

PENSIONS COMMITTEE 24 JUNE 2022

PUBLIC QUESTION TIME

1. Question from Jamie Russell

I am a father of two young children (11 and 14) who are terrified about the climate crisis.

They ask me how it is possible that my generation has allowed CO2 levels to rise to the highest levels in recorded human history. They ask me what it means when the UN Secretary General says humanity is 'standing on the abyss'. They ask me what the future will be like for them when they are my age.

Most of all, they ask me why CO2 levels are continuing to rise instead of falling.

I don't know what to say to them.

My daughters have written to Shropshire Council calling on councillors to commit to taking the necessary action to stave off disaster.

That hasn't happened. Shropshire is not on track to slash emissions 45% by 2030 as the UN IPCC recommends.

My daughters have written to the Pension Fund Committee, calling for divestment. Yet the fund continues to invest in companies that are expanding oil and gas infrastructure beyond what is compatible with a 1.5C world.

We currently have a 5% chance of staying below 2C and a 1% chance of staying below 1.5C.

Some of you sitting on this committee are parents and perhaps even grandparents.

If your children came to you in tears because the only version of the world they see ahead of them is one of widespread disaster and destruction, what would you say to them?

Would you tell them that you are doing everything you can?

Response:

As has been reiterated many times in response to similar questions received at every Pensions Committee meeting, Shropshire County Pension Fund Pensions Committee takes all its responsibilities very seriously and this includes climate change risk. The significant progress the Pension Committee has made over the last 2 years to tackle these very important issues can be found on the Pension Fund's website.

2. Question from Sal Mager

Since SCPF is invested in both BP and Shell, does SCPF support the decision by BP to divest its 20% stake in Rosfnet and support the decision by Shell to exit from joint ventures with Gazprom?

If you do support these decisions, does SCPF consider that there are moral and ethical reasons to stop doing business with these Russian fossil fuel companies?

Response:

On 27 February 2022, BP announced its intention to exit its 19.75% shareholding in Rosneft. BP's two nominated directors resigned from their posts with immediate effect. Shell's intention to exit its joint ventures with Gazprom was announced a day later on 28 February 2022.

BP and Shell have decided that involvements with Russian entities are no longer aligned with their business and strategy. This followed an international outcry over Russia's military aggression in Ukraine. Subsequently, governments around the world, including the UK government, imposed sanctions on Russian entities and individuals, including key personnel in Gazprom, Rosneft and Lukoil – the three largest Russian oil and gas companies. The UK imposed sanctions on the chief executives of Rosneft and Gazprom which included an asset freeze and travel ban measures. The Chairman of Gazprom Gerhard Schröder resigned to avoid the threat of sanctions.

As long-term investors we support long term decision making by the companies we invest in. The sanctions imposed by the international community on Russia and Russian companies made it very difficult for BP and Shell to continue with these relationships in any conventional business sense. With sanctions on share trading, dividends suspended and transactions in roubles frozen, it would have been difficult to have assessed how BP and Shell could have derived financial benefit from these relationships, certainly in the short term. What was already a challenging situation in terms of corporate governance became much more difficult post the invasion and the isolation of the Russian economy. Operational risks and reputational risks have also become more acute. There can be no doubt that decision making at Gazprom and Rosneft is being influenced by geo-politics and not just business considerations.

It is a matter of opinion, as to whether you think this was the right thing to do from a moral or ethical perspective but it appears to be underpinned by risk assessment and business considerations and based on the situation that prevailed at the time. It is correct that Shell and BP management make strategic calls, as the long-term performance of the company is ultimately their responsibility.