



**MANCHESTER
CITY COUNCIL**

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Date: 8th October 2019

Our Ref: MCC climate emergency resolution & GMPF

Dear Brenda,

Manchester City Council climate emergency resolution and GMPF

As you will be aware, in July Manchester City Council passed a unanimous resolution declaring a 'climate emergency'. This included a pledge to seek to become a 'zero carbon' city by 2038, with further research to consider if this pledge could be moved forward to 2030.

Other Councils in Greater Manchester have passed similar resolutions to Manchester, and the Greater Manchester Combined Authority is now also working to a 2038 target, which was determined in conjunction with the Tyndall Centre for Climate Research.

A part of Manchester's resolution was the pledge: "Through our role on GMPF, encourage divestment in fossil fuels as early as possible".

I am writing to you to discuss further the ways the GMPF can encourage divestment in fossil fuels as early as possible. Many Councils around the country are asking such a question of their pension funds and there is a clear level of understandable public pressure to move quickly, given the urgency of the information known about the impacts of climate change from the report of the Intergovernmental Panel on Climate Change (IPCC).

On the 18th July you kindly responded to a query from Manchester's Executive Member for the Environment, and my colleague, Cllr Angeliki Stogia, on GMPF's plans around the Fund becoming Carbon Neutral by 2050. For ease of response this is attached as Appendix 1 of this letter.

A core part of your response relates to the point: "The fact of the matter is over the last 3 years we achieved at least £400 million more in returns than if we had not been invested in equities not in any industries such as BP or Centrica formerly known as British Gas, which are regarded as being

fossil fuel investments. Accordingly, we have clear evidence that disinvestment at this stage would cause material financial detriment to the fund.”

Manchester’s resolution is about recognising the fact that the urgency of the need to reduce carbon is so pressing that Councils and all public bodies have to look at ways to go much faster than previously considered. With our joint partnership on low carbon matters in the GMCA, who also have given support to the 2038 zero carbon target, it has been clear there is a strong political steer to look to find all ways to make much more dramatic and fundamental change than ever before. Your 2019 Annual Report repeated your 2050 pledge, but is there any scope now, and an action plan being considered, for GMPF to reconsider this in line with the 2038 pledge that has been made by the GMCA and Manchester City Council?

We would also benefit from some clarity as to what is the ‘clear evidence that disinvestment at this stage would cause material financial detriment to the fund’. As you will know, many institutions are being put under pressure to disinvest from funds or sponsorship from fossil fuel companies. It is becoming increasingly clear that companies that are completely focused on delivering renewable energy are becoming increasingly, year on year, more financially successful. The Governor of the Bank of England has also made it clear that the energy economy is rapidly changing and fossil fuel companies could be quickly vulnerable to such change. In the same manner, it is imperative that the GMPF takes account of these dynamic changes and refocuses investment accordingly.

We agree with the GMPF of the great need to encourage ‘Just Transition’ planning to move the economy / jobs and the energy system away from fossil fuels towards renewable. Disinvestment needs to work at a parallel level, and arguably can be a real tool to assist the ‘Just Transition’ by encouraging such schemes in a practical manner in the next few years.

Manchester is the host authority of the UK and Ireland Nuclear Free Local Authorities (NFLA) who have been taking a real interest in the issue of divestment from fossil fuels as well as civil and defence nuclear companies. As part of this research, the NFLA Welsh Forum has received an illuminating presentation from the Deputy Leader of Swansea City and County Council, Councillor Clive Lloyd, who is also the Chair of the Swansea Pension Fund.

In his presentation to the NFLA, Councillor Lloyd noted that the Swansea Pension Fund has adopted an Environmental, Social & Governance policy which commits the pension fund to reduce its already low exposure to carbon based fossil fuel investments by up to 50% over the next 4 years. This is also unlocking funds for considerable new investment in renewable energy schemes across the area. Councillor Lloyd noted Cardiff City and County Council were looking at similar policies to do likewise.

Swansea’s moves in this area was very much influenced by the example of the London Borough of Waltham Forest, who in 2016 were the first UK Council to announce they would divest its pension funds from fossil fuels over a five year period. Since it was introduced the council’s pension fund holdings in oil, gas and coal stocks have reduced from £53.4m in 2017 to £30m by the end of 2018, a reduction of 44 per cent. In percentage terms oil, gas, and coal stocks now account for 3.4 per cent of the pension fund’s total value, down from 6.6 per cent.

(Source: <https://walthamforest.gov.uk/content/council%E2%80%99s-decision-divest-fossil-fuels-helps-tackle-climate-emergency-and-create-better>)

The work of the likes of Swansea and Waltham Forest Council chimes with Manchester’s climate emergency resolution. I would like to propose that the Pension Fund establishes a task and finish group that could look at such examples as a way to move the GMPF further forward in more quickly divesting from fossil fuels and help unlock further investment instead in renewables.

I have also been made aware that the GMPF are potentially combining with three other local government pension schemes to take over Centrica’s minority stake in EDF Energy’s existing nuclear energy business. Significant investment is required to take up this role. With many of these existing nuclear reactors coming to the end of their operating life, is this the type of ‘low carbon’ investment the GMPF should be making? The climate emergency resolution being put forward by Manchester is focused on delivering a wide range of renewable energy, heating and transport

solutions and Manchester City Council sees a greater ethical and financial benefit for the Fund to prioritise investment in these areas. (Source: <https://www.thetimes.co.uk/article/pension-funds-1-2bn-nuclear-power-swoop-zchw3nsgt>)

Yours sincerely,

Councillor Paul Andrews
Manchester's representative on the GMPF Local Planning Board

Response to Cllr Stogia's letter on the GMPF and fossil fuel divestment

Dear Cllr Stogia,

Your request to Steven in your capacity as Executive Member for Environment, Planning and Transport in Manchester has been passed to me as Chair of the S101 Local Government Act 1972 Committee for the Pension Fund.

As you rightly point out the representative on the Fund for Manchester is Cllr Paul Andrews.

All attendees at the Fund have been properly appraised as to the actions of the Fund in this regard and how we are managing our journey to become Carbon Neutral in 2050 although clearly we are aiming for earlier within the restrictions of our fiduciary duties.

I note that you have been contacted by Fossil Free GM, and I can assure you we are being open and transparent in our dealings and our position on being carbon neutral.

By way of an update, I met with representatives From Fossil Free GM last Thursday, a long standing commitment to do so and shared with them our position with representatives from Fossil Free GM together with PIRC our ESG advisor <http://www.pirc.co.uk/> and advisor to LAPFF <http://www.lapfforum.org/> .

This was a productive meeting as acknowledged by your colleagues in response to a twitter on GMPF twitter feed: https://twitter.com/GMPF_LGPS/status/1149696675247730688

"GMPF pleased to meet @FossilFreeGM y'day. Whilst we might disagree on best way to get there, we share same goal of a zero-carbon economy as quickly as possible. We're also committed to a Just Transition ensuring interests of workers & communities are properly taken into account."

The fact of the matter is over the last 3 years we achieved at least £400 million more in returns than if we had not been invested in equities not in any industries such as BP or Centrica formerly known as British Gas, which are regarded as being fossil fuel investments. Accordingly, we have clear evidence that disinvestment at this stage would cause material financial detriment to the fund.

So you will understand we need to find a 'Just Transition', which ensures we do not transfer the burden of this cost to the employers and taxpayers of Greater Manchester alike which would result in significant Council tax hikes, and importantly which avoids job loses for residents across the conurbation who are employed in these industries.

We will be discussing this issue as we always do at our Pension Management Meeting this Friday.

I attach herewith the relevant agenda items for your information, which have already been shared with your representative in preparation for our meeting.

In the circumstances, I am sure you will understand I do not intend to go outside the legal governance arrangements that have been set in place, which means that Cllr Andrews has been appointed as Manchester City Council's representative.

Clearly if you have any concerns or questions these should be addressed through him out of courtesy for all the other representatives on the fund and their Authorities interests rather than outside those processes.

I'm sure you understand the difficulty of my position if we were to undermine those governance arrangements.

I trust this assists and you find the information useful.

Best wishes,

Councillor Brenda Warrington

Executive Leader and Chair of the Greater Manchester Pension Fund