

Church investments in major oil companies

Paris compliant or Paris defiant?



Executive Summary

In recent years, Churches and wider society have begun to recognise that we are now facing a climate emergency.

Several UK Churches, including Quakers in Britain, the Church of Ireland and the United Reformed Church, have already completed divestment from fossil fuels. The Church of England General Synod has set a 2030 net zero target and Catholic parishes in 20 out of 22 dioceses in England and Wales have switched to renewable electricity.

Climate science and the increasing urgency of action

The Intergovernmental Panel on Climate Change (IPCC) report in October 2018 demonstrated the need for rapid emissions cuts to limit global average temperature rises to 1.5°C. In order to achieve this, global carbon emissions must fall by 55% between 2018 and 2030, according to the UN's 2019 Emissions Gap report.

Without rapid action to cut emissions, there are growing risks of triggering feedback loops, such as melting permafrost, which would lead to further, potentially unstoppable warming – with unthinkable consequences for humanity and the natural world on which we depend.

Major oil companies are not Paris compliant

The Transition Pathway Initiative (TPI), a project launched by the Church of England and supported by several Churches, found in its 2020 *State of Transition Report* that none of the major oil companies are aligned with the Paris Agreement targets. Carbon Tracker's 2019 *Breaking the Habit* report found that all of the major oil companies continue to sanction projects that are not Paris compliant.

Between now and 2030, major oil companies, including Shell and BP, plan to spend huge sums (\$149bn and \$71bn respectively) on exploration and extraction of new reserves. While the UN has called for an 'orderly wind-down of fossil fuel production', Shell and BP intend to increase production by 38% and 20% respectively over the next decade. In addition, BP and Shell have the highest expenditure of all major oil companies on lobbying to block, control and delay climate action.

Some oil companies, including BP and Shell, have recently announced non-binding 'ambitions' to reach net zero emissions by 2050. However, none of these companies are planning to end oil and gas production, instead seeking to rely on technologies that are unproven for large-scale deployment and may not be economically viable. This is not compatible with limiting global average temperature rises to well below 2°C, let alone 1.5°C.

2020: A year to choose the future

The year 2020 has taken on a new significance as a year of stark choice: the climate emergency is still happening, and the decisions we make now will shape our ability to safeguard a liveable planet and affect the future of humanity for thousands of years. What future will UK Churches choose? Will they continue investing in companies that are fuelling climate breakdown, or will they invest in a clean energy future where all life can flourish?

Several UK Churches have already divested from fossil fuels, including Quakers in Britain, the Church of Ireland and the United Reformed Church. In others, such as the Church of Scotland, the Church in

Wales and the Scottish Episcopal Church, Church bodies have made divestment recommendations which should be acted on as a matter of urgency.

The 2017 Methodist Conference called for the Central Finance Board to divest from oil and gas companies whose business investment plans were not aligned with the Paris Agreement target of global average temperature rises well below 2°C by 2020. It is time for them to act on this recommendation and fully divest from all fossil fuel companies.

The Church of England General Synod in July 2018 voted to begin divestment in 2020 from oil and gas companies that are 'not taking seriously their responsibilities' in the transition to a low-carbon economy, and complete divestment from those not on track to align with the Paris Agreement by 2023. This process must begin now.

Divestment from fossil fuels and investment in the future

The global divestment movement has grown rapidly in recent years. By April 2020, nearly 1,200 institutions with a total of \$14 trillion of assets had made commitments to divest from fossil fuels. Even the oil companies are acknowledging the impact of divestment!

Nonetheless, while positive steps are being made and cuts to investment in oil and gas companies are beginning to take place, the process is not moving fast enough. The first few months of 2020 have shown that fossil fuels are an increasingly risky investment.

As well as divestment from fossil fuels, increased investment in clean technologies is vital to accelerate the transition to a zero-carbon economy. Churches must seize the opportunity to demonstrate prophetic leadership at this key moment in history and ensure a brighter, cleaner future for all.



The Church and the climate emergency

In the last year, we have seen a global awakening to the climate and ecological emergency. To use the words of Pope Francis in his encyclical letter *Laudato Si'*, an 'ecological conversion' has begun (#217).

Following the Extinction Rebellion protests and millions of schoolchildren striking for the climate around the world, the UK, Scottish and Welsh Parliaments all declared a climate emergency. The UK and Scottish Governments have set targets for reaching net-zero emissions in 2050 and 2045 respectively.

Yet, as the UN's Intergovernmental Panel on Climate Change (IPCC) made clear in its October 2018 report on the 1.5°C target of the Paris Agreement, what happens in the next decade is of vital importance to the future of life on earth.



The climate crisis in the UK and around the world

We are already witnessing the devastating impacts of the climate crisis around the world, as rising sea levels, droughts, floods, storms and wildfires threaten the homes, lives and livelihoods of many – especially those living in poverty, who have done the least to cause the climate crisis.

Following Cyclone Idai, which killed more than 1,300 people in March 2019, the former first lady of Mozambique, Graça Machel, declared that Beira would 'go down in history as having been the first city to be completely devastated by climate change'.¹ During the Australian wildfires at the end of 2019, 34 people lost their lives, over 18 million hectares of bush, forest and parks were burned, and an estimated one billion animals were killed.²

In the UK, 2020 had the wettest February on record, as Storms Ciara and Dennis caused the worst winter floods in recent times.³

'It may sound frightening, but the scientific evidence is that if we have not taken dramatic action within the next decade, we could face irreversible damage to the natural world and the collapse of our societies.'

SIR DAVID ATTENBOROUGH⁴

Church action on the climate emergency

How are the Churches responding to the growing climate crisis? The Methodist Conference, the Church of Scotland General Assembly and the Church of England General Synod have all recognised the climate emergency. Renewable energy is provided to 2,800 parishes in 20 out of 22 Catholic dioceses in England and Wales.⁵ Several Churches in the UK have completed divestment from fossil fuels, including Quakers in Britain, the Church of Ireland, the United Reformed Church and some Catholic dioceses. Of the total of nearly 1,200 institutions in the global divestment movement, more than 350 are faith-based organisations.⁶

The Church of England General Synod voted in July 2018 to begin divestment in 2020 from oil and gas companies that are 'not taking seriously their responsibilities to assist with the transition to a low carbon economy', and to complete divestment by 2023 from companies that are not on track to align with the Paris Agreement targets.

The Methodist Conference in June 2017 supported divestment by 2020 from oil and gas companies whose business investment plans are not aligned with the Paris Agreement target of limiting global average temperature rises to well below 2°C. The Church of Scotland's Church and Society Council has also recommended that its General Assembly should support full divestment from fossil fuels in 2020.⁷

In February 2020, members of the Church of England General Synod voted to set a 2030 net-zero target. Following the debate, the Church of England's lead bishop on the environment, Bishop Nicholas Holtam, said: 'The science tells us there's no time to lose if we are to limit the warming of the planet humans are causing. The tone at Synod was overwhelmingly that Christians should respond urgently to our calling to safeguard God's creation, and go as fast as we can.'⁸



Climate science and the increasing urgency of action

The Paris Agreement

The signing of the Paris Agreement at the UN climate conference in December 2015 was a historic moment and provided a measure of hope. Nations signed up to limit global average temperature increases to well below 2°C, and to strive for 1.5°C, to protect humanity from the worst impacts of climate change.⁹

So far, the commitments made by governments have not been sufficient to meet these goals. It is estimated that the 'Paris pledges' made by national governments, known as Nationally Determined Contributions (NDCs), would lead to between 2.9°C and 3.4°C of human-induced warming¹⁰ – thus triggering feedback loops such as melting permafrost and leading to further, potentially unstoppable, warming. This would have devastating consequences for humanity and the natural world on which we all depend.

Limiting global average temperature rises to 1.5°C

In October 2018, the IPCC published a special report on the 1.5°C target of the Paris Agreement. The report found that limiting warming to 1.5°C rather than 2°C would:

- significantly reduce the risk of severe and extreme weather events, especially heatwaves and heat-related mortality;
- mean that half as many people would be exposed to water scarcity;
- prevent runaway sea level rise that could submerge many of the world's islands and render uninhabitable low-coastal regions that are home to two-thirds of the world's population;
- protect the global economy and be less expensive to manage; and
- prevent the near total loss of the world's stunning coral reefs.¹¹

'If we built no more fossil fuel infrastructure and instead replaced existing infrastructure at the end of its productive life with a zero carbon alternative we could limit peak temperature rise to 1.5°C – as long as we start now.'

DR CHRIS SMITH, UNIVERSITY OF LEEDS¹²

The need for urgent action and the risk of tipping points

The IPCC report demonstrated the need for rapid emissions cuts if we are to keep global average temperature rises to 1.5°C. Yet global carbon emissions have continued to rise. The 2019 UN Emissions Gap Report found that by 2030, emissions must be 55% lower than in 2018 in order to put the world on the least-cost pathway to limiting global warming to 1.5°C.¹³ The report emphasised that without rapid action to cut emissions, the 1.5°C target 'will slip out of reach'.¹⁴

The 2019 UN Environment Programme Production Gap Report found that the world is on track to produce 120% more fossil fuels by 2030 than would be consistent with limiting warming to 1.5°C.¹⁵ Furthermore, it highlights that the oil and gas industry has 'not yet signalled a commitment to a long-term transition away from fossil fuels', investing just 1.3% of their total capital expenditure on low-carbon energy since 2010.¹⁶ The report calls for an 'orderly wind-down of fossil fuel production'¹⁷ in order to ensure that portfolios are aligned with the Paris Agreement goals.

A study published in *Nature* in November 2019 concluded that some climate tipping points are 'dangerously close' and others, such as the runaway loss of ice sheets or forests, may already have been triggered. While it was previously thought that such tipping points would not be triggered until extreme heating of 5°C above pre-industrial levels, the latest evidence suggests that tipping points could be activated even between 1°C and 2°C of warming.¹⁸

The authors warn that the severity of the potential damage and shortness of the time to act mean that 'to err on the side of danger is not a responsible option'. They conclude that 'we are in a state of planetary emergency: both the risk and urgency of the situation are acute'.

'When it comes to rises in global average temperature, every fraction of a degree matters.'

CHRISTIANA FIGUERES, FORMER EXECUTIVE SECRETARY OF UN FRAMEWORK CONVENTION ON CLIMATE CHANGE (UNFCCC)¹⁹

The risks of tipping points were further emphasised by a study published in March 2020, which found that tropical forests are losing their ability to store carbon and that they could become sources of carbon emissions within the next decade.²⁰ One of the senior authors of the research, Professor Simon Lewis of the University of Leeds, said: 'We need to curb fossil fuel emissions before the global carbon cycle starts working against us.'



Major oil companies are not Paris compliant

Author	Transition Pathway Initiative (2020) ²¹	Carbon Tracker (2019) ²²	Global Witness (2019) ²³	Guardian / Rystad Energy (2019) ²⁴
What is measured?	Alignment of projected emissions intensity with 'Paris pledges' (NDCs)/ 2DS*/B2DS*	Projected capital expenditure on sanctioned and unsanctioned projects outside B2DS* (2019-2030) (%)	Forecast capital expenditure on exploration/ extraction of new oil and gas reserves (2020-2029) (\$ billion)	Planned production increases (2018-2030) (%)
BP	Not aligned	20-30%	\$71 billion	20%
Chevron	Not aligned	30-40%	\$94 billion	20%
ExxonMobil	Not aligned	60-70%	\$167 billion	35%
Shell	Paris pledges	30-40%	\$149 billion	38%
Total	Not aligned	30-40%	\$81 billion	12%

* International Energy Agency (IEA) scenarios: 2DS = 2 Degrees Scenario (= 50% chance of limiting global average temperature increase to 2°C); B2DS = Beyond 2 Degrees Scenario (= 50% chance of limiting global average temperature increase to approx. 1.6°C)

Measuring alignment with the Paris Agreement

In recent years, an increasing number of investors have been calling for oil companies to align their business plans with the Paris Agreement. An important question has arisen: how to measure alignment with the Paris Agreement targets and reflect the urgency of change required? How can we determine whether or not major oil companies are 'Paris compliant'?

The March 2020 Transition Pathway Initiative *State of Transition Report* found that none of the major oil and gas companies were aligned with the Paris Agreement targets, and only two companies (Shell and Repsol) had disclosed plans to reduce emissions intensity that the report considered to be aligned with the 'Paris pledges'. It is important to note that an oil company pledging to reduce the emissions intensity of its products is not the same as reducing its overall emissions (see the next section for further discussion and a definition of 'emissions intensity').

Carbon Tracker stated in its September 2019 *Breaking the Habit* report that fossil fuel companies should not be considered 'Paris-aligned' if they sanction projects that would exceed a 'well below 2°C' carbon budget.²⁵ It found that all of the major oil companies – Shell, BP, Total, Chevron and ExxonMobil – sanctioned projects in 2018 that were non-Paris compliant, and many such projects were in the pipeline for 2019.²⁶

The World Wide Fund for Nature (WWF) wrote in its 2019 *Asset Owner Guide to Oil & Gas Producers* that 'there will be close to zero scope for greenhouse gas emissions from oil and gas by 2040 in OECD countries, and by 2050 globally'.²⁷ In order to reach this goal and avoid overshooting the 1.5°C target, it states that oil and gas production must fall by approximately 4.6% each year between 2020 and 2040. It adds that 'continuing exploration to find new oil and gas reserves is irrelevant in a 1.5°C compliant transition and should be stopped'²⁸ and that 'the oil and gas sector as it currently exists will eventually need to be phased out in light of climate constraints'.²⁹

Oil and gas companies are planning to increase fossil fuel production

How does this compare with the current plans of the oil and gas industry? According to the Global Witness report *Overexposed*,

published in April 2019, the oil and gas industry is planning to spend nearly \$5 trillion on exploration and extraction of new oil and gas reserves in the next decade,³⁰ which is incompatible with meeting the 1.5°C goal of the Paris Agreement. It shows that all major oil companies are planning to spend huge sums on new fields between now and 2030, including Shell (\$149 billion), Total (\$81 billion) and BP (\$71 billion).³¹ Even if major oil companies are reducing capital expenditure in 2020 due to falling oil demand during the Covid-19 crisis, they are likely to wish to return to these plans when the economic recovery allows.

As well as huge expenditure on exploration and extraction of new reserves, major oil and gas companies are planning to accelerate production in the next decade. An October 2019 report in the *Guardian*, using data from the leading consultancy firm Rystad Energy, showed that Shell and ExxonMobil are planning to increase oil and gas production by 38% and 35% respectively between 2018 and 2030.³² BP and Total plan to increase production by 20% and 12% in the same timeframe.³³ However, as already stated, global carbon emissions must *fall* by 55% by 2030 in order to limit the global average temperature rise to 1.5°C.³⁴ Carbon Tracker has found that several major oil companies in Europe, including Shell, BP and Total, still encourage fossil fuel production growth through their remuneration policies.³⁵

Lobbying against climate action

While the major oil and gas companies publicly support the Paris Agreement, they also belong to trade associations that proactively lobby against climate action. According to InfluenceMap research published in March 2019, the five largest publicly listed oil and gas companies – ExxonMobil, Shell, Chevron, Total and BP – are spending \$200 million a year on lobbying activities to block, control and delay climate policies.³⁶ BP and Shell spend the most on lobbying,³⁷ and both companies belong to trade associations such as the American Petroleum Institute that have lobbied for weaker environmental regulation during the Covid-19 crisis.³⁸

Alongside these lobbying activities, huge sums are spent on misleading advertising, which often gives the impression that oil companies are transforming into renewable energy companies. In reality, major oil companies planned to spend an average of just 3% of their capital expenditure on low carbon projects in 2019.³⁹

Assessing the pledges made by major oil companies



In recent years, some oil and gas companies have pledged to reduce the emissions intensity of their products, while others have announced plans to reach net zero emissions. In this section, we assess the steps taken by the major oil companies in turn.

It is important to note that an oil and gas company could reduce its emissions intensity – that is, the emissions per unit of energy the company sells – while at the same time *increasing* its overall emissions.

For a company to reach net zero emissions would mean that any greenhouse gas emissions produced are balanced by absorbing an equivalent amount from the atmosphere. The best way to do this would be to reduce greenhouse gas emissions as far as possible. However, as we will see below, some major oil companies have announced plans to reach net zero emissions while continuing to produce significant volumes of oil and gas.

‘Even more worrying is the continued search for new fossil fuel reserves, whereas the Paris Agreement clearly urged keeping most fossil fuels underground... Civilisation requires energy, but energy use must not destroy civilisation!’

POPE FRANCIS⁴⁰

BP

In a presentation to investors in February 2020, BP CEO Bernard Looney announced the company’s ‘ambition’ to reach net zero emissions by 2050. As Carbon Tracker has pointed out, ‘Ambition is just that – it’s not binding in any way.’⁴¹ The *Guardian* highlighted that ‘there is nothing in this statement to suggest BP will move away from previous plans to increase oil and gas production by 20% over the next 10 years.’⁴²

It is clear, however, that BP is not planning to end oil and gas production. Instead, it will seek to rely on offsetting and carbon dioxide removal technologies. Carbon dioxide removal technologies,

such as carbon capture and storage (CCS), are unproven for large-scale deployment and may not be economically viable. Furthermore, there are significant issues with oil companies relying on offsets, such as the assumption that mass planting of trees will remove the excess pollution from the atmosphere at a later date.⁴³

BP’s announcement came with a caveat: it is not planning to reduce to zero the emissions from oil and gas extracted by other companies and then processed and resold by BP, including from its joint venture with Russian oil company Rosneft. Instead, BP will aim to halve the emissions intensity from these products by 2050.⁴⁴

BP has a significant track record on lobbying against climate action. The company donated \$13 million to a campaign, also supported by Chevron, that successfully prevented a carbon tax in Washington state.⁴⁵ Furthermore, BP successfully lobbied the Trump administration for weaker environmental laws that made it easier for new projects, such as oil pipelines and power plants, to proceed with less stringent review of their environmental impact.⁴⁶

Shell

In April 2020, Shell announced its ‘ambition’ to reach net zero emissions by ‘2050 or sooner’. This includes an ambition for the ‘Scope 1 and 2’ emissions from the manufacture of its products to reach net zero by 2050. Shell also announced a target to reduce the emissions intensity of its products by 65% by 2050. This includes the ‘Scope 3’ emissions associated with the burning of its products.

One might ask how a 65% reduction in the emissions intensity of Shell’s products could be compatible with becoming a ‘net zero’ company by 2050. Furthermore, at the same time as announcing its net zero ambition, Shell states that ‘we will also sell more natural gas’.⁴⁷ According to an investor presentation from June 2019, Shell plans to invest in 35 new oil and gas projects between now and 2025.⁴⁸

Shell’s CEO, Ben van Beurden, told Reuters that ‘it is entirely legitimate to invest in oil and gas because the world demands it’.⁴⁹ Sarasin, a leading investment management firm, responded by writing to Shell in July 2019: ‘It cannot be in the interests of the millions of people whose long-term savings are invested in your company, for you to produce fossil fuels in such volume that planetary stability is threatened.’⁵⁰

Total

French oil and gas company Total has set targets to reduce its operational greenhouse gas emissions by 13% in the 10 years to 2025, as well as an ‘ambition’ to reduce the emissions intensity of its products by 15% by 2030, compared with 2015 levels.⁵¹ However, the company also plans to increase oil and gas production by 12% in the next decade, meaning that its overall emissions are set to increase.

Total CEO Patrick Pouyanné told the *Financial Times* in 2017 that investing in renewables was ‘part of the way to make [the] oil and gas business acceptable’. He put the investment in renewable energy into context by admitting: ‘It’s only 5 per cent of the strategy... We are an oil and gas company.’⁵² He told Reuters in February 2020: ‘We don’t want to go away from oil and gas... Society wants to be carbon neutral, but the energy companies will not be carbon neutral.’⁵³

Total is currently being sued by 14 local authorities and several NGOs in France for not doing enough to cut its emissions. The groups, which include the city of Grenoble and the commune of La Possession, on Réunion island in the Indian Ocean, stated that Total is ‘out of step with the Paris climate agreement’s goals on limiting global heating’.⁵⁴

ExxonMobil

ExxonMobil, the largest US oil company, has a particularly dubious track record on climate change. A 2017 Harvard study found that Exxon knew about the risks of climate change as early as the 1970s, yet spent decades misleading the public, including through paid ‘advertorials’ in leading US newspapers.⁵⁵

Exxon’s CEO, Darren Woods, dismissed oil company emissions targets as a ‘beauty competition’ in March 2020.⁵⁶ The company has long-term growth plans for oil and gas production⁵⁷ and has set no emissions reduction targets.⁵⁸

Exxon has also succeeded in blocking resolutions on emissions reduction targets from a group of investors, including the Church of England, from being considered at its AGMs in 2019 and 2020.⁵⁹

Chevron

Chevron, the second largest US oil company, has set targets to reduce the emissions intensity of its oil production by 5-10% and that of its gas production by 2-5% in the seven years between 2016 and 2023. However, this excludes the Scope 3 emissions associated with the burning of its products, which account for the vast majority of total emissions.⁶⁰

Chevron came top among the publicly owned fossil fuel companies in a list of the 20 global companies responsible for the most carbon dioxide emissions since 1965.⁶¹ It plans to increase oil and gas production by 20% by 2030.⁶²

Other oil companies

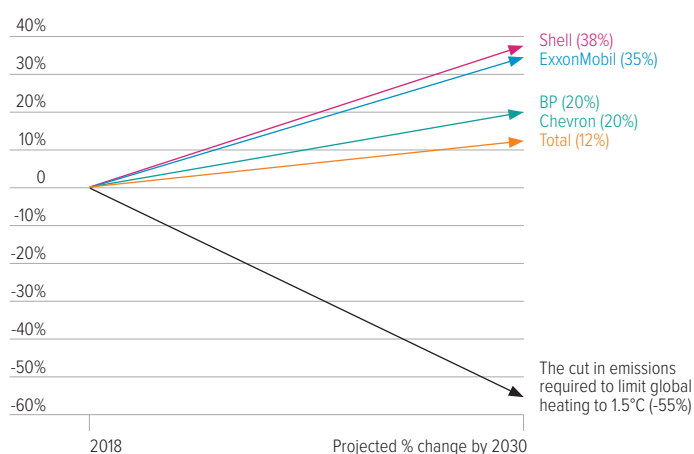
The Spanish oil and gas company Repsol, which is considerably smaller than the companies above, attracted attention in December 2019, when it announced a pledge to reach net-zero emissions by 2050.⁶³

Similar to BP’s announcement in February 2020, Repsol’s net zero ambition is non-binding. Furthermore, as highlighted by Carbon Tracker, the majority of emissions reductions are post-2040, and it is unclear how the company could move from a 40% reduction in emissions intensity in 2040 to net zero by 2050.⁶⁴

In February 2020, Norwegian company Equinor announced a pledge to reduce the emissions intensity of its products by 50% by 2050, though its overall emissions could rise as production increases.⁶⁵

It is clear that none of the major oil companies are taking the steps required to comply with the Paris Agreement target of limiting global average temperature rises to ‘well below 2°C’ compared with pre-industrial levels, let alone the 1.5°C that is needed.

Planned oil and gas production increases



Adapted from Guardian graphic. Sources: Guardian/Rystad Energy, 2019 UN Emissions Gap Report



2020: A year to choose the future

'Our goal can't be simply a return to the status-quo ante, because that old normal was driving a climate crisis that will eventually prove every bit as destructive as a pandemic.'

BILL MCKIBBEN, US ENVIRONMENTALIST AND FOUNDER OF 350.ORG⁶⁶

During the first few months of 2020, the Covid-19 pandemic has changed everything. Responding to the health crisis and the human tragedy that has unfolded has rightly become the central priority of governments and societies. It has highlighted our interconnectedness, as well as our dependence on each other and on the natural world. As societies begin the process of recovery, we have an opportunity to imagine a future beyond Covid-19 in which we 'keep the things which are essential to our mutual flourishing and abandon the things that are not'.⁶⁷

The plunging demand for oil as a result of the pandemic, combined with a price war between Saudi Arabia and Russia, has had a profound impact on the fossil fuel industry in early 2020. Oil prices reached their lowest level in two decades and the share prices of some major oil and gas companies halved between January and March 2020.⁶⁸

The Covid-19 outbreak also presents challenges for the clean energy transition that is urgently needed. Bloomberg New Energy Finance (BNEF) has lowered its forecasts for solar and wind installations and expects electric vehicle sales to stall too.⁶⁹ Following the 2008 financial crisis, economic stimulus measures led to an increase in carbon emissions.⁷⁰ There are, however, reasons for hope: the cost of renewables is now below that of fossil fuels.⁷¹

'If we do not change course by 2020, we risk missing the point where we can avoid runaway climate change, with disastrous consequences for people and all the natural systems that sustain us.'

ANTONIO GUTERRES, UN SECRETARY GENERAL⁷²

The new significance of 2020

As a result of all this, 2020 has taken on a new significance and potential. It has become a year of stark choice: the decisions we make now will determine whether we can bend the global emissions curve in the next decade and will affect the future of humanity, and of our planet, for thousands of years. Will we seek to return to a 'catastrophic business as usual scenario'⁷³ or will we learn valuable lessons that will enable us to respond better to the climate emergency?

The UN Environment Programme has stated that global carbon emissions need to peak by 2020 and rapidly fall to zero if we are to have any chance of meeting the Paris Agreement targets. For this to happen, demand for fossil fuels also needs to peak⁷⁴ – not just in the short term but for the medium and longer term. Whether this happens depends on choices that we make now.

Christiana Figueres, former Executive Secretary of the UN Framework Convention on Climate Change, has said that whether investments are channelled into high-carbon industries, or towards clean technologies, is 'the most important decision' we will make about the climate crisis.⁷⁵

Operation Noah is among more than 400 environmental groups urging governments and the international community to adopt the Principles for a Just Recovery from Covid-19 published in March 2020.⁷⁶

The prophetic voice of the Church

The UN estimates that religious institutions around the world manage a combined \$3 trillion of investments,⁷⁷ so the choices they make about whether to invest in fossil fuel companies or support clean technologies are vitally important. What future will UK Churches choose? A number have already made commitments to divest completely from fossil fuels by a particular date in the future; this is encouraging but more rapid action is needed. Continued investment in fossil fuels is fuelling climate breakdown, while shifting investment towards a clean energy future would enable all life to flourish.

On the World Day of Prayer for the Care of Creation in September 2019, Pope Francis said: 'We have caused a climate emergency that gravely threatens nature and life itself, including our own... Now is the time to abandon our dependence on fossil fuels and move, quickly and decisively, towards forms of clean energy and a sustainable and circular economy.'⁷⁸

Chris Stark, Chief Executive of the Committee on Climate Change, has said that the UN climate talks in Glasgow (COP26) mark the time by which the UK 'must have put its own house in order... not just setting a net zero target, but making credible plans to meet it'.⁷⁹ COP26 will also be a key milestone for UK Churches to have demonstrated moral leadership by divesting from fossil fuels and raising their prophetic voice to support a rapid, just transition to the clean technologies of the future.



Recommendations for Churches on divestment

Several UK Churches have already completed divestment from fossil fuels, including Quakers in Britain, the Church of Ireland and the United Reformed Church. In other cases, such as the Church in Wales, the Scottish Episcopal Church and the Church of Scotland, Church bodies have recommended divestment from fossil fuels for ethical reasons, and these should be followed through as a matter of urgency. Some Catholic dioceses have already divested from fossil fuel companies, and we urge the remaining dioceses to join them and the 150 Catholic institutions around the world that have already made divestment commitments.

The 2017 Methodist Conference called for the Central Finance Board to divest from oil and gas companies whose business investment plans were not aligned with the Paris Agreement targets by 2020. Based on the research we have outlined in this report, the Methodist Church should divest from all fossil fuel companies now.

The Church of England General Synod voted in July 2018 to begin divestment in 2020 from oil and gas companies that are 'not taking seriously their responsibilities to assist with the transition to a low carbon economy', and to complete divestment by 2023 from companies that are not on track to align with the Paris Agreement targets.

Churches' engagement with fossil fuel companies has not brought about a sufficiently rapid move towards achieving the Paris targets

'Any organisation committed to operating responsibly in this new decade has a moral imperative to stop participating in financing the destruction of human civilisation's future and to instead invest in renewable sources of energy. That is particularly important for institutions that aspire to provide leadership in our society and to become a part of the solution to the climate crisis.'

**ARCHBISHOP EMERITUS DESMOND TUTU AND AL GORE,
FORMER US VICE PRESIDENT⁸⁰**

and has had only very limited success. With all major oil companies planning to significantly increase fossil fuel production in the next decade, when global carbon emissions must halve by 2030, none of them can really be considered as taking their responsibilities seriously. Engagement cannot work quickly enough and should now be replaced by full divestment from these companies.

There are also strong financial reasons for Churches to divest from fossil fuels. The experience of recent months has shown that fossil fuel investments are increasingly risky. The *Financial Times* has described the current situation for the oil industry as 'the gravest crisis of the past 100 years', adding that 'the long-term outlook is arguably not that much better'.⁸¹



Divestment from fossil fuels and investment in the future

CHURCH	DIVESTMENT COMMITMENTS MADE TO DATE	YEAR
Quakers in Britain	Full divestment from fossil fuels	2013
Church of Ireland	Full divestment from fossil fuels	2018
United Reformed Church	Full divestment from fossil fuels	2019
Catholic Church *	2 out of 22 dioceses in England & Wales: full divestment from fossil fuels	2020
Methodist Church **	Coal and tar sands	2015
Church of England ***	Coal and tar sands	2015
Church in Wales ****	Coal and tar sands	2016
Church of Scotland *****	Coal and tar sands	2016
Scottish Episcopal Church *****	Coal and tar sands	2017
Baptist Union	Coal and tar sands	2019

* Catholic Church investments are managed by dioceses. The Dioceses of Lancaster and Middlesbrough announced their commitments to full divestment from fossil fuels in January 2020, becoming the first Catholic dioceses in England and Wales to do so. So far, no Catholic dioceses in Scotland have made divestment commitments. Several Catholic religious orders have made commitments to divest from fossil fuels, including Jesuits in Britain, the Passionists, the Congregation of Jesus and the Religious Sisters of Charity.

** The 2017 Methodist Conference voted to support divestment from oil and gas companies that have not aligned their business investment plans with the Paris Agreement targets by 2020.

*** The Church of England General Synod in July 2018 voted to start divestment in 2020 from oil companies that are 'not taking seriously their responsibilities' in the transition to a low-carbon economy, and to complete divestment from those not on track to align with the Paris Agreement by 2023.

**** The Church in Wales Ethical Investment Group recommended full divestment from fossil fuel companies in autumn 2019.

***** The Church of Scotland's Church & Society Council recommended full divestment from fossil fuels in December 2019.

***** The Scottish Episcopal Church General Synod in June 2019 voted for the Church's ethical investment policy to 'be updated to reflect the moral imperative to divest fully from fossil fuels'.



The growth of the divestment movement

In recent years, the global divestment movement has grown rapidly. The assets under management of divesting institutions have risen from \$52 billion in 2014 to more than \$14 trillion today. Fossil fuel divestment is an important practical response to the climate emergency. It is a step that enables Churches to speak out with prophetic integrity on the climate crisis, and to make prudent financial decisions in line with their responsibility to act as wise stewards.

Christian Aid has been among the organisations urging Churches to divest: 'As leading advocates for action on climate change, it is now time that the Churches divest from the fossil fuel industry. Continuing to profit from fossil fuel production is financially unnecessary and morally wrong; investing in the alternatives is the Churches' prophetic responsibility.'⁸²

In May 2019, the United Reformed Church voted unanimously to divest from fossil fuels at its Mission Council meeting. Revd Nigel Uden and Mr Derek Estill, Moderators of the URC General Assembly, said: 'Fossil fuel divestment is a practical way in which the United Reformed Church is responding to the climate emergency. We are taking this step in solidarity with our brothers and sisters around the world who are most affected by the climate crisis, despite having done the least to cause it. Therefore, it is only right that we actively move to support renewable sources of energy instead.'⁸³

In January 2020, Bishop Terry Drainey of the Catholic Diocese of Middlesbrough announced their decision to divest: 'With growing awareness of people's concerns for the care of our common home... the Diocese of Middlesbrough has decided that now is the time to divest from fossil fuels... The evidence and the urgency of the climate crisis are all around us.'⁸⁴

Divestment works

By ceasing to invest in organisations that are fuelling the climate crisis, and by doing so publicly, the divestment movement also seeks to remove the social licence of fossil fuel companies to continue exploring for new fossil fuel reserves, when the vast majority of known reserves must remain in the ground.



The UN Environment Programme noted the effectiveness of divestment in its November 2019 report, *The Production Gap*: 'Through fossil fuel divestment campaigns and other efforts, civil society groups and investors have placed social, political, and economic pressure on governments and companies to move away from supporting fossil fuel production.'⁸⁵

Even the major oil companies themselves acknowledge the impact of divestment. Shell's 2018 annual report stated: 'Some groups are pressuring certain investors to divest their investments in fossil fuel companies. If this were to continue, it could have a material adverse effect on the price of our securities and our ability to access equity capital markets.'⁸⁶

Accelerating the shift from fossil fuels to clean alternatives

Nonetheless, as the former Governor of the Bank of England, Mark Carney, said in December 2019, while cuts to investment in oil and gas companies are beginning to take place in the financial sector, the process is not moving fast enough. He made clear that all companies and financial institutions must explore their justification for continued investment in fossil fuels, warning of the increasing risk of 'worthless' assets in the sector.⁸⁷

By divesting from fossil fuels, Churches have an impact that goes beyond the scope of the organisations themselves. Increasing numbers of investment management companies are offering 'fossil free funds', responding to demand from their clients. For example, CCLA Investment Management decided that its COIF Charities Ethical Investment Fund, with £900 million of assets under management, would have completed divestment from fossil fuels by December 2019, as a direct result of the United Reformed Church decision to divest from fossil fuels.

As well as divestment from fossil fuels, increased investment in clean technologies is vital to accelerate the transition to a zero carbon economy. Such new technology investments and long-term infrastructure projects need to be financed at roughly quadruple the current rate, according to Mark Carney.⁸⁸

Some Churches are leading the way in this area, including Quakers in Britain, which has invested in renewable energy, energy efficiency and public transport. The Catholic Impact Investing Collaborative has launched a pledge for Catholic organisations around the world committing to make positive investments. It is time for all Churches to do the same.

In this way, the Churches can continue to provide the moral, financial and prophetic leadership that is needed at this key moment in history, witnessing to their congregations and to the whole of society about the brighter, cleaner future they want for the world.

'Divestment will send a positive and hopeful message to the people of this country – and to those in vulnerable communities across the globe who will be most immediately affected by climate-related disasters.'

ROWAN WILLIAMS, FORMER ARCHBISHOP OF CANTERBURY AND CHAIR OF CHRISTIAN AID⁸⁹

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The current health crisis has highlighted as never before the need for coherent international action in the face of global threat. Can we learn the lesson and apply it to the global threat of climate change? To do so means taking practical and effective steps to reduce our lethal dependence on fossil fuels, and this report challenges the Churches to take these steps as a matter of urgency.

Rt Revd Dr Rowan Williams, former Archbishop of Canterbury

The use of fossil fuels continues to have a devastating impact on the environment and, as is so often the case, it is the poorest communities that suffer most due to climate change. It is time to move from dependence on fossil fuels and to commit to investing in clean energy. For Christians this is a matter of good stewardship of God's creation and a practical way to love our neighbours.

Revd Michaela Youngson, former President of the Methodist Conference

I am grateful for the work of the Bright Now campaign for inspiring our action and continued discussions on divestment, as the Baptist Together family of churches picks up the pace in joining God's mission to care for creation. This report shows that urgent action is needed on the climate emergency, and that the time has come for Churches to divest from fossil fuel companies.

Revd Dr Dave Gregory, former Baptist Union President and climate scientist

The time is now – to realign our investment and commitment, moving away from fossil fuel dependence and towards a renewable future. The time is now – to reimagine our world and our priorities. The time is now – to remember that we are one global family, with one shared home. This report inspires and informs Churches, offering practical steps and compelling arguments that the world cannot wait any longer for faith-filled action.

Revd Sally Foster-Fulton, Head of Christian Aid Scotland and former Convenor of the Church of Scotland's Church and Society Council

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