



NFLA media release, 13th September 2021

NFLA publishes detailed analysis of Council Pension Funds and the divestment challenge – time for an urgent debate over fossil fuel and nuclear weapon investments

The UK and Ireland Nuclear Free Local Authorities (NFLA) publishes today a thorough analysis of the issue of divestment from fossil fuels and nuclear weapons in reference to Local Authority Pension Funds.

Following on from its parallel report on the 'Just Transition' (1), this NFLA report notes significant challenge from a wide range of campaigning groups, councillors, trade unions and members of a wide range of Council Pension Funds to consider divesting funds they have invested in companies involved in the production of fossil fuels and nuclear weapons. (2)

The financial clout of local authority pension funds is an important part of why divestment campaigns have increasingly started to focus on them in the past decade. Local councils in the UK manage pension funds worth over £230 billion. Around £10 billion of these funds are invested in fossil fuels. (3) Whilst complete figures for the whole of the UK are not available, the group 'Don't Bank on the Bomb Scotland' estimate some of the eleven Local Authority Pension Funds in Scotland have £275 million in companies working on the development of nuclear weapons. (4)

Such figures become important when noting that around 75% of Councils have passed climate emergency declarations seeking deep cuts in carbon emissions to 'net zero' over the next two decades. Similarly, the entry into force of the Treaty on the Prohibition of Nuclear Weapons (TPNW) creates the potential for investments in companies involved in such controversial weapons being scrutinised and stigmatised.

The NFLA report focuses on a core challenge in this debate – ensuring a good rate of return to such funds to keep them sustainable (the fiduciary duty) whilst taking on board the controversial nature of some of these investments at a time when a move to renewable energy sources is taking place more generally, and whilst many states are also moving towards supporting multilateral nuclear disarmament.

The hub of the debate is whether it is better to divest, or to rather provide internal challenge on companies involved in fossil fuel and nuclear weapon production through a pro-active ESG (environmental and social guidance) approach. Whilst some Council Pension Funds have markedly changed their policies and moved away from such investments, such as the Scottish Borders Council Pension Fund, quite a number of others insist internal challenge is working.

Some of the conclusions from the report include:

- Local authority pension funds are vulnerable to criticism around divestment as they are investing the 'deferred wages' of their workers and councillors and are publicly accountable institutions.
- Investment in fossil fuel and nuclear weapons companies are inevitably controversial, so fund managers and pension committees are encouraged to have a detailed, full and open debate over them.
- It is encouraging that pension funds are considering ESG issues in more detail over such investments, but this report questions how deep such discussions really are.
- NFLA note that continuing investments in fossil fuels could risk assets being 'stranded' in the near future as the energy market transforms more swiftly than anyone could have expected. Similarly,

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as the TPNW is accepted by more and more states, the risks of such assets becoming stigmatised could also become a factor as well.

- The report highlights growing evidence that ethically run funds can provide a good return to their members whilst avoiding controversial investments.
- Many funds are actively investing in renewable energy alternatives with increasing success, such as Swansea and Waltham Forest.
- Given the imperative to seek to mitigate the worst impacts of climate change and the attempts to try to create a safer and more peaceful world, the arguments from the divestment movement will not go away. NFLA support positive and careful moves in this direction which can be undertaken successfully in a financial and ethical way.

NFLA UK & Ireland Steering Committee Chair Councillor David Blackburn said:

“I welcome this thorough analysis of the divestment debate in local government, which has changed markedly in the past decade. Once seen as a ‘niche’ discussion, Council pension funds are rightly being challenged to justify their investments, particularly in the likes of companies involved with fossil fuels and nuclear weapons. NFLA welcomes the changes many pension funds have made to move away from such investments and increasing evidence that such ethical investment can still provide healthy returns for its members. The divestment debate is clearly not going to go away, so NFLA encourages local authority pension funds to read this report and similar reports and have an urgent debate on balancing the need for sustainable returns with an increasing desire that such returns come from responsible sources of income. Council pension funds can also practically help in driving the renewable energy revolution and supporting moves towards a safer and more peaceful world.”

Ends – for more information please contact Sean Morris, NFLA Secretary, on 07771 930196.

Notes to Editors:

- (1) NFLA Policy Briefing 219 on Just Transition, 3rd August 2021
https://www.nuclearpolicy.info/wp/wp-content/uploads/2021/08/A333_NB219_Just_Transition.pdf
- (2) NFLA Policy Briefing 220 on Council Pension Funds and divestment is attached with this media release and can be found on the NFLA website <https://www.nuclearpolicy.info>
- (3) Fossil Free UK, Guide to Local Government Divestment <https://gofossilfree.org/uk/local-government-guide/>
- (4) Don't Bank on the Bomb Scotland, Scottish Local Government Pension Scheme, 2021 guide <https://nukedivestmentscotland.org/local-government-pension-scheme/>