



Anglican Church of Australia

Public Affairs Commission

***The Public Affairs Commission of General Synod offers this paper as a resource for Dioceses as they consider divestment action to address climate change
- noting that there will be a Global Divestment Day on 14 February 2015***

ACTION ON CLIMATE CHANGE: THE ROLE OF DIVESTMENT FROM FOSSIL FUELS

In July 2014 the Anglican General Synod passed, without dissent, a motion on responding to climate change ([Attachment 1](#)). This briefly outlined some of the key findings of the recently released 5th Assessment Report of the Intergovernmental Panel on Climate Change, showing that there are compelling reasons for urgent action to reduce the greenhouse gas emissions that lead to global warming and climate change. For us as Christians there is a theological and moral imperative to act, reaffirming the call of the Lambeth Conference 1998 for us to recognize the rights of future generations and our responsibility to make personal and corporate sacrifices for the common good of all Creation.

- ***The Resolution of the General Synod has a section requesting each Diocese to review the criteria for its investments and explore removal of fossil fuel industries from Diocesan investment portfolios.***

The role for divestment

To create a tipping point for large-scale action on climate issues, a widespread, firm expression of resolve is required. Divestment and reinvestment are uniquely effective to signal such resolve. Religious communities have a long history in divestment and many are now addressing fossil fuels¹.

- Over the past century various religious groups have divested from industries including tobacco, alcohol, weapons manufacturing, gambling etc. One of the most quoted successes was divestment from companies operating in countries whose governments systematically abuse human rights – notably apartheid South Africa. Archbishop Desmond Tutu is one of those now calling for divestment from fossil fuels.
- Reasons why religious groups have divested have consistently been: to respond to intentional, grave, large-scale harm; to respond to intractable resistance; and to redefine society's moral code.
- Fossil fuel divestment meets all three of these criteria. The suffering and harm caused by climate change will be enormous. There is entrenched resistance from many parts of the private sector, and from some parts of government, to moving away from fossil fuels towards renewable energy. Short term benefits to some are outweighing the long term common good.

The urgently needed rapid shift away from a carbon-intensive future will not occur without intense, sustained public pressure. An important aspect of caring for both people and planet is to ensure that our investments are consistent with that responsibility.

¹ <http://greenfaith.org/programs/divest-and-reinvest/divest-reinvest-now-with-discussion-questions>

Sources of concern and action include the Australian Religious Response to Climate Change (ARRCC: www.arrcc.org.au). This is a multi-faith network, including some Anglicans, committed to taking action on climate change, as a moral issue of justice and intergenerational equity. ARRCC liaises with organisations such as *350.org* and *Fossil Free*, and all draw on widely gathered information. ARRCC provides updates on action points in relation to divestment from fossil fuels.

Global action to divest from fossil fuels has been accelerating over the past 18 months. Some Anglican churches have already resolved to divest, including all five of the Anglican Dioceses in New Zealand, and the Province of Aotearoa. Some Anglican Dioceses in Australia are investigating divestment:

- 1) The Diocese of Canberra and Goulburn is divesting from companies that fit the criteria in their resolution passed in September 2014 (Attachment 2), viz. *Substantial (principal) investment in fossil fuel extraction or large 'downstream' fossil fuel exposure in energy generation, fossil fuel pipelines or other dedicated fossil fuel transport.*
 - 2) The Diocese of Perth is acting according to its Resolution passed in early October 2014 (Attachment 3).
 - 3) The Diocese of Melbourne in mid-October 2014 resolved to take, within two years, all reasonable steps to divest its shares in corporations whose revenues from fossil fuel extraction or production exceed 20 per cent of their total revenue (Attachment 4).
 - 4) Anglican National Super reported in August 2014 that, with AMP, they have resolved to divest in all areas related to fossil fuels.
(<http://sydneyanglicans.net/blogs/good-stewards/a-perfect-pair>).
 - 5) Dioceses such as Newcastle and Bunbury have communities whose livelihoods would be profoundly changed if coal-mining ceased; need has been expressed for government to offer leadership and resources to enable such communities to make the profound changes required for a sustainable future.
- Other church bodies have been acting – as examples: the Uniting Church in NSW/ACT, Victoria and Tasmania, and the Uniting Church in Australia Assembly; the Central Committee of the World Council of Churches; the United Church of Christ in the USA; the Episcopal Diocese of Massachusetts USA; the Union Theological Seminary, New York City.
 - Some university superannuation funds are divesting, eg UniSuper in Australia is divesting from fossil fuels in its socially responsible funds. John Hewson, former Liberal leader, recently warned that there is so much money in superannuation, much of it invested in mining stocks and other climate change-exposed industries, that it has the potential to bring on another financial crisis. Mr Hewson is the chair of the Asset Owners Disclosure Project, which produces the Global Investment Index that evaluates how most of the world's biggest investors are managing the risk of climate change².
 - Some cities, universities and wealthy families have acted: eg Berkeley City Council (California, USA), Stanford University, the Rockefeller family; and the Australian National University recently received much publicity for deciding on some divestment from companies involved in fossil fuels.

² <http://www.news.com.au/finance/business/superannuation-and-climat...puts-almost-every-australian-at-risk/story-fnkgdg1h-1227021454513>

The term 'stranded assets' has entered the debate about investment in fossil fuels. The market can be expected to recognize that investments in fossil fuel companies are becoming risky. For those who continue to hold them they may well become 'stranded assets', whose value rapidly decreases as buyers no longer want them. Some substantial reports, eg from the Smith School of Enterprise and the Environment at Oxford University³, have been released on this matter in relation to Australia, carrying serious warning.

Diocesan Property Trustees and Investment Advisers can be expected to have some concern that 'divestment from companies engaged in fossil fuels' could, if implemented too widely, conflict with their responsibility to deliver a prudent financial return for their Diocese. Responding to this proper concern, the case for moving carefully but surely in this direction has been growing, as the consequences of investments in fossil fuels become clearer. A useful report was launched in March 2014 by the Australia Institute – 'Climate Proofing Your Finances – Moving Funds out of Fossil Fuels'⁴. It shows the results of screening out fossil fuel extraction and large 'downstream' fossil fuel exposure from the ASX 200 – a simulation of investment performance was carried out with and without these companies using historical data over a 10-year period. There were no assumptions about future trends – the data were historical and the companies were clearly identified. The report says that '*the results simply illustrate a well-established result from a substantial body of theoretical and empirical literature: screening doesn't need to impact returns, provided it is not too restrictive*' and '*The bottom line is you don't need to invest in fossil fuel companies to make competitive returns, but avoiding fossil fuels protects you from carbon bubble risks*'. Of course there can never be absolute guarantees of returns from company investments, but this report shows that it can be both ethical⁵ and responsible⁶ to divest from those substantially involved in fossil fuel extraction or with large 'downstream' fossil fuel exposure – and to engage with other companies involved directly or indirectly in fossil fuels, reviewing future action in the light of trends in their exposure.

In summary:

- Potentially stranded assets will not be sound investments.
- Past divestment campaigns have been effective.
- This is a moral and theological issue for the Anglican Church in Australia; action is needed to underpin expressions of concern about climate change.
- Through moving investments away from companies that are substantially involved in fossil fuels, the Church can more effectively send a message to the wider community about the dangers to humanity, and other forms of life, of continuing heavy dependence on fossil fuels.

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³ <http://www.smithschool.ox.ac.uk/research/stranded-assets/Stranded%20Down%20Under%20Report.pdf>

⁴ http://www.google.com.au/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&ved=0CB4QFjAA&url=http%3A%2F%2Fwww.tai.org.au%2Fsystem%2Ffiles_force%2FClimate%2520Proofing%2520Your%2520Investments_final.pdf%3Fdownload%3D1&ei=0oadU_nRH8b-8QXhuoFQ&usg=AFQjCNGIkgw5YRjV0LQ1ENYpMRxRvlheiw&bvm=bv.68911936,d.dGc

⁵ An 'ethical investor' may for example exclude companies because of the wish not to part-own an environmentally destructive operation.

⁶ A 'responsible investor' may want to screen out companies to avoid loss from owning stranded assets.

***Resolution passed by the Anglican General Synod
July 2014***

Responding to climate change

That this Synod:

1. Notes statements in the fifth assessment report of the Intergovernmental Panel on Climate Change (IPCC) that *'Warming of the climate system is unequivocal', 'Human influence on the climate system is clear', 'Limiting climate change will require substantial and sustained reductions of greenhouse gas emissions', 'Impacts from recent climate-related extremes reveal significant vulnerability and exposure of some ecosystems and many human systems', 'A large fraction of both terrestrial and freshwater species faces increased extinction risk', 'Climate-related hazards exacerbate other stressors, often with negative outcomes for livelihoods, especially for people living in poverty', and 'Climate-change impacts are projected to slow down economic growth, make poverty reduction more difficult, further erode food security, and prolong existing and create new poverty traps'.*
2. Acknowledges with deep regret that it is future generations and other forms of life who will bear the real cost of our heavy dependence on carbon-based energy, if we lack the will to limit climate change.
3. Calls on individual Anglicans and our Dioceses, as a theological and moral imperative, to review their commitment to protecting the Earth and be prepared to make significant changes in the ways we live and spend.
4. **Requests each Diocese to review the criteria for its investments, to give high priority to ecological sustainability and in particular explore removal of fossil fuel industries from Diocesan investment portfolios.** *(Emphasis added for this paper)*
5. Expresses grave concern to the Government that
 - a national target of 5% reduction in greenhouse gas emissions (from the 2000 level) by 2020 is well short of the response needed to the data presented in the IPCC report
 - serious doubt is being expressed by experts about the effectiveness of the policy settings proposed to meet even this low target
 - a market mechanism such as an emissions trading scheme is not part of its strategy to address climate change.
6. Urges the Government to do much more to decrease Australia's heavy fossil fuel dependence and encourage more intentional and extensive investment in renewable energy, and to support international efforts to reduce greenhouse gas emissions.

**Resolution passed by the Canberra & Goulburn Anglican Synod
September 2014**

Action on climate change: Divestment from fossil fuels

That Synod:

- recognises the need for urgency to act on climate change, particularly in regard to this country's reliance on fossil fuels that contribute to greenhouse gas emissions and global warming;
- notes the resolution of General Synod 2014 on Responding to Climate Change which requests each Diocese to review the criteria for its investments and explore removal of fossil fuel industries from Diocesan investment portfolios;
- receives the report of the Working Group established by Bishop-in-Council to respond to the Resolution 'Action on Climate Change' passed by the 2013 Synod of this Diocese;
- notes that the Working Group and the Anglican Church Property Trust (ACPT) have discussed the recommendations being proposed for implementation by the ACPT and it appears that some actions could be undertaken responsibly by the Trustees;
- accepts the recommendations in the report of the Working Group:
 1. to add the criterion of *not investing in companies that are substantially (principally) involved in fossil fuel extraction and/or have large 'downstream' fossil fuel exposure in energy generation, fossil fuel pipelines or other dedicated fossil fuel transport* to the current criteria for Diocesan investments;
 2. to divest from companies in the Diocesan portfolio which are substantially(principally) involved in fossil fuel extraction and/or have large 'downstream' fossil fuel exposure in energy generation, fossil fuel pipelines or other dedicated fossil fuel transport;
 3. to outline the concerns of the church, about the social justice issues of global warming due to fossil fuel consumption, to other companies in which the Diocese is invested and which have significant links to fossil fuel industries; and that the ACPT review such investments in two years' time in the light of market conditions and changes in the fossil fuel exposure of such companies; and
 4. that the ACPT give very serious consideration to sound investments in the production and use of renewable energy when new investments are being decided upon.

**Resolution passed by the Perth Anglican Synod
October 2014**

Divestment from Fossil Fuels

This Synod, recognising that Policy 25 adopted 15 April 2014, by The Perth Diocesan Trustees commits the Trustees *inter alia* to refrain from knowingly investing in any organisation that operates at the expense of the environment, and more generally to take an ethical approach to investment that is consistent with the values of the Anglican Church;

- (1) Asks The Perth Diocesan Trustees to consider, in accordance with Statutory obligations, divestment from all existing investments that have a significant exposure to fossil fuels and provide a report to Synod 2015 which details the necessary actions to be taken. The report should include the feasibility of including investment in renewable energy technologies within the portfolio.
- (2) Encourages parishes holding investments with significant exposure to fossil fuels industries, to work with Diocesan staff to relocate their investments into areas that do not harm the environment.

**Resolution passed by the Melbourne Anglican Synod
October 2014**

This Synod:

1. Notes and supports General Synod resolution R61/14 (<http://www.anglican.org.au/generalsynods/2014/Pages/Minutes.aspx>) 'Response to Climate Change' which (among other things) requested "each Diocese to review the criteria for its investments, to give high priority to ecological sustainability and in particular explore removal of investment in fossil fuel industries from Diocesan investment portfolios";
2. Considers that the Anglican Church in the Diocese of Melbourne ***through its associated legal entities*** should no longer invest in corporations whose main business is the extraction and/or production of fossil fuels (coal, oil and gas), where 'main business' means corporations obtaining 20% or more of revenues from coal, oil ***and/or*** gas;
3. **Requests that Archbishop in Council ask the Anglican Funds Committee to consider the investments by all Trusts and other entities under the management and administration of Anglican Funds in the light of (1) and (2) above and, where appropriate, to ensure that any of the Church's funds invested in corporations specified in (2) are divested within 2 years;**
4. **Requests that, in the normal course of its business and taking advice from its external professional advisors, the Anglican Funds Committee considers its asset allocations and investments following any such divestment.**