

Divestment from fossil fuels

A guide for Quaker meetings



Introduction

This guide has been produced to encourage meetings to divest from fossil fuels. Divestment is an effective and important way to take action for climate justice. It is also a way of advancing Britain Yearly Meeting's commitment to become a low-carbon, sustainable community.

The advice is intended for Friends in meetings who are concerned about climate justice and fossil fuel divestment. It is also aimed at area meeting trustees and treasurers tasked with making and implementing investment decisions.

In 2013 Quakers in Britain agreed that their centrally-held funds should not be invested in fossil fuel extraction companies, and that existing investments in these should be sold. The decision also expressed a desire to invest in positive alternatives. Since then many area meetings have been following suit. This guide will support additional meetings to do the same.

This guide should not be considered investment or financial advice.



Investment and divestment

When you, or your local or area meeting, invest money, you buy stocks, bonds or other investments, with the aim of getting a profitable return. You might also invest cash savings in a bank or building society.

Divestment, or 'disinvestment' as it is sometimes termed, is the opposite of investment. It simply means getting rid of investments in a particular company or industry you consider to be unethical or contrary to your values. The investment might be a particular stock, bond or fund that includes one or more unethical stocks.

Why divest from fossil fuels (and invest in climate solutions)?

Ethical reasons

"The guiding principle which Friends should keep in mind in making an income, whether by work or by investment, should be the good of others and of the community at large, and not simply of themselves or their own family. Friends should, even at the risk of loss, strive to be strictly honest and truthful in their dealings; should refuse to manufacture or deal in commodities that are hurtful, and should be vigilant against obtaining an undue profit at the cost of the community. If Friends are investing, thought should be given, not only to security and the rate of interest, but to the conditions under which the income is produced and the effect which the investment may have on the welfare of all, through social or environmental impact, at home or elsewhere."

Quaker faith & practice 20.56

Divestment from fossil fuel extraction – particularly if the act is publicised as an ethical decision – indicates a refusal to profit from the fossil fuel industry, helping to question its social and financial acceptability. This in turn can create space for restrictive legislation on extraction and production. It also opens up opportunities for clean alternatives.

We still live in a largely fossil fuel-based economy. The extraction of fossil fuels is often destructive and unjust to local communities and the environment. The burning of fossil fuels is a key driver of climate change. We have already seen warming of over 1°C, and are on track to experience 4.8°C warming by 2100 compared to pre-industrial levels.¹ This would have catastrophic consequences.²

As part of the Paris Agreement in 2015, 196 nations, including the UK, pledged to hold global warming to "well below 2 degrees" and to "pursue efforts to limit the temperature increase to 1.5 degrees".³ This means there needs to be a reduced global carbon budget (i.e. the amount of carbon that can be emitted). The UK has its own carbon budget. In December 2016 the UK government said that

"70–75 per cent of *known* [our emphasis] fossil fuels would have to be left unused in order to have a 50 per cent chance of limiting global temperature rise to below 2°C".⁴ Yet companies are still exploring for additional oil, coal and gas reserves.

By refusing to profit from the industry, and publicly naming the damage it causes, the fossil fuel divestment campaign confronts one of the root causes of climate injustice. It names and then undermines one of the main beneficiaries of the fossil-fuelled economy. It challenges this business model and exposes the contradiction of reducing the global carbon budget while increasing fossil fuel reserves.

Instead, we can invest our money in climate solutions such as renewable energy, and in other activity needed as part of a just transition. According to some estimates, to meet the Paris climate goals, investment in new renewable power generation must increase by 75 per cent above current expected trajectory. Money divested from the fossil fuel industry can be reinvested to meet this gap.⁵

Financial reasons

The value of fossil fuels is based on them being able to be extracted and burned in the future. But if legislation or demand were to change there would be a sudden drop in the financial worth of these assets. Impax Asset Management said in 2016 that "there are strong indications that today's prices of energy stocks do not account for the risk" of intervention to reduce fossil fuel pollution.⁶

Trustees of charities (including area meetings) have a fiduciary duty to yield the best return for their beneficiaries without undue exposure to risk, and as consistent with the charities' values. Recent guidance has clarified that this includes taking into account future risk to the value of assets, including as a result of social objections. Legal opinion, such as that commissioned by Bates Wells Brathwaite, has concluded that "investment in carbon-intensive assets could be said to be irreconcilable with the intent behind charities' general or specific environmental purposes" among other things.⁷ So fossil fuel divestment may be both financially and legally prudent, as well as morally desirable.

How to divest from fossil fuels

The divestment movement asks institutions holding investments to resolve to:

- immediately freeze any new investment in the top 200 publicly-traded fossil fuel companies (see <https://gofossilfree.org/top-200>; you need to register to download the list)
- divest from investments that include fossil fuel stocks and shares and corporate bonds within five years.

You could also consider how money invested in fossil fuels could be reinvested into clean energy, local infrastructure or other public goods.

Step-by-step guide

1. Find out what money you hold as an area meeting – do you have investments?

- Where and how are they held? Do you have an investment manager, or do you look after your investments yourself?
- Find out whether these investments include fossil fuel companies. It is likely that unless you have deliberately chosen a fossil-free fund or account you will have investments in these companies. You can do this by getting in touch with the fund manager, or whoever runs the fund, and asking them if they are invested in the top 200 publicly-traded fossil fuels (see above). Ask them what their policy is with regard to fossil fuel companies.
- This will involve working with the appropriate office-holders such as the treasurer and/or area meeting trustees.

2. Raise awareness and support conversation about climate justice, fossil fuels and divestment. See below for some ideas.

- If you are an advocate of the idea within your area meeting, but others aren't so keen or just don't know much, then you may want to offer to share something – a talk or a short briefing – at a business meeting. You could suggest setting up a small group to explore the idea and make recommendations to the area meeting trustees.

3. Make a decision

- If you find that you have no investments in fossil fuels (or even if you have no investments at all), you can make a commitment not to invest in fossil fuels in the future. If you have an ethical investment policy, add a section on fossil fuels.
- If you find that some of your investments are in fossil fuels, enable the appropriate body of the area meeting (probably the trustees and/or area

meeting business meeting) to consider the ethical and financial arguments above. You may find that there are varying opinions. See the case studies of meetings that have already divested for some ideas of what shape these discussions might take.

4. Divest and reinvest

- If you decide to commit to divest, celebrate your commitment! Fossil fuel divestment is most effective if you make it public, so that your area meeting decision can be part of the growing global movement, changing the way in which fossil fuel extraction is viewed. Tell Quaker Peace & Social Witness (QPSW) – we would like to know so we can share the news and offer support. Share the news locally, perhaps with your local media.
- Plan how to move your investments, either yourself or with your investment manager. If you have an investment manager you may just be able to instruct them to shift your investment to 'fossil-free' options. If you look after your investments you will need to do some research and decision-making yourself.
- You may want to go further than just making sure that your investments are fossil-free. How could you positively invest in climate solutions instead? Could you put some money into a local sustainability project? A good place to start would be *Ethical Consumer* and its research and guidance on carbon divestment.⁸
- Even if you don't have investments, you could still make sure that the bank or building society where you have your current account does not invest in fossil fuels. Again, *Ethical Consumer* has helpful guidance.⁹

Beyond your area meeting – more action for climate justice

Fossil fuel divestment is a global movement, and there are fossil-free churches, universities, councils, towns, and pensions. There may well be active fossil fuel divestment campaigns happening locally that you/your meeting could also get involved in. See Fossil Free UK (<https://gofossilfree.org/uk>), home of the fossil fuel divestment movement, which also campaigns for no new fossil fuel projects in the UK.

There are many other ways to challenge the power of the fossil fuel industry locally and nationally. You can take action against fracking, campaign for tighter UK regulation on carbon emissions, and take part in local energy projects. Go to www.quaker.org.uk/climatejustice and get in touch with QPSW for ideas.

Britain Yearly Meeting's divestment decision

"We have considered whether the discernment of Quakers in Britain leads us towards a policy of not investing in fossil fuel extraction. We feel strongly that we should disinvest and hope Trustees will take this into account in their decision-making.

We want to invest in renewable energy and energy-saving schemes. Action we take as individuals, as meetings and as BYM Trustees should aim to minimise damage and strengthen our advocacy position. We have expressed our difficulties, especially since we all depend in many ways on fossil fuels, but we need to make positive steps towards the change we want to see."

From S/13/10/15 Divestment: fossil fuels of Meeting for Sufferings

The decision to divest from fossil fuel extraction companies was made after discernment by Britain Yearly Meeting Trustees and Meeting for Sufferings. The investment committee sought advice from their investment managers and Quaker Peace & Social Witness (QPSW) before making the decision. Fossil fuel investments, representing about 3.85 per cent of the portfolio (around £21 million at the time), were divested.

Area meeting divestment commitments

Britain's 72 area meetings collectively manage millions of pounds of investments, and increasing numbers are discerning that they wish to divest their investments from the fossil fuel industry. The specific reasons for this, and the journeys involved, are different in each case. See www.quaker.org.uk/divestment for case studies.

Resources

Films and other resources to aid understanding and spread the campaign:

- 350.org has some animations and films to help explore and explain the climate movement and fossil fuel divestment. Good for self-education and screenings with your meeting/community: <https://350.org/videos>. 350.org also has some excellent short online training resources: <https://trainings.350.org/online-skill-ups>.
- Combating common arguments against divestment: www.theguardian.com/environment/2015/mar/09/10-myths-about-fossil-fuel-divestment-put-to-the-sword.

More information about divestment:

- *Ethical Consumer*, guide to divestment and fossil-free investments: www.ethicalconsumer.org/ethicalcampaigns/carbondivestment.aspx.

Other campaigns:

- Bright Now, the campaign for fossil-free churches, has many helpful resources: www.brightnow.org.uk.
- Fossil Free UK supports divestment campaigns that target universities, local councils, churches and faith groups, health organisations, charities, pension funds, banks, and more: <https://gofossilfree.org/uk>.

QPSW campaign resources and support:

- Sign up to the *Quaker faith in action* newsletter for all the latest events, actions and resources from QPSW.
- Go to www.quaker.org.uk/climatejustice for resources and opportunities for action.
- Your Faith, Your Finance, a website from the Ecumenical Council for Corporate Responsibility and QPSW, explores ethical and spiritual issues around the use of money: www.yourfaithyourfinance.org.
- QPSW's *Toolkit for Action* contains practical 'how to' guidance on taking action for change.
- Contact QPSW staff for support: sustainability@quaker.org.uk.

Notes

1. www.ipcc.ch/pdf/assessment-report/ar5/wg3/ipcc_wg3_ar5_summary-for-policymakers.pdf
2. www.quno.org/sites/default/files/resources/QUNO_A%20Negotiators%20Toolkit_May%202018_SPREADS.pdf
3. www.unfccc.int/resource/docs/2015/cop21/eng/l09r01.pdf
4. www.parliament.uk/business/publications/written-questions-answers-statements/written-question/Commons/2016-12-09/56871
5. www.divestinvest.org/why-divestinvest/moral
6. www.environmental-finance.com/assets/files/research/13-05-16-smart-carbon-impax.pdf
7. See, for example, www.uksif.org/wp-content/uploads/2017/05/Understanding-and-Appling-Fiduciary-Duty-2017-Guide.pdf
8. www.ethicalconsumer.org/ethicalcampaigns/carbondivestment.aspx
9. Ibid.