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TITLE: **Fossil fuel campaigners win support from unexpected places**

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If you haven't heard about the growing campaign for fossil fuel divestment, and what it means for both your retirement funds and for the global economy, it's time to pay attention - because now even the World Bank is on board.

At the recent World Economic Forum in Davos, *World Bank President Jim Yong Kim called* for stronger government action to:

divest and tax that which we don't want, the carbon that threatens development gains over the last 20 years… Governments must put a price on pollution… through either taxes or market-based instruments.

Dr Kim also argued that taking climate change risks seriously is something all prudent investors - especially those in business - should be doing by now:

So-called 'long-term investors' must recognise their fiduciary responsibility to future pension holders who will be affected by decisions made today. Corporate leaders should not wait to act until market signals are right and national investment policies are in place.

Coal in the firing line

The World Bank has made a start in practising what it preaches.

Last year the World Bank announced it would not fund any new coal power plants "except in exceptional circumstances". However, the World Bank is still *drawing strong criticism* for its ongoing support for a coal plant in India.

Similar restrictions on new coal generation investments have now been announced by *US, Scandinavian, European* and *UK* development banks.

On Friday last week, *17 US philanthropic groups* with combined assets of about US$1.8 billion promised to sell their investments in fossil fuel companies and instead put their money into clean-energy technology.

“The magnitude of the climate crisis requires that we no longer conduct business as usual,” the Wallace Global Fund’s executive director *Ellen Dorsey told reporters*. “If we own fossil fuels, we own climate change.”

That US announcement came just days after Norway’s oil-funded sovereign wealth fund - which *owns around 1% of the world’s stocks* - revealed that it has already *halved its investments in coal*.

The fund’s chief executive Yngve Slyngstad *told a parliamentary hearing* on Tuesday last week that, by the end of 2013, coal companies represented just 0.08% or US$405.57 million of the fund’s $US817 billion portfolio.

An opposition-led majority of Norway’s parliament are now pushing to ban the fund from coal completely - though the government does not back the proposal.

The London-based *World Coal Association* has been concerned enough about the coal divestment proposal to put out *media releases* criticising the move and urging the Norwegian government to talk to industry.

Calculating climate risk

Speaking at Davos, Dr Kim also highlighted the need for a new line of policy reform: forcing companies and financial institutions to disclose their climate risk, including the emissions linked to their businesses, and their exposure to climate-related impacts.

Currently there is a wide range of different *carbon risk frameworks*, which are mostly voluntary and sometimes incompatible.

The United Nations' Environment Programme’s Finance Initiative is developing *an emissions guidance for investors.* However, this work has been relatively marginal in the bigger picture of mainstream economic and climate policy, hardly registering as an issue at most recent UN climate talks.

Instead, the main pressure on investors to reduce the world’s reliance on high-emissions fossil fuels is coming from the community.

Community pressure

Fossil fuel divestment campaigners are now directly lobbying universities, religious groups, local governments and foundations to show moral leadership on climate change by selling all stock in coal, gas and oil producers. There are now hundreds of these local campaigns across the US, Australia, New Zealand and Europe, which have attracted *a growing list of commitments* from universities, churches and even cities.

Late last year, *an Oxford University study* compared the fossil fuel divestment campaign with past campaigns against investments in tobacco, apartheid in South Africa, armaments, gambling and pornography. It concluded that the new fossil fuel campaign "has achieved a lot in the relatively short time".

Coal was found to be the fossil fuel most at risk from the campaign, with some investors like US$74 billion Scandinavian asset manager Storebrand *excluding more coal companies from its stocks*. The study found that while the divestment push was likely to have only a small impact on fossil fuel companies' share prices, the reputational damage could prove far more costly:

The outcome of the stigmatisation process, which the fossil fuel divestment campaign has now triggered, poses the most far-reaching threat to fossil fuel companies and the vast energy value chain.

Thinking a generation ahead

Even if not all investors and retirement funds choose to act on moral terms, surely they can respond to financial risk.

One major difficulty is aligning the long-term investment interests of asset owners - the funds, and ultimately those investing in the funds - with short-term incentives, in particular of their fund managers.

A 2012 *World Economic Forum report* suggests a range of measures that would help in the case of climate and other long-term policy goals that require redirection of large amounts of capital.

For example, tax incentives promoting long-term share ownership and new governance arrangements could favour longer term decision horizons. While work continues on disclosure frameworks, much greater work is needed on incentives extending the investment horizons of public funds.

But there are at least growing signs of change. As World Bank President Jim Yong Kim said at Davos:

It's simple self-interest. Every company, investor, and bank that screens new and existing investments for climate risk is simply being pragmatic.

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