



## Support the Fossil Fuel Divestment Bill on 19<sup>th</sup> January

On 19<sup>th</sup> January the *Fossil Fuel Divestment Bill*, a Private Members Bill introduced by Independent TD Thomas Pringle on 30<sup>th</sup> November, will reach second stage in the Dáil. The Bill proposes to amend the National Treasury Management (Amendment) Act 2014, instructing the Agency to divest the Ireland Strategic Investment Fund (currently under the remit of the Agency) of its assets in fossil fuel companies, and to prohibit future investments in the industry. At this critical juncture when the first National Mitigation Plan to transition Ireland to a low carbon future is being brought forward, **we urge the Government, all Parties and TDs to support the Fossil Fuel Divestment Bill on 19<sup>th</sup> January, signaling their clear support for just action on climate change toward a safe, fossil-free future.**

### **Current levels of climate change are already resulting in devastating impacts on the poorest women and men in the world**

Today, around 10 million people in Ethiopia, around twice the population of Ireland, are in need of food aid due to drought exacerbated by an El Nino that has been intensified by human-induced global warming. These are the women and men on the front lines of a climate crisis to which they have not contributed. In recent years, some 185 million people have been displaced by disaster and climate change; this equates to around one person displaced every second<sup>1</sup>. If the impacts of climate change are allowed to worsen, population displacement is likely to increase significantly. Climate change impacts are also already being felt in Ireland, costing millions in flood damage, resulting in significant distress for many households and small businesses<sup>2</sup>. The Intergovernmental Panel on Climate Change estimates that impacts will become increasingly manifest over the next 10-15 years and will intensify thereafter.<sup>3</sup>

The prospect that we may fail to deliver on the temperature limits adopted in the Paris Agreement and precipitate catastrophic climate change is something that cannot and must not be accepted.

*“We must take urgent action. If we don’t, we will mourn the loss of biodiversity and natural resources. We will regret the economic fallout. Most of all, we will grieve over the avoidable human tragedy; the growing numbers of climate refugees hit by hunger, poverty, illness and conflict will be a constant reminder of our failure to deliver”.*

Erik Solheim, head of United Nations Environment Programme, and  
Jacqueline McGlade, UNEP’s chief scientist, November 2016

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<sup>1</sup> ‘Norwegian Refugee Council Annual Report 2015: Rights Respected, People Protected’. (2015) Page 30.

<sup>2</sup><http://www.independent.ie/irish-news/storms/cold-snap-to-deepen-weather-misery-as-flood-costs-top-60m-34335997.html>; <http://www.farmersjournal.ie/the-hidden-costs-of-flooded-farms-231247>; <http://www.irishtimes.com/news/home-insurance-costs-to-rise-after-224m-winter-payout-1.570338>; <http://www.irishtimes.com/opinion/ireland-s-flood-problem-is-small-but-a-rethink-is-required-1.2497083> (Accessed 24/10/2016)

<sup>3</sup> ‘Too late, too sudden: Transition to a low-carbon economy and systemic risk’ (2016) Page 7.

## We must keep fossil fuels in the ground to protect the Paris Agreement and avoid climate catastrophe

The majority of existing fossil fuel reserves must remain unburned if the goals set out in the Paris Climate Agreement are to be viable. In 2009 financial analysts demonstrated that **up to 80%** of known reserves held by fossil fuel companies cannot be burned if we are to remain well below an average global temperature rise of 2°C (see Fig. 1). This is the temperature rise limit committed to by all Governments in the Paris Climate Agreement.<sup>4</sup>

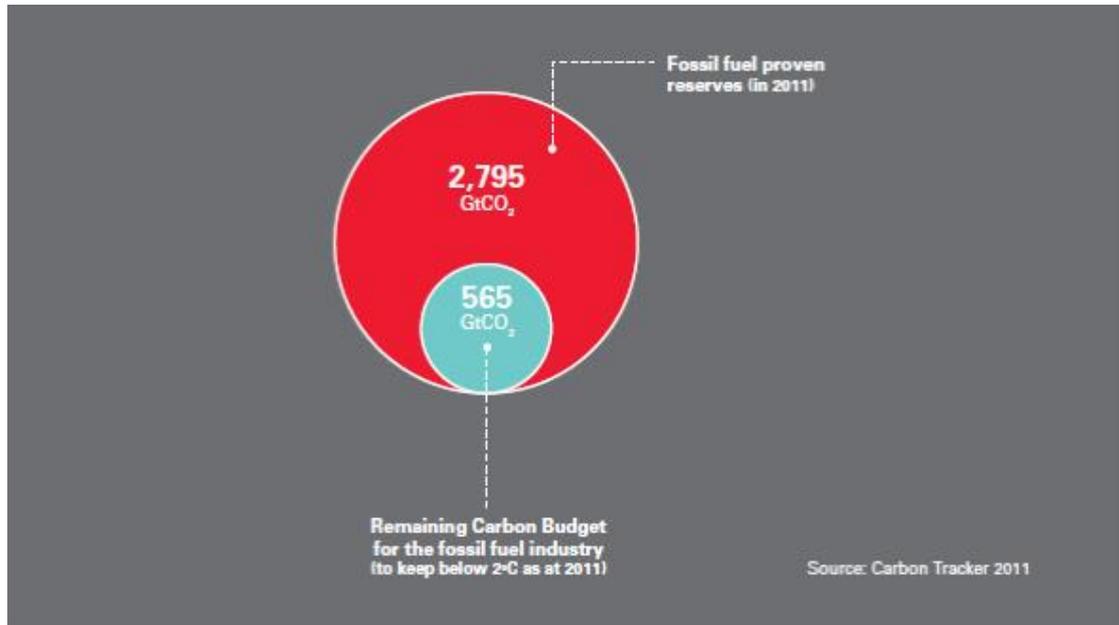


Figure 1: A comparison of currently listed fossil fuel reserves with the remaining carbon that can be emitted if the temperature limit of 2°C in the Paris Agreement is to be respected.

Furthermore, recent evidence indicates that fully exploiting currently operating fields would breach the 2°C limit, and that current oil and gas fields alone, i.e. excluding coal, are enough to breach the 1.5°C limit.<sup>5</sup> The business plans of fossil fuel companies are very clear however, that they intend to use all their reserves and that they will continue to explore for more.<sup>6</sup> If fossil fuel companies are allowed to pursue their plans, the Paris Agreement will become meaningless.

### The Global Fossil Fuel Divestment Movement

Fossil fuel companies are banking on Governments failing to live up to the commitments they made in the Paris Agreement. The global fossil fuel divestment movement has emerged because of the urgent need to send a clear message that this is unacceptable, and that the future must be fossil free.

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<sup>4</sup>'Unburnable Carbon – Are the world's financial markets carrying a carbon bubble?' Carbon Tracker Initiative (2009, 2014). P.2.

<sup>5</sup>'The Sky's Limit: Why the Paris Climate Goals Require a Managed Decline of Fossil Fuel Production'. Oil Change International. (2016). P.5.

<sup>6</sup>Shell: '..Our scenarios... do not limit emissions consistent with the back calculated 4450ppm 2°C scenario. We also do not see governments taking the steps now that are consistent with the 2°C scenario'. [Letter on climate change and stranded assets](#). Shell (2014) P.6. ExxonMobil: 'While the risk of regulation where GHG emissions are capped to the extent contemplated in the 'low carbon scenario' during the Outlook period is always possible, it is difficult to envision governments choosing this path.' [Energy and Carbon - Managing the Risks](#)'. ExxonMobil (2014) P.11.

*“We can no longer invest in companies that are part of the problem of the climate shocks that we’re suffering from. And so, I speak openly and encourage students and colleges to be part of that. It’s, to me, a little bit like the energy that was behind the anti-apartheid movement when I was a student. We were all involved because we saw the injustice of it. There’s an injustice in continuing to invest in fossil fuel companies that are part of the problem.”*

Mary Robinson 2013<sup>7</sup>

**The Global Fossil Fuel Divestment Movement** originated on university campuses in the US in 2011 and has seen explosive growth to become the fastest growing divestment movement in history. By December 2016 at least 689 institutions, with an asset base of \$5.44 trillion, had committed to divest fossil fuel investments. At least 58,000 individuals have committed, to a value of \$5.2 billion.<sup>8</sup>

**Notable divestment commitments include<sup>9</sup>:**

- ❖ The British Medical Association (BMA).
- ❖ The Rockefeller Brothers Fund (a family fortune built on oil that is now committed to forging a fossil-free future).
- ❖ 70 cities across the US, Europe and Oceania, including Berlin, Bristol, Copenhagen, Oslo, Oxford, Paris, Sydney and San Francisco.
- ❖ More than 70 pension funds.
- ❖ 100 educational institutions, including the universities of Copenhagen, Dayton, Glasgow.

**In Ireland**

- ❖ Trinity College Dublin announced in December 2016 that it is joining the Movement and divesting its endowment fund of all investments in fossil fuel companies. The President of NUI Galway has expressed support students’ call for the university to follow suit in early 2017. NUI Maynooth has already committed to a fossil-free investment policy.<sup>10</sup>
- ❖ In the last few months more than 11,000 people in Ireland have signed a petition calling on the Government to stop investing in fossil fuels.
- ❖ In November, 25 different groups and networks from across the country sent a submission to the Minister for Finance, the Minister for Public Expenditure and Reform and the Minister for Communications, Climate Action and the Environment to make the moral and economic case for divestment of the ISIF<sup>11</sup>.
- ❖ At a constituent lobby event in Buswells Hotel on 15<sup>th</sup> November 2016, more than 50 TDs and Senators signed a letter to the Minister for Finance, supporting their constituents’ call to divest the ISIF from fossil fuels.

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<sup>7</sup> ‘Former Irish President, Climate Justice Advocate Mary Robinson Urges Divestment of Fossil Fuel Firms’. Interview with Democracy Now Oct 2013. [https://www.democracynow.org/2013/10/29/former\\_irish\\_president\\_climate\\_justice\\_advocate](https://www.democracynow.org/2013/10/29/former_irish_president_climate_justice_advocate)

<sup>8</sup><http://gofossilfree.org/commitments/>

<sup>9</sup> Ibid.

<sup>10</sup><http://www.irishtimes.com/business/personal-finance/tcd-to-offload-6m-in-fossil-fuel-company-shares-1.2902826>  
(Accessed 19/12/16).

<sup>11</sup><https://www.trocaire.org/sites/trocaire/files/resources/policy/civil-society-submission-why-isif-must-divest.pdf>

## **Why divest and what is the impact?**

The ISIF should be divested from fossil fuels because it is **morally problematic to invest taxpayer money in activities that are explicitly working against the public interest.**<sup>12</sup>

Fossil fuel companies are using investor money to fund their ongoing activities and their expansionist plans. Replacing fossil fuels with renewable energy cannot be achieved overnight, but it can and must be achieved much more quickly than the current rate of decarbonisation (i.e. the rate of transition to a fossil-free future).<sup>13</sup> The fossil fuel industry is seeking to delay and dilute the transition for as long as possible. In response, the global fossil fuel divestment movement aims to generate increased public and political urgency for a just, timely and orderly transition to protect our common future.

Divestment, even by a large number of investors, does not directly disrupt the activities of a targeted industry. Critically, however, every divestment movement to date has been instrumental in forging the conditions for the emergence of more ambitious policies and investment principles to constrain the industry or activity in question.<sup>14</sup> Divestment brings **investment policy into line with societal goals**, and, importantly, **it sends a clear political and investor signal about the direction of travel.**

The ISIF's investment strategy already places a strong emphasis on sustainability and a low carbon transition. This is very welcome. An independent study of the NTMA Annual report 2015 indicates however that in that year the ISIF had **more than €100mn** invested in the fossil fuel industry.<sup>15</sup> These are legacy investments inherited from the Fund's predecessor, the National Pension Reserve Fund. While this represents a small percentage of the ISIF's overall assets, the carbon potential of the companies invested in is of critical importance. Out of the eight oil, gas and coal companies with greatest responsibility for cumulative global carbon emissions, at least four were in the ISIF's 2015 portfolio.<sup>16</sup> **To continue to invest in these or other fossil fuel companies is to knowingly invest in their future emissions and the impacts they will generate.**

The ISIF's Sustainability and Responsible Investment Policy rightly places significant importance on climate change by acknowledging the important role of investors in tackling climate change, and the mandate of the Fund to align with the Government's decarbonisation commitments.<sup>17</sup> The Policy also asserts the widely accepted investor belief that responsible companies that effectively integrate environmental, social and good governance factors are more likely to endure and provide strong, long-term value. On this basis, it should be of concern that while more than 170 companies have now committed to set targets to reduce their emissions in line with the Paris Climate Agreement, no

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<sup>12</sup> **Divestment of the ISIF**, then the National Pension Reserve Fund, **on ethical grounds has a precedent**, the Cluster Munitions Act of 2008 prohibits the investment of all public monies in the cluster munitions industry.

<sup>13</sup> The carbon intensity of the global economy reduced by 1.3% annually since 2000. If current climate action pledges are to be met this will need to rise to a 3% annual reduction rate. If the Paris Agreement is to be upheld it will have to increase to a rate of 6.3% reduction. *'Conscious Uncoupling? Low Carbon Economy Index 2015'*. PWC.

<sup>14</sup> *'Stranded Assets and the Fossil fuel divestment campaign; what does divestment mean for fossil fuel asset valuation?'* Stranded Assets Programme, University of Oxford (2013), Page 14.

<sup>15</sup> <https://www.trocaire.org/sites/trocaire/files/resources/policy/isif-fossil-fuels-report.pdf>

<sup>16</sup> Exxon Mobil, Chevron, Conoco Phillips and Consol Energy. NTMA Annual Report and Accounts 2015. Portfolio of Investments ISIF; *'The Climate Accountability Scorecard: Ranking Major Fossil Fuel Companies on Climate Deception, Disclosure, and Action'*. Union of Concerned Scientists (2016) P.1.

<sup>17</sup> *'Sustainability and Responsible Investment Policy'*. Ireland Strategic Investment Fund (2016) Ps.3-4.

fossil fuel energy company has agreed to do so.<sup>18</sup> This is despite more than two decades of investor engagement on climate change with the industry, and a now six year old global political consensus on remaining below a 2°C rise.<sup>19</sup> Many active investors now acknowledge that fossil fuel companies are unlikely to ever voluntarily accept an end to their core business – and time is running out.<sup>20</sup>

The Sustainability and Responsible Investment Policy of the ISIF also acknowledges the risk of reputational damage should the Fund be invested in companies associated with controversial business practices, and commits to monitoring of ISIF investments to avoid this. **The global fossil fuel divestment movement is shining a public spotlight on the blatant disregard by the fossil fuel industry for the hard-won global consensus on remaining well below a 2°C rise**, and the significant longstanding efforts of the fossil fuel industry to undermine climate action.<sup>21</sup>

Divesting the ISIF from fossil fuels is thus both a **logical operationalisation of the Fund’s Sustainability and Responsible Investment Policy**, and it is the **only moral option**.

## Conclusion

Ireland has among the highest levels of consumption emissions and resource use per capita in the world.<sup>22</sup> This means that despite its small size, Ireland has a significant responsibility to act on climate change. The Global Green Economy Index published in September 2016 saw Ireland slide significantly in global rankings due to perceived lack of political leadership on climate change and poor performance on environmental commitments.<sup>23</sup> This is entirely out of step with Ireland’s strong and proud tradition of championing multilateralism and global poverty eradication. Having recently ratified the Paris Agreement, **divesting the ISIF from fossil fuels would send a much needed signal from the Oireachtas of Ireland’s intentions to live up to its moral and political responsibility, and to play its part in delivering on this landmark global accord – our lifeline to a safe future.**

**On the 19<sup>th</sup> January, we urge the Government, all Parties and TDs to support the Fossil Fuel Divestment Bill, and state their support for a safe, just, fossil free future.**

## Appendix

### What would it cost to divest?

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<sup>18</sup> *The Climate Accountability Scorecard: Ranking Major Fossil Fuel Companies on Climate Deception, Disclosure, and Action*. Union of Concerned Scientists (2016) P.18.

<sup>19</sup> [https://unfccc.int/meetings/cancun\\_nov\\_2010/meeting/6266.php](https://unfccc.int/meetings/cancun_nov_2010/meeting/6266.php)

<sup>20</sup> ‘When you ask Philip Morris to stop making cigarettes, you are really barking up a different tree and they are not going to do that.’ Bevis Longstreth, a securities and exchange commissioner during the Reagan administration, who has signed on to the fossil fuel divestment campaign by Harvard University alumni.

<sup>21</sup> 90 companies have produced and marketed the fossil fuels and cement responsible for almost two-thirds of the world’s industrial carbon emissions over the past two and a half centuries. Fifty are investor-owned coal, oil, and natural gas companies. *The Climate Accountability Scorecard: Ranking Major Fossil Fuel Companies on Climate Deception, Disclosure, and Action*. Union of Concerned Scientists (2016) Page 1. The fossil fuel industry spends around \$213m on lobbying in the US (equates to half a million every week), and €44 a year in the EU. In contrast, the entire renewable energy sector spends the equivalent of two of the highest spending oil companies each year. *Food, fossil fuels and filthy finance*, Oxfam (2014) P21.

<sup>22</sup> *Our Sustainable Future; a framework for sustainable development for Ireland* (2012) P. 31; and the [EPA website](#).

<sup>23</sup> Ireland’s performance results on the Global Green Economy Index have declined considerably since 2014, falling 19 points in the last year. The two dimensions responsible for Ireland’s performance decline are Leadership & Climate Change and the Environment. The GGEI registered weak commitments to green economic growth from Irish leadership, and a lack of a strong presence promoting action at COP21 in Paris. Global Green Economy Index, 2016. P.41.

As a Private Member's Bill, the Fossil Fuel Divestment Bill has been reviewed and has been allowed to proceed indicating that divesting the ISIF from fossil fuels **will not imply costs to the Exchequer**. Furthermore, the financial arguments for divestment from fossil fuels align with the compelling moral case. Fossil fuel assets cannot be fully exploited if we are to remain well below the 2°C limit as required under the Paris Agreement. Hence, financial analysts have highlighted the risks of fossil fuel assets becoming 'stranded' (worthless), a warning reiterated publicly by the Governor of the Bank of England, Mark Carney.<sup>24</sup> An increasing number of legal scholars and regulators are now warning that fiduciaries who fail to consider climate change risks in their investment analyses and decisions could be liable for breaching their fiduciary duty in the future, exposing them to litigation risk.<sup>25</sup>

### **What the Fossil Fuel Divestment Bill would *not* do?**

Enacting the Fossil Fuel Divestment Bill would not dictate how the Government and Oireachtas will pursue the implementation of the Energy White Paper and the forthcoming National Mitigation Plan. Importantly however, it would signal political support for more urgency in forging a fossil-free society and economy for Ireland, and firm commitment to international efforts aimed at ensuring averting dangerous climate change and ensuring climate justice.

### **Energy Poverty**

A just transition away from fossil fuels is critical. Social Justice Ireland, St. Vincent De Paul and Trócaire took a joint platform ahead of the last general election calling for a move from current fossil fuel-based measures that tackle energy poverty (such as the fuel allowance), to a more sustainable and climate-friendly approach.

### **Jobs in the Fossil Fuel industry in Ireland**

The fact that jobs in the fossil fuel industry will have to be phased out and replaced with jobs in new sectors is an unavoidable reality, one which has been acknowledged publicly by the Minister for Communications, Climate Action and Environment<sup>26</sup>. Divesting the ISIF will not directly impact on current jobs in the fossil fuel industry. It should be used however to contribute to fostering a clear fossil-free vision for Irish society and the economy, and to ramp up concrete planning to support a just transition for workers and communities. It is worth noting that research conducted in 2014 for the Irish Corporate Leaders on Climate Change indicated that ambitious climate action has the capacity to create 90,000 jobs in Ireland<sup>27</sup>.

### **Implications for semi state-owned companies**

The *Fossil Fuel Divestment Bill* prohibits future investments in fossil fuel companies. This means that semi State-owned companies such as ESB and Bord na Móna would not be eligible to receive investment from the ISIF in the future. If considered necessary, the Bill could be amended to allow for investment in such companies **if i)** investment was specifically to enable the company to transition to 100% renewable energy<sup>28</sup> by 2050, **and ii)** where the investment case to do so has been scrutinised against alternative investment opportunities to ensure to most effective, efficient and just use of resources in advancing the transition away from fossil fuels.

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<sup>24</sup> <http://www.carbontracker.org/news/bank-of-england-warns-stranded-assets-pose-threat-to-financial-stability/>

<sup>25</sup> 'The Global Fossil Fuel Divestment and Clean Energy Investment Movement'. Arabella Advisors (2016). Page 8.

<sup>26</sup> 'NationalStatement\_by\_Denis\_Naughten\_T\_D\_Minister\_for\_Communications\_Climate\_Action\_Environment\_at\_the\_Conference\_of\_the\_Parties\_COP22\_to\_the\_UN\_Framework\_Convention\_on\_Climate\_Change\_in\_Marrakesh\_Morocco'. November 2016.

<sup>27</sup> 'Unlocking Opportunity: the Business Case for Climate Action in Ireland'. Joseph Curtin (2014).

<sup>28</sup> As stated in the *Fossil Fuel Divestment Bill*, bioenergy can only be considered renewable if it meets strict sustainability criteria.

### **Why Carbon Capture and Storage is a non-starter**

Scarce investment resources should be used to forge a safe, just and sustainable economy, not to delay the inevitable end to the fossil fuel era. Carbon Capture and Storage (CCS) and Negative Emissions Technologies (NETs) have not been successfully deployed at scale despite major efforts. There are also significant doubts as to whether CCS will ever be affordable or environmentally safe. Furthermore, even if CCS were developed at scale it is estimated that the carbon budget would only be extended by 12% to 14% by 2050<sup>29</sup>.

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<sup>29</sup>*The Sky's Limit: Why the Paris Climate Goals Require a Managed Decline of Fossil Fuel Production*. Oil Change International. (2016). Page 41.