact of its engagement with the sector.

There is no standard approach across the LGPS. The Fund's approach to managing climate related risks and opportunities is set out in its Climate Strategy which was recently updated following a public consultation with around 90,000 scheme members and over 350 scheme employers, The 67 consultation responses, included 42 responses from scheme members and 1 from a scheme employer, with a range of views expressed.

From Lisa Hopkinson on behalf of Divest Derbyshire (not attending)**:**

At the March Pensions Committee meeting it was agreed that no changes to the draft Climate Strategy were required. This is despite the fact that more than 50% of respondents to the consultation did not agree that the investment framework was the right approach to managing ESG factors, and the vast majority stating that the Fund should do more to manage climate-related risks.

Given that the Committee only consults on the Climate Strategy every 3 year, and given that since the last strategy we have seen a number of disturbing events that indicate rapid worsening of climate breakdown, does the Committee think it's appropriate to wait another 3 years to consult on its climate strategy and consider divesting from climate wrecking investments?

Answer:

The Pension Fund consulted with around 90,000 scheme members and over 350 scheme employers on the Fund's updated Investment Strategy Statement, Responsible Investment Framework and Climate Strategy. 67 consultation responses were received, including 42 from scheme members and 1 from a scheme employer.

Despite letters being sent to all members and employers to inform them of the consultation and to encourage participation, only a small percentage of stakeholders responded, and a range of views were expressed.

It was, therefore, reasonable for Committee to confirm the Fund's proposed approach to managing responsible investment and to managing climate related risks and opportunities.

The Fund monitors its Investment Strategy Statement, Responsible Investment Framework and Climate Strategy on an ongoing basis and will propose any updates as required, noting the development of investment-related strategies for the Pension Fund includes long term considerations.