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PUBLIC QUESTION TIME

18 JULY 2017

Question

The former minister for climate change and industry for the UK the government, Nick Hurd, has stated that 'preventing dangerous climate change means leaving at least 70-75% of known fossil fuel reserves unused in order to have a 50% chance of limiting global temperature rise to below 2 degrees'. Fossil Fuel companies' business models are incompatible with a 2 degree world and certainly a 1.5 degree one, and these companies and holdings in them pose material financial risks to West Yorkshire Pension Fund. Will the West Yorkshire Pension Fund set deadlines for its investments in fossil fuel companies, stating that they will divest if these companies have not made their business model compatible with the Paris Agreement targets?

Leader's response

The West Yorkshire Pension Fund acknowledges climate risk, as outlined in the new Investment Strategy Statement on the Fund website. The Fund is seeking to reduce carbon exposure but has no plans to set a deadline for divestment. Our fund managers monitor many factors for all investments on a continuous basis, including climate risk, and adjust the portfolio accordingly.

The Fund continues to engage with fossil fuel companies, as it has done for a number of years. Following a comprehensive report, it was agreed at Corporate Overview and Scrutiny Committee in October 2016 that a policy of positive engagement is more progressive and successful than a policy of divestment. As shareholders we can bring pressure to bear on the fossil fuel companies to adjust their business models to align with the Paris Agreement, if we divest we lose that power.

The fund continues to invest in renewable and 'green' technology wherever possible. These new sources of energy are still developing and investment returns are low at present and produce little income for the Fund. The Fund requires a strong dividend income stream in order to pay its pensioners. In a time of extremely low interest rates, the Fund benefits from the large dividends which are currently paid by resources companies, which provide the highest yield in the equity market. To divest would mean that income would fall, and in the longer term there would be pressure on council tax payers to make up any shortfall.