The Climate Change Collaboration
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UKSIF
UK Sustainable Investment and Finance Association

EMBARGOED to 0001 Hours, Monday April 29th

86% of fund managers call on oil companies to end focus on fossil fuels and support Paris climate targets

PRESS RELEASE – London, 29 April, 2019 - Oil companies will not remain attractive investments unless they adopt business models that support the Paris climate targets, finds a report surveying fund managers responsible for $10 trillion of assets, published today by the UK Sustainable Investment and Finance Association (UKSIF) and the Climate Change Collaboration.

Oil pressure gauge: 2018 survey of fund managers' attitudes to climate risk and fossil fuel companies, finds that fund managers are putting increasing pressure on oil companies to shift from focussing on fossil fuels:

- 86% are calling on them to align their businesses with the Paris goals.
- Nearly half want them to adopt policies consistent with limiting global warming to 1.5°C while 43% are calling for a 2°C target.
- Two thirds (67%) want oil companies to switch their investment to support a low-carbon transition consistent with these targets, but a quarter (24%) want them to wind down their businesses and return cash to shareholders.

Just 18% of fund managers believe oil companies will be good investments if their business is still focused on fossil fuels in five years' time, but 68% believe they will still be attractive if they adopt business models aligned with the Paris targets. However, just under a quarter do not see oil companies as good investments in any timeframe.

The report also warns that many fund managers are putting investors at risk by failing to align their portfolios with the Paris targets – only 21% have a policy to do this across all their funds. They are also failing to develop products to meet the growing demand for fossil-free investments and to develop effective engagement strategies to change oil companies' behaviour.

Simon Howard, Chief Executive, UKSIF, said:

"The writing is on the wall for oil companies that do not support global efforts to avoid a climate catastrophe by urgently phasing out fossil fuels and transitioning to a low-carbon world. The investment community recognises that these will make increasingly risky investments.

"But most fund managers need to do much more to protect asset owners, and asset owners more to protect savers, by driving oil companies to change. Both should publicly commit to aligning investment portfolios with the Paris targets and managers should make more fossil free investment products available. They should also coordinate their engagement policies and give them real teeth by setting oil companies deadlines and spelling out the consequences if they fail to take action."

Bank of England Governor Mark Carney, in a joint article with his French counterpart François Villeroy de Galhau, wrote that meeting the Paris targets "requires a massive reallocation of capital. If some companies and industries fail to adjust, they will fail to exist."[1] The Bank of England has warned that climate change could wipe up to $4 trillion off the value of fossil fuel assets and up to $20 trillion across all sectors of the economy.[2]

[1] The financial sector must be at the heart of tackling climate change, Guardian, 17-4-19
[2] Sarah Breeden, Executive Director, International Banks Supervision, Bank of England Avoiding the storm: Climate change and the financial system, 15-4-19

UKSIF and Climate Change Collaboration surveyed 39 fund managers with $10.2 trillion of assets under management for their second annual report on fund managers' attitudes to investment in integrated oil companies (IOCs). UK companies made up around three quarters, with the rest from France, Germany, Italy and Spain. Not all fund managers answered every question and statistics given here relate to those who did respond.

The overwhelming majority of fund managers are engaging oil companies on climate change but lack of coherence in strategies is undermining efforts to shift the oil companies and mitigate financial risks.

- Only 12% do not have a policy to engage oil companies on climate change, down from 41% last year.
- However, only 18% have set deadlines for oil companies to take action, and these range from 2021 to 2030.
- Most (57%) have not decided what action to take if oil companies do not meet their demands.

Fund managers and asset owners are putting themselves at risk by not aligning investment portfolios with the Paris targets. The survey of fund managers found that:

- Only 21% have a policy to align all their funds with Paris, 33% apply the policy to certain funds and 46% have no policy.
- Only 39% have a public commitment to achieving the Paris targets and a further 13% have committed privately, although the report notes that some managers believe this is not necessary as their strategies are focussed on solutions.

The report says: "With the risks posed by climate change and to the IOCs in particular, asset managers need to ensure as many clients as possible are protected and should actively consider applying firm-wide climate policies consistently across all the portfolios they manage. It is not impossible that firms that apply climate risk policies inconsistently may risk litigation if clients lose out."

It adds that fund managers should publicly support the Paris targets "to help signal to the rest of the finance community and broader society that this is an essential aim. It also inspires confidence that this is achievable."

Fund managers are not keeping up with rapidly growing demand for fossil free investment strategies.

- This year 80% of fund managers said client interest had grown in the last 12 months, compared with 71% last year and 54% in 2017.
- However, managers reported only a slight growth in the proportion of low-carbon funds on offer.

UKSIF and the Climate Change Collaboration say that while fund managers should be responsible for helping their asset owner clients understand and act on climate risk, asset owners need to be active partners. They should support managers in calling on oil companies to change their business strategy and mandate them to sell holdings if companies do not change by set deadlines.

Legal and General Investment Management, the UK's biggest fund manager which manages $1 trillion of pension fund investments, recently warned that the world is facing a "climate catastrophe" unless it moves faster to cut carbon emissions. It said that it would name and shame companies taking insufficient action, exclude them from its Future World range of funds and vote against their chairs.[3]

Once the embargo lifts the report will be available for download here.

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[3] L&G takes climate protests into the boardroom, but too many of its peers are not doing enough, Independent, 17-4-19

NOTES TO EDITORS

UKSIF (UK Sustainable Investment and Finance Association) is a membership organisation for those in the finance industry committed to growing sustainable and responsible finance in the UK. Our vision is a fair, inclusive and sustainable financial system that works for the benefit of society and the environment. UKSIF was created in 1991 and has 240+ members and affiliates include financial advisers, institutional and retail fund managers, pension funds, banks, research providers, consultants and NGOs. For more information about UKSIF, please visit www.uksif.org.

The Climate Change Collaboration is an initiative of four of the Sainsbury Family Charitable Trusts; The Ashden Trust, Mark Leonard Trust, JJ Charitable Trust, and the Tedworth Charitable Trust. This group came together in 2011 to support pilot and research projects to find ways of reducing CO2 emissions quickly.