Dirty & Dangerous: the fossil fuel investments of Dutch pension fund ABP

Executive Summary

At the Paris Climate Summit, 195 countries agreed to limit global temperature rise to well below 2°C, and to strive for 1,5°C. In order to keep to these limits, fossil fuels must be kept in the ground.[1] This means that new fossil fuel development needs to stop and that existing fossil fuel infrastructure needs to be phased out.

In October 2015 the board of trustees for the largest pension fund in the Netherlands and the fifth largest in the world[2] - **Algemeen Burgerlijk Pensioenfonds (ABP)** - publicly announced a sharpening of its investment policy in terms of responsible and sustainable investments. In its *Vision 2020* ABP explicitly announced that it aims to be a "sustainable fund".[3]

We recognise that ABP's *Vision 2020* is an important first step. If ABP truly wants to become a sustainable pension fund, it must stop investing in the coal, oil and gas industry. This is particularly necessary since there is very little indication so far that engagement efforts are leading fossil fuel companies to make the necessary radical change to their core business models.[4],[5],[6] The very first step on this path should be the divestment from its coal assets. These are among the pension fund's most risky and climate-disrupting investments.

The precedent for divestment has been set: The world's largest sovereign wealth fund[7], the Norwegian GPF[8]; Norway's private pension fund serving public employees, KLP; the French insurer AXA;[9] and the German insurer Allianz[10] have already divested from coal for both financial and environmental reasons.[11] Their example shows that large investors can make their investments more sustainable and achieve good returns for their clients.

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1 McGlade & Ekins conclude in their Nature (2015) article that "globally, a third of oil reserves, half of gas reserves and over 80 per cent of current coal reserves should remain unused in order to meet the target of 2 °C.". http://www.nature.com/nature/journal/v517/n7533/full/nature14016.html Carbon Tracker estimates for listed firms that "60 - 80% of coal, oil and gas reserves of listed firms are unburnable". http://carbontracker.live.kiln.digital/Unburnable-Carbon-2-Web-Version.pdf

2 https://www.willistowerswatson.com/en/insights/2016/09/The-worlds-300-largest-pension-funds-year-ended-2015

3 ABP's Duurzaam en verantwoord beleggen 2015 verslag, Foreword.

4 https://www.theguardian.com/environment/2015/jan/15/engaging-with-oil-companies-climate-change-futile-admits-leading-environmentalist

5 https://www.greenbiz.com/blog/2013/05/29/why-shareholder-engagement-fossil-fuels-companies-wont-work

6 https://www.theguardian.com/environment/2015/mar/09/10-myths-about-fossil-fuel-divestment-put-to-the-sword

7 http://www.investopedia.com/news/5-largest-sovereign-wealth-funds/

8 https://www.stortinget.no/en/In-English/About-the-Storting/News-archive/Front-page-news/2014-2015/hj9/

9 https://www.axa.com/en/newsroom/news/about-whether-about-when

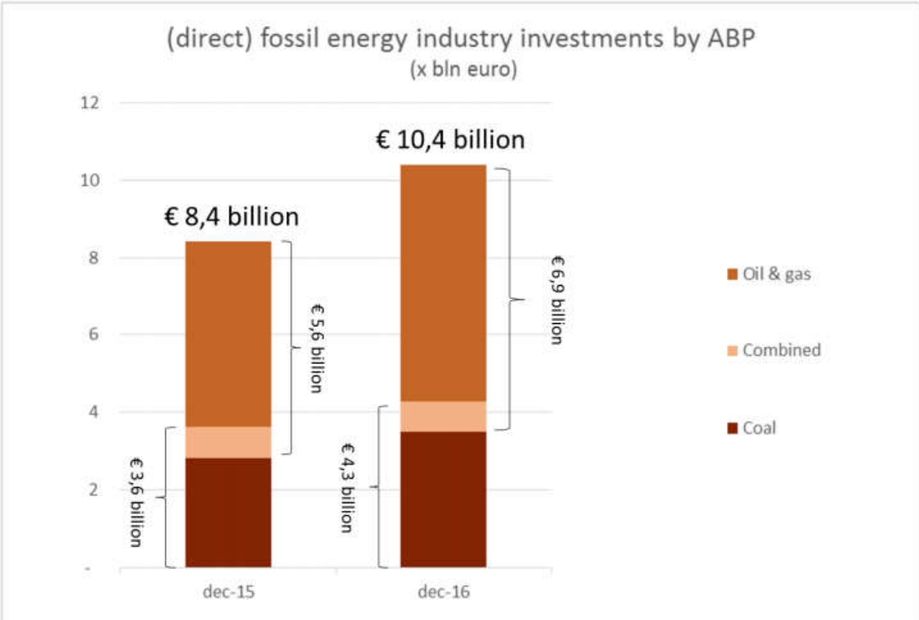
10 https://www.allianz.com/en/press/news/financials/stakes_investments/151123_allianz-is-phasing-out-coal/
https://www.theguardian.com/environment/2015/nov/24/allianz-to-cut-investments-in-companies-using-coal-in-favour-of-renewable-energy

11 https://www.theguardian.com/environment/2015/may/22/axa-divest-high-risk-coal-funds-due-threat-climate-change

However, our research shows that ABP is still a major investor in the fossil fuel industry. **In December 2016, ABP's investments in coal, oil and gas came to €10,4 billion.**

ABP's coal investments amounted to €4,3 billion. This is 18% (€658 million) higher than in December 2015. Especially worrying is the fact that many companies in ABP's portfolio are pursuing plans to build new capacity and infrastructure. Altogether, the companies in ABP's holdings plan to build over 239.000 megawatt of new coal-fired capacity. This is almost 5 times the size of Russia's current fleet of coal-fired power stations, or 50 times the Dutch, and is completely at odds with the goals of the Paris Agreement.

ABP is also heavily invested in oil and gas companies - €6,9 billion in December 2016[12]-an increase of 23 % (**€**1,3 billion) from 2015. These companies' core business models are based on new exploration and production of oil and gas, while already the potential carbon emissions from the world's *currently operating* fields and mines will take us beyond 2°C[13] .



ABP's continued high investments in coal, oil and gas is worrying in light of climate disruption. But this is not the only reason why the activities of the fossil industry are problematic. With our report, we give voice to communities suffering from the impacts of the most dirty and climate-disrupting investments, in coal.

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[12] Six "combined" companies are included in both subtotals for their classification as both coal and oil & gas companies. These are CNOOC, Sasol, CONSOL, SINOPEC, ENGIE, and BHP Billiton.

[13] http://priceofoil.org/2016/09/22/the-skys-limit-report/

- **Indonesia:** ABP invests in Itochu, Electric Power Development, and Adaro Power, the three companies spearheading the construction of the Batang Power Plant, which is slated to be the biggest coal fired power plant in Indonesia.[14] Residents around the plant have been jailed and intimidated for their opposition. Yet, between June and December 2016, ABP increased its investments in all three companies.
- **Colombia:** ABP invests in three of the largest coal mining companies in the country: BHP Billiton, Glencore, and Anglo American. Colombia has become one of the biggest coal exporters in the world, delivering most of its product to Western Europe.[15] Colombians are not reaping the benefit from these exports, as communities in the coal mining region have been impoverished, displaced, and subjected to violence by paramilitary groups associated with Colombia's "blood coal."
- **Australia:** A recent analysis showed that BHP Billiton and other coal companies have bought over 700.000 acres of land in New South Wales-- taking over a significant portion of the highest quality agricultural land in the country. These coal mines could threaten Australia's food and water security.[16]
- **Europe:** From a climate perspective, lignite is the dirtiest part of the coal industry and ABP is invested in Europe's largest lignite producers - RWE from Germany, Poland's PGE, and the Czech utility CEZ. From September to December 2016, ABP sold off a large portion of its investment in RWE, but now needs to fully divest from such companies.
- **United States:** Around 1/3 of ABP's coal investments are in US coal mining and coal power companies - more than €1,4 billion. Altogether, the annual greenhouse gas emissions from these eighteen companies comes to a whopping 753 million metric tons CO_2eq.[17] This is 3,8 times larger than the entire emissions of the Netherlands, which are 196 million metric tons CO_2eq. annually.[18]

In reviewing its entire portfolio against sustainability criteria, ABP expects that of the current 5.000 funds in which it invests, by 2020 only 3.500 will remain.[19] Yet, ABP's investment policy does not give a clear indication of the conditions and timeframe under which it will divest its fossil fuel holdings. We recommend ABP to responsibly exit out of the fossil fuel industry and:

1. **Sell off all of its investments in coal companies and permanently exclude the coal industry from its investments portfolio** (as defined in the Global Coal Exit List) **by the end of 2017.**
2. **Commit to selling off remaining oil and gas investments over the next five years and permanently exclude the oil & gas industry** from its investment portfolio (as defined in The Carbon Underground 200™).
3. **Increase transparency of its fossil fuel portfolio.** Provide clear and understandable information to the public each year regarding the scope and scale of all fossil fuel

[14] http://www.bhimasenapower.co.id/content/2527/central-java-coal-fired-power-plant-awarded-as-power-deal-of-the-year-2016-for-asia-pacific-region

[15] http://www.climatechangenews.com/2015/10/29/colombia-must-reduce-its-dependence-on-coal-exports/

[16] http://www.lockthegate.org.au/flogging_the_farm

[17] See methodology for in Appendices

[18] https://www.cbs.nl/en-gb/news/2016/36/greenhouse-gas-emissions-5-percent-higher-in-2015

[19] "ABP dumps 30% of investment funds in action plan towards sustainable investments" by Cor de Horde, 14 October 2015. http://fd.nl/ondernemen/1122708/pensioenfonds-abp-wil-duurzamer-gaan-beleggen&hl=nl&gbv=1&sei=oUceVtfYGovoasvVnqAJ&&ct=clnk

investments and its efforts to phase these out. This information should include the scope of fossil fuel investments in hands of external managers, information not currently made available to the public.