

Environment Agency pension fund tells oil groups to go green

The Environment Agency's pension fund has urged BP and Royal Dutch Shell to invest in renewable energy and do more to tackle climate change.

The government-backed agency's £2.5bn fund has teamed up with more than 150 other investors, including the Church of England and several large

local authority pension funds. They have filed shareholder resolutions urging both oil companies to take more action on global warming. "It was an easy decision," said John Varley, chairman of the Environment Agency pensions committee. "We believe that

it is vital to manage climate risk within investments and that all shareholders have access to clear information to assess how these companies are managing risk and protecting shareholder value."

The pension fund said it has stakes of about £11m in Shell and another £8m in BP, amounting to well below 1 per cent of each company. But its push, with the other 150 odd groups, is the latest sign of investor pressure on big oil and gas companies as diplomats work to seal a global agreement to combat climate change in Paris at the end of this year.

While some investors are using their stakes in fossil fuel companies to try to persuade them to reform their business models, others such as California's Stanford University and the heirs to the Rockefeller Standard Oil fortune have decided to avoid buying shares in such energy groups altogether.

Ed Davey, the UK energy secretary, has also weighed into the debate by calling for tougher rules to be applied to companies holding "risky" fossil fuel assets that could fall in value as a result of global action to tackle climate change

The shareholder resolutions filed with Shell and BP urge the companies to commit to reduce their carbon emissions, invest in renewable energy and reform their bonus systems so executives are not rewarded for actions harming the climate, such as seeking out more fossil fuel reserves.

The resolutions also seek a commitment from both companies to stress test their business models to see how they would stand up to tougher limits on greenhouse gas emissions that could be introduced as part of a global climate deal.

The eight largest pension funds co-filing the resolutions, which includes some European groups, together hold about \$245bn of assets, according to Elspeth Owens, a lawyer with the Client Earth environmental legal group, which is helping to organise the move.

There is no evidence that the resolutions will gain enough support to pass at the companies' annual meetings this year but Ms Owens said businesses had responded to such shareholder pressure in the past, even when resolutions had not formally succeeded.

BP said it was already having "constructive discussions" with the shareholders and would respond appropriately before its annual meeting in April.

Shell pointed to a letter that its chief executive, Ben van Beurden, wrote to the Financial Times in December, where he said the company knew it had a clear responsibility to be transparent with investors about its dealings and had already openly discussed its views on climate solutions, such as the widespread introduction of carbon pricing.

The government funds the Environment Agency and appoints its chairman but a spokesman for the Department of Energy and Climate Change said

the agency's pension fund move was "a matter for investors and the companies".

The pension fund has backed environmental shareholder resolutions in the past but this is the first time that it has joined other groups to file a resolution.

It has £600m invested in clean tech and sustainable companies and is on track to have 25 per cent of the fund in such companies.