Still Dirty, Still Dangerous

the fossil fuel investments of Dutch pension fund ABP

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CONTENTS

APPENDICES

FOREWORD

The science is clear: we must and can shift away from fossil fuels towards an economy with a positive impact on our environment and society. The potential risks of ecosystem collapse, water shortages, climate change, local pollution or resources scarcity are enormous, only to be trumped by the potential benefits of creating circular, natural capital positive, social, sharing or bio-based economies. It is also clear that we are not there today, or that such a transition will happen overnight as it implies deep transformational changes. Technological change but just as much behavioural, institutional, cultural or societal change. The positive news is that we are on our way in this transition.

The Paris Agreement in 2015 has set a clear target for limiting climate change: keep global temperature rise well below 2 degrees Celsius and strive for 1,5. I am glad that ABP – the pension fund that also administers my own pension savings – endorses this target. It is however a mere guiding point for the broader economic transition emerging. This report shows that, unfortunately, ABP does not yet engage in a proactive and committed way to being part of this transition to a sustainable economy. Their investments in fossil fuel energy are completely at odds with the Paris Agreement, seriously underestimating the potential systemic and societal risks associated with these investments.

Transition research studies the dynamics underlying and driving large scale and abrupt systemic change in society. Historical research provides many examples of relatively short periods of disruptive change in sectors such as energy, mobility or food. Such transitions only occur when societal pressure for change gradually increases, radical alternatives (technologies, practices, business models, values) become competitive and dominant 'regimes' reach the end of their life-cycle. Recent examples in the Netherlands are the disruptive shift in the Dutch natural gas-'regime' triggered by local protests and societal pressures or how 'our' fossil fuel giant Shell is gradually cornered: involved in numerous court cases and also no longer a favourite future employer for engineering students.

With signs of transition momentum building, individual organisations are pressed to strategise for surprises. Transition offer the potential for much more rapid and large scale progress than could be achieved by optimising existing systems, increasing efficiency of production or through, potentially still necessary, carbon storage or negative emissions technologies. Transition also present systemic risks for incumbent industries and investments: they turn into stranded assets, go bankrupt, lose power or become marginalised. Vested interests and dominant actors are therefore likely to obstruct fundamental change and thus hamper the transition. The examples of Shell and ExxonMobil given in this report are clear illustrations of this dynamics.

To prevent catastrophic climate change, leadership is needed by a wide range of actors, including ABP. This leadership implies engaging seriously and in a proactive way with the emerging transition away from fossil fuel and resource use. To do so means exploring and investing in the emerging alternatives, taking a very critical stance against incumbent interests and rethinking one's own outlook towards the future and how risks are assessed. ABP is in an ideal position to become a pivotal actor in helping to realise a low-carbon future by supporting emerging sustainability transitions in for example the energy, mobility, industry, food and construction sector. But more importantly it needs to stop financing the fossil fuel industry. In this way, ABP stops legitimising the fossil fuel industry as if it has a longer term future and thereby prevents the industry to frustrate and slow down the energy transition any longer.

Derk Loorbach

Professor of Socio-economic Transitions and director at DRIFT, Erasmus University Rotterdam

AIMS OF THIS REPORT

This report is a follow-up analysis of the investments in fossil fuel companies made by the Dutch pension fund, Algemeen Burgerlijk Pensioenfonds (ABP).

The first report *Dirty & Dangerous: the fossil fuel investments of Dutch pension fund ABP*,[1] published in May 2017, informed ABP pension savers how their retirement savings were being invested in the fossil fuel industry and described the devastating environmental and human impacts of those investments. This report, *Still Dirty, Still Dangerous: the fossil fuel investments of Dutch pension fund ABP*, analyzes ABP's investments to identify any actions ABP has taken in the last year in line with the recommendation to divest from coal, oil, and gas.

ABP has carried out a data check of this report in advance. The analysis presented in the report falls under the full responsibility of the authors.

About the Publishing Organisations:

Both ENDS is an environmental and human rights organisation. Both ENDS supports the aims of the global fossil free movement and is specialised in linking international capital flows to local social and environmental challenges. It previously undertook research and participated in an OECD-complaint against ABP based on human rights concerns in the context of a coal-related investment by Posco, a company in which ABP was invested.

Fossielvrij NL is the Dutch branch of the global climate movement, 350.org.[2] It is a citizens' movement calling on ABP and other pension funds, cities, universities, philanthropic and cultural institutions to divest from coal, oil, and gas.

urgewald is a research-based advocate for the environment and has extensive experience with corporate research and accountability. urgewald was the main author of the *"Dirty and Dangerous"* report on the coal investments of the Norwegian Government Pension Fund, which was co-published with Framtiden i våre hender (Future in our Hands Norway) and Greenpeace Norway in November 2014.[3] Most recently, it developed and published the Global Coal Exit List (GCEL).[4]

NOTES

1 For full first report see http://www.bothends.org/en/Publications/document/180/Dirty-dangerous-the-fossil-fuel-investments-of-Dutch-pension-fund-ABP?category=Geld

2 https://350.org

3 https://urgewald.org/sites/default/files/dirty_and_dangerous_coal_gpf.pdf

4 https://coalexit.org/

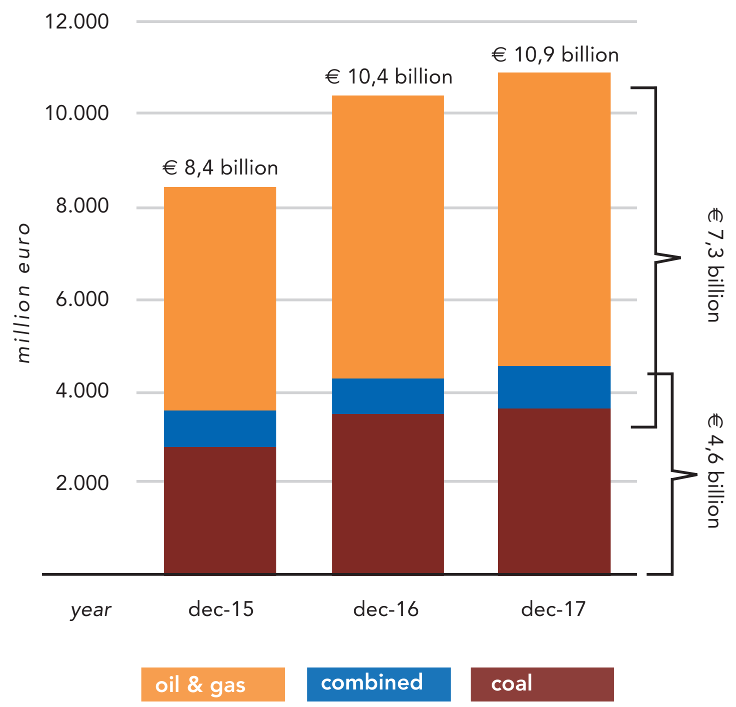
EXECUTIVE SUMMARY

The Dutch pension fund for civil servants, Algemeen Burgerlijk Pensioenfonds (ABP), is one of the largest pension funds in the world, serving one in six people in the Netherlands.[1]

ABP invested a total of €10,9 billion in the fossil fuel industry 2017[2],[3] – an increase of €500 million from 2016, and a remarkable €2,5 billion since December 2015, the first data point after ABP released its new investment policy *Vision 2020* that outlined its decarbonisation efforts.

Last year, our *Dirty and Dangerous* report called for divestment from coal by the end of 2017. ABP has missed the deadline we recommended, and actually **increased its coal investments to €4,6 billion** by December 2017; an increase of €265 million over the last year. Of those coal investments, ABP even continues to invest in a large number of coal companies expanding coal power capacity. We also called on the pension fund to divest from oil and gas by 2020, but ABP instead **increased oil and gas investments to €7,3 billion**, which is a 6 percent increase from December 2016.

(Direct) fossil energy investments by ABP



ABP Needs a Supply Side Strategy

ABP recently achieved its goal of reducing its CO_2 footprint by 25 percent in its shares portfolio.[4] This is good news and will likely make its investments more future proof under strict climate policies. **However, ABP has not taken steps to substantially reduce the root cause of climate change–the supply of fossil fuels.**

Just like most other funds,[5] ABP bases the CO_2 footprint calculations of a company in its portfolio by looking only at its direct operational emissions and its larger supply chain emissions.[6] The calculations do not include the emission from the use of sold products.[7] But these emissions are key in the case of fossil fuel companies.[8]

The policy also fails to recognise the companies' obstruction to a clean energy future, since new supply locks us into significant emissions down the road. As meteorologist Peter Kuipers Munneke says, "What we do over the next 15 years determines the climate for the coming tens of thousands of years."[9] **ABP should expand its decarbonisation efforts to include a supply side strategy.**

NOTES

1 https://www.abp.nl/english/about-us.aspx

2 To analyse ABP's investment portfolio, we look into the publicly disclosed "direct investments" - shares, convertible bonds and corporate bonds.

3 Companies diversified in coal, oil, and gas will appear in both the GCEL and Carbon Underground 200 appendices. Those companies include BHP Billiton LTD, Australia; China Petroleum & Chemical Corp. (SINOPEC); CNOOC Ltd.; ENGIE; and Sasol Ltd.

ABP has the policy tool to do so: divestment. In January 2018, ABP announced a next step in its investment policy that committed it to sell off all investments in tobacco and nuclear weapons manufacturers within one year.[10] The policy outlines that ABP considers divestment when: (1) the product is harmful to people, (2) its influence as a shareholder cannot change that fact, (3) it will not have a harmful effect if it were no longer there, and (4) a worldwide treaty exists for the purposes of eliminating the product. This is a positive step forward since it clearly shows that ABP chose divestment from a product as a feasible course of action in the case of problematic investments and could mobilise rapidly once the decision was made. **We argue that ABP's exclusion criteria also hold for coal, oil, and gas industries**.

Investments in the World's Top Polluters - Shell and ExxonMobil

ABP specifically invests €1,8 billion in Shell and ExxonMobil– by far its two largest investments in fossil fuels (close to 25 percent of its oil and gas investments). Shell and ExxonMobil are two of the one hundred companies responsible for over 70 percent of total global greenhouse gas emissions between 1988 and 2015.[11] They have limited plans to change. For example, Shell's recent "Sky Scenario"[12] projection claims the fossil industry can keep pumping oil and gas until 2070 – bringing cumulative CO_2-emissions to dangerous levels. The scenario relies on future generations to invent technologies trying to undo climate disruption[13]. This deludes us from making short-term changes and leaving fossils in the ground.

As we have seen in the examples of Shell and ExxonMobil in Nigeria, Equatorial Guinea and Gabon, their unrelenting construction of oil and gas projects show that the companies are willing to sacrifice land, communities, and morality for their short-term gains. Nor has the Paris Agreement caused them to change course. Shell and ExxonMobil's investments in new gas fields off the coast of southern Tanzania and northern Mozambique, likely operational after 2024 or even as late as 2030, will lock-in fossil fuel energy infrastructure in Africa for decades.

The two oil and gas giants' operations have also directly hurt Dutch citizens, including ABP's own pension savers. Shell and ExxonMobil jointly operate Nederlandse Aardolie Maatschappij (NAM) to extract gas in Groningen. ABP continued to invest in both companies as residents were struck by numerous devastating earthquakes instigated by the company's drilling. As ABP pension saver Ceciel Nieuwenhout describes, *"ABP invests in Shell and Exxon, so in fact also in NAM. I find it an unnerving idea that the pension fund I am obliged to contribute to invests in the companies that have caused so much suffering here in Groningen. If it was up to me, ABP would have stopped in investing in [Shell and Exxon] long ago!"*

ABP's Peers Stepping Up

While ABP has increased its investments in fossil fuel energy companies in 2017, leading financial institutions and ABP's own peers have announced steps toward full or partial divestment of coal, oil, and gas companies. Notably, New York City is not only divesting all five of its pension funds, it is also suing some of the largest polluters (including ExxonMobil and Shell).[14] Just in March 2018,

NOTES

4 https://www.abp.nl/over-abp/actueel/nieuws/terugblik-op-2017.aspx
5 https://www.abp.nl/images/verslag-duurzaam-en-verantwoord-beleggen-2016.pdf (p28)
6 Scope 1 and 2
7 Scope 3
8 http://www.climateaccountability.org/pdf/CarbonMajorsRpt2017%20Jul17.pdf
9 Peter Kuipers Munneke said this in a seminar organised by ABP and VBDO on 24-Jan-2017 http://www.vbdo.nl/news/Presentaties-en-Video-Werk-maken-van-verantwoord-beleggen . see also http://abp.fossielvrij.nl/2017/05/10/op-naar-het-abp-filmpje-speech/
10 https://www.abp.nl/images/eng_persbericht_productuitsluiting.pdf
11 https://b8f65cb373b1b7b15feb-c70d8ead6ced550b4d987d7c03fcdd1d.ssl.cf3.rackcdn.com/cms/reports/documents/000/002/327/original/Carbon-Majors-Report-2017.pdf?1499691240
12 https://www.shell.com/energy-and-innovation/the-energy-future/scenarios.html
13 https://www.ftm.nl/artikelen/shell-negatieve-emissies
14 https://cop23.unfccc.int/news/new-york-city-to-divest-pension-funds-of-fossil-fuels
15 They have come up with two set of thresholds: 1) Companies where turnover from extraction of coal + tar sands is more than 25 percent of company turnover, will be divested immediately. I.e. in 2018, 2) Companies where turnover from extraction of oil, coal, and tar sands is more than 50 percent, will be divested before December 2020.

the **Danish pension fund, MP**, also announced new investment criteria and threshold[15] to exclude coal, tar sands, and oil extraction companies after continued pressure from its pension savers– Danish high school teachers, lecturers, and scientists.[16] In the Netherlands, **BPL Pensioen** decided to decrease its CO2 emissions in its portfolio by 50 percent and achieved its goal by September 2017. In tandem, BPL also has taken steps toward partial divestment and expects to be coal-free by end of 2018.[17]

Recommendations

We encourage ABP to take the next step in its duty to care for its pension savers' retirement monies, and societal duty to eliminate the fossil fuel industry's "social license to operate," by expanding its climate efforts to include a supply side strategy. What's more, there is a clear argument for divestment when ABP rigorously applies its own new exclusion principles to fossil fuels. ABP's inaction in the last year means that it will have to pick up the pace. Again, we call on the pension fund to:

1. **Develop a holistic set of criteria to calculate ABP involvement in coal and aim to sell off a large portion of such coal assets by end of 2018.** We recommend using the Global Coal Exit List as a guide and start first by selling off the companies who are expanding coal power capacity. The divestment criteria should then be tightened in the next years so that all coal assets are sold off by 2020.

2. **Commit to selling off all its investments in oil and gas companies and permanently exclude the oil and gas industry from its investment portfolio** (as defined in The Carbon Underground 200™) **by the end of 2020**. Use 2018 and 2019 to apply stakeholder influence with an ambitious ask: these companies should stop investing in new oil and gas developments. If by end of 2020, these companies are still investing in new fossil fuel exploration, ABP must divest. This sends a strong message to these companies as well as the market and ABP's peer pension funds.

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 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.

We also strongly urge ABP's pension savers to voice their concerns more powerfully, as there is a clearly a need to push ABP towards these recommended divestment actions to stop ABP from becoming a further laggard amongst peer pension funds.

We are racing the clock and every day counts. ABP should take climate change seriously and commit to divest from the fossil energy industry now.

16 Email correspondence with Thomas Meinert Larsen and Both ENDS, dated 14 March 2018

17 Email communication between the board bureau of BPL and Both ENDS, 13 April 2018: "The choice of 5 percent as criterion was chosen because also at 5 percent the number of companies to be excluded was still manageable and it also had hardly any impact on the risk of the portfolio".

Lignite coal mines in Germany

1 INTRODUCTION

The Dutch pension fund for civil servants, Algemeen Burgerlijk Pensioenfonds (ABP), is one of the largest pension funds in the world, managing over €400 billion. With 2,9 million pension savers, about one in six people in the Netherlands rely upon ABP to care for their retirement.[5] Over the past years, there has been growing recognition that ABP's investments in the fossil fuel industry will have serious implications for its climate impact and financial performance. Both employees and employers (including major cities and universities)[6] have spoken out in petitions and letters to ABP calling on their pension fund to divest – i.e. to break the ties with the fossil fuel industry and phase out the current investments in coal, oil, and gas companies.

Last year Fossielvrij NL, Both ENDS, and urgewald came together to conduct an analysis of ABP's direct listed investments in coal, oil, and gas companies to understand if the pension fund had made any efforts to divest from fossil fuels in its first year under a new investment policy called *Vision 2020.* This culminated in a report, published in May 2017, called *Dirty and Dangerous: the fossil fuel investments of the Dutch pension ABP.* [7]

Last year's research showed that **ABP's direct investments in fossil fuel energy made available to the public totaled an astonishing €10,4 billion in 2016.**[8] Rather than decrease, our findings indicated that ABP had actually increased its direct investments in fossil fuel energy during the first year of its new "Vision 2020" policy implementation. In reaction to this sizeable investment in fossil fuel energy, our report outlined three recommendations for ABP to responsibly exit out of the industry: sell off coal immediately by the end of 2017, sell off oil and gas by 2020, and increase transparency of the ABP fossil fuel portfolio.

This report is an update of last year's research to assess in how far ABP has started to divest from the fossil fuel industry; and to explore some of the current investments in the fossil fuel industry in more detail.

NOTES

5 https://www.abp.nl/english/about-us.aspx
6 Five cities - Amsterdam, Den Haag, Boxtel, Nijmegen, Utrecht - and three universities - Groningen, Eindhoven, Utrecht -- have sent letters to ABP
7 http://www.bothends.org/en/Publications/document/180/Dirty-dangerous-the-fossil-fuel-investments-of-Dutch-pension-fund-ABP
8 http://www.bothends.org/en/Publications/document/180/Dirty-dangerous-the-fossil-fuel-investments-of-Dutch-pension-fund-ABP

2 ANALYZING ABP'S POLICY

2.1 VISION 2020

ABP Reducing its CO_2-Footprint

In October 2015, ABP sharpened its investment policy and announced its *Vision 2020* to be a "sustainable fund" by 2020.[9] ABP has outlined a number of concrete targets,[10] including a target to reduce the CO_2 footprint of a portion of its investment portfolio - the listed shares of direct company investments.[11],[12] Recently ABP announced it had reached its target – a 28 percent CO_2 footprint reduction in 2017.[13]

This is good news, as it reflects that ABP's policy has been a driver for efficiency. For example, ABP reduced emissions in its property stock, transport, and other industries – likely making its investments more future proof under strict climate policies. However, while ABP is reducing its CO_2 footprint, it has not taken steps to substantially reduce the root cause of climate change – the supply of fossil fuels. Its footprint calculations do not take into account that the fossil fuels produced by the industry will actually be burned and thus lead to CO_2-emissions. ABP also fails to see that investments in the fossil industry pin us for decades to come to more CO_2 emissions than the climate can handle – making it all the more urgent to eliminate such investments.

Why Reduction of the CO_2 Footprint is Not Good Enough

Just like most other funds,[14] ABP bases the CO_2-footprint calculations of a company in its portfolio by looking at its direct operational emissions ('scope 1') and its larger supply chain emissions ('scope 2'). The calculations do not include the emission from the use of sold products ('scope 3'). But these emissions are key in the case of fossil fuel companies.[15]

> "What we do over the next 15 years determines the climate for the coming tens of thousands of years."
> *meteorologist Peter Kuipers Munneke*

The vast majority of a fossil fuel company's emissions are associated with its product – coal, oil, or gas – burnt by the final consumers. Not evaluating that third scope in the case of fossil fuel companies obscures the actual climate consequence. For example, the calculation could favor an oil company for making energy saving on oil rigs by using LED-lighting or more efficient drilling techniques without addressing the real problem of pumping the oil to be burned.

How Our Current Investments Shape the Future

An even more important flaw of ABP's current policy is that it fails to see that investments in the fossil industry obstruct a transition to a clean energy future. As meteorologist Peter Kuipers Munneke says, "What we do over the next 15 years determines the climate for the coming tens of thousands of years."[16] Companies that continue to expand fossil fuel supply right now lock us into significant emissions.[17] ABP bases its fossil fuel investments in part on climate projections by the IEA, called the 450 Scenario,[18] that only gives us a fifty percent chance to get to a 2 degree world – a mere flip of a coin – and seriously off track from commitments to the Paris Agreement.[19]

Next to this physical lock-in, the fossil fuel companies also contribute to a mental lock-in. Historically the industry has played a major role in delaying climate action by lobbying against climate policies and spreading misinformation. Some companies, like Shell and ExxonMobil, have recently taken a new tactic to embrace the Paris Agreement – but on their own terms. As we discuss in chapter 4, Shell's most recent "Sky Scenario" projection exemplifies this perspective. The scenario assumes future generations will pay for large-scale infrastructure with yet-to-be-invented technologies to try to undo the climate disruption by our continued CO_2 emissions. This

In its *Vision 2020*, ABP committed to a new investment policy reviewing its entire portfolio against sustainability criteria, and by 2020:

- Reduce its CO_2 footprint for the listed shares it directly invests in by 25 percent (baseline 2015); [21]
- Double its investments with "high sustainable value" from €29 billion to €58 billion, with a thematic focus on security, education, and economic infrastructure;
- Increase investments in renewable energy to €5 billion (from €1 billion in 2014).

ABP also aims in its investment policy to focus on contributing to the UN Sustainable Development Goals.[22]

deludes us from making short-term changes and leaving fossils in the ground.

This is why ABP needs to enable a supply side approach to complement its CO_2- footprint targets. ABP says it supports the aims of the Paris Agreement and has some intention to invest less in fossil fuels over time.[20] We advocate that they act in line with the Paris Agreement and start divesting from the fossil fuel industry now to increase the probability of an orderly transition to a sustainable future that the world – and the financial markets – need.

2.2 ABP STARTS MAKING CLEAR CHOICES

A Precedent – ABP Excluding Tobacco and Nuclear Weapons

In January 2018, ABP announced a next step in its investment policy. The pension fund committed to selling off its investments in tobacco and nuclear weapons production within one year – a total of approximately €3.3 billion.[23] This is a positive step in a number of respects. One, ABP has listened to its stakeholders, and to society at large, that such industries do not align with a pension fund seeking to responsibly invest, thus effectively undermining companies' social license to operate. Two, ABP recognised that engagement and dialogue had not significantly changed the core business of these companies. Three, ABP chose divestment and exclusion of these products as a feasible course of action in the case of problematic investments.[24]

ABP set out a new set of criteria around decisions to exclude investments in specific industries. ABP seeks to divest its assets if:

1. The product is by definition harmful to people;
2. ABP's influence as a shareholder cannot change anything about that fact;
3. It has no harmful effect if the product would no longer be there;
4. A worldwide treaty exists for the purpose of eliminating the product.[25]

NOTES

9 Dialogue between ABP and Fossielvrij NL
10 http://fd.nl/ondernemen/1122708/pensioenfonds-abp-wil-duurzamer-gaan-beleggen
11 This CO_2 goal holds for directly owned shares and is adjusted for internally (managed by APG) as well as external (managed) portfolios. Clarified in email communication between ABP and Both ENDS 2 May 2018. See also http://www.p-plus.nl/resources/articlefiles/ABP2020.pdf
12 https://www.abp.nl/images/responsible-investment-report-2016.pdf
13 https://www.abp.nl/over-abp/actueel/nieuws/terugblik-op-2017.aspx
14 https://www.abp.nl/images/verslag-duurzaam-en-verantwoord-beleggen-2016.pdf (p28)
15 http://www.climateaccountability.org/pdf/CarbonMajorsRpt2017%20Jul17.pdf
16 Peter Kuipers Munneke said this in a seminar organised by ABP and VBDO on 24-Jan-2017 http://www.vbdo.nl/news/Presentaties-en-Video-Werk-maken-van-verantwoord-beleggen . see also http://abp.fossielvrij.nl/2017/05/10/op-naar-het-abp-filmpje-speech/
17 http://priceofoil.org/2016/09/22/the-skys-limit-report/
18 https://www.iea.org/media/weowebsite/energymodel/Methodology_450_Scenario.pdf
19 http://priceofoil.org/2018/04/04/off-track-the-iea-and-climate-change/

Applying the Exclusion Criteria to the Fossil Fuel Industry

What could this new policy mean for the fossil fuel industry investments? We can make a strong case the exclusion criteria also hold for the coal, oil, and gas industries.

1. The product is by definition harmful to people

Climate change, primarily caused by fossil fuel combustion, already harms people. Sea level rise has put densely populated coastal areas and even whole countries at risk, exposing their populations to danger.[26] Increasing disasters and extreme weather events, like the hurricanes that hit Puerto Rico and St. Maarten last year, have devastated coastline communities.[27] The UN Intergovernmental Panel on Climate Change (IPCC) report clearly links the impact of climate change to current and future threats to food security, water shortages, and desertification on an unprecedented scale.[28]

What's more, there are immediate and significant human rights abuses associated with fossil fuel extraction and production companies. Appropriation of land, non-compliance with national and international law, air pollution,[29] public health impacts, and intimidation of activists[30] have become industry practice.

2. ABP's influence as a shareholder cannot change anything about that fact

ABP has often countered the call for fossil fuel divestment by justifying its continued investment as a way to engage with companies and help them transition. Engagement has not proven to be an effective strategy to change the companies.[31] Tackling climate change requires radically overhauling the core business model of fossil fuel companies, and shifting to a managed decline in which the extraction business ceases to exist by no later than 2050.

There is limited indication so far that dialogue and engagement efforts like ABP and APG espouses are leading fossil fuel companies to fundamentally change their core business models. Stakeholder engagement has been able to influence companies like BP to provide detailed disclosures about climate risks, however the companies are still not planning to limit their effect and align with internationally-agreed targets.[32] For example, Shell's most recent climate ambition is not in line with the task of limiting warming to 2 degrees, not to speak of 1,5 degrees. Moreover, it is not a binding target.[33], [34] Shell management also resisted the special shareholder resolution in 2018 coordinated by FollowThis and resisted shareholder demands urging for a faster transition path in line with the Paris goals.[35] As former New York pension fund State Controller Tom Sanzillo said, *"Expecting engagement to change the fossil fuel industry ignores decades of evidence to the contrary."*[36] ABP can more readily influence the process by divesting, and in consequence, calling fossil fuel companies' social license to operate into question.

> "Expecting engagement to change the fossil fuel industry ignores decades of evidence to the contrary."
>
> Tom Sanzillo, Institute for Energy Economics and Financial Analysis

NOTES

20 "Verder gaan we minder beleggen in fossiele brandstoffen." As outlined in http://www.p-plus.nl/resources/articlefiles/ABP2020.pdf

21 This CO_2 goal only includes directly owned shares and does not include the larger portion of ABP's portfolio in the hands of external managers. Clarified in email communication between ABP and Both ENDS. See also http://www.p-plus.nl/resources/articlefiles/ABP2020.pdf

22 https://www.abp.nl/images/responsible-investment-report-2016.pdf

23 https://www.abp.nl/images/eng_persbericht_productuitsluiting.pdf

24 ABP stated in correspondence 26 April 2018 to Both ENDS that "it has had an exclusion policy for many years but the exclusion of products is new to the policy". Previously, ABP excluded only categories explicitly going against international treaties, such as the production of cluster weapons.

25 https://www.abp.nl/images/eng_persbericht_productuitsluiting.pdf

26 http://www.unhcr.org/en-us/climate-change-and-disasters.html

27 https://www.vox.com/energy-and-environment/2017/9/28/16362522/hurricane-maria-2017-irma-harvey-rain-flooding-climate-changeenvironment/2017/9/28/16362522/hurricane-maria-2017-irma-harvey-rain-flooding-climate-change

28 http://www.ipcc.ch/report/ar5/wg1/

29 https://insideclimatenews.org/news/01032018/air-pollution-data-african-american-race-health-epa-research

3.It has no harmful effect if the product would no longer be there
Our world is (still) highly dependent on fossil fuel energy, but desperately needs a speedy and orderly transition. Prolonged use of fossil fuel energy has "harmful effects," as the root cause of the dangerous climate crisis. Often, fossil fuel companies argue they are a force for good and play an important role in providing energy access to the more than one billion poor people currently without electricity.[37],[38]
The reality is that the energy access gap is better bridged by renewable energy. A study recently published by the International Energy Association (IEA) found that renewable energy is cheaper and much more effective to introduce in areas in need of energy access, mostly because of the off-grid abilities of renewables. The IEA projects that, if the world committed to providing universal access by 2030, renewables could take up 90 percent of the gap.[39] Moreover, the negative effects associated with the fossil fuel industry most severely hit these one billion poor people. Next to climate change, these effects include enhanced corruption, destruction of communities and degrading of local environments.

4. A worldwide treaty exists for the purpose of eliminating the product
At the Paris Summit in 2015, 195 countries agreed to limit global temperature rise to well below 2 degrees, and to strive for 1,5.[40]

In order to achieve the worldwide Paris Agreement, the fossil fuel industry cannot be allowed to expand.[41] The potential carbon emissions from the coal, oil, and gas stocks in the currently operating fields and mines alone will take us beyond 2 degrees.[42] Stopping new developments of fossil fuel resources is not the only step stay below 2 degrees, but it is a crucial step that has to be one of the first, followed by the phasing out of fossil fuel production capacities already in place.[43]

The pace of the phase out of fossil fuels is under debate, as the vested interests are high. The prevailing energy and climate scenarios describe a slower phase out; often based on limited climate targets (such as IEA 450's scenario 50 percent chance to stay below 2 degrees Celsius temperature rise —a mere flip of a coin) and underestimation of the build up pace of renewable energy. Moreover, such scenarios assume future generations will invent new technologies and pay for infrastructure (similar in size to the current gas industry) to try to compensate for the prolonged use of fossil fuels. In case that the solutions the scenarios rely on do not work out, global warming could reach 4 degrees Celsius or more–effectively giving us an unlivable planet.

Pension funds have a long-term perspective; it is in the interest of pension savers to not create a large burden to pay for by themselves or their (grand)children later this century. We therefore assume ABP does not take 'negative emissions' scenarios for granted. Even in these scenarios, phasing out fossil fuel use is a given (just slower).

Global institutional investors like ABP must be leading voices for a managed decline of the industry. ABP has to go beyond its current investment policy targets to act in line with the Paris Agreement—a global treaty that it has consistently referenced and endorsed.

ABP has the policy tool to do so: divestment. As argued above, the fossil fuel energy supply fits within this policy framework. ABP's exclusion criteria underline our call to divest from coal, oil, and gas companies.

NOTES

30 https://insideclimatenews.org/news/13072017/environment-activists-murdered-mining-oil-deforestation-rights-global-witness
31 https://www.ft.com/content/b5346cac-1e45-11e8-a748-5da7d696ccab
32 https://gofossilfree.org/the-new-top-200/ https://follow-this.org/resolution/2018/
33 https://decorrespondent.nl/7789/wat-mis-is-met-shells-bewering-dat-het-de-klimaatambities-van-parijs-zal-halen/858417901-ca555cc0
34 https://shareaction.org/wp-content/uploads/2018/03/InvestorBriefing-FollowThisResolution.pdf
35 https://follow-this.org/resolution/2018/ Shell management advised in 2018 voting AGAINST special shareholder resolution that " shareholders request Shell to set and publish targets that are aligned with the goal of the Paris Climate Agreement to limit global warming to well below 2°C. These targets need to cover the greenhouse gas (GHG) emissions of Shell's operations and the use of its energy products (*), they need to include long-term (2050) and intermediate objectives, to be quantitative, and to be reviewed regularly."
36 http://priceofoil.org/2018/03/26/shell-climate-scenario-bad-for-humanity/
37 https://www.iea.org/access2017/
38 https://www.motherjones.com/politics/2015/01/exxon-outlook-for-energy-report-counterattack/
39 https://www.carbonbrief.org/renewables-will-help-more-people-access-electrcity-than-coal-iea

3 ANALYZING THE NUMBERS - ABP'S INVESTMENTS IN THE FOSSIL FUEL ENERGY INDUSTRY

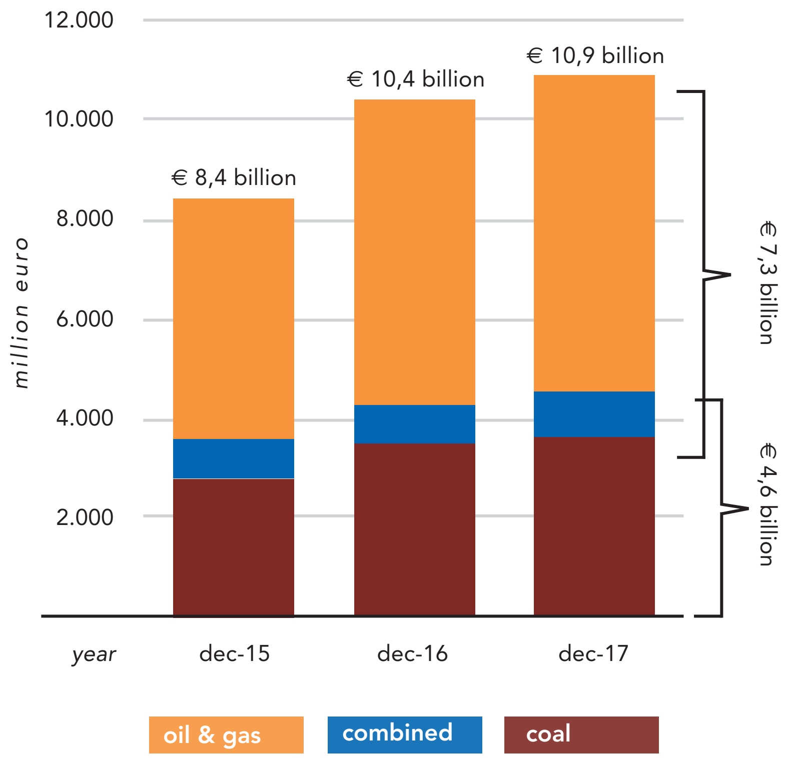
To analyse ABP's investment portfolio, we look into the publicly disclosed "direct investments" - shares, convertible bonds, and corporate bonds.

ABP's direct investments in the fossil fuel industry were €10,9 billion in December 2017.[44] This is an increase of €500 million (5 percent) from December 2016; and a €2,5 billion increase since December 2015 – the first data point after the release of *Vision 2020*. The investments are composed of 33 percent coal, 58 percent oil and gas, and 9 percent companies diversified in all three fossil fuel types.

The numbers represented in this report are an underestimation of ABP's full investments in the fossil fuel energy industry. In the webinar, "Responsible and Sustainable Investment," a board member indicated that **ABP holds about €16,5 billion of investments in the fossil fuel industry.**[45] The main reason for the difference is because ABP's direct investments made available to the public do not include what ABP invests in the fossil fuel energy industry in other ways - for example, via external managers. Moreover, our analysis only considers the top 200 oil and gas companies, since a more exhaustive review for oil and gas similar to the Global Coal Exit List (GCEL) was not accessible.[46] Still, the publicly disclosed investments represent close to half of all investments and give relevant insights into the trends within ABP's portfolio developments.

Fossil fuel investments account for 5,5 percent of ABP's direct investments as compared to last year's 6 percent. This means that the investments in the fossil fuel industry increased relatively less than the total portfolio of ABP.[47] **Even if the proportion of the overall portfolio has not increased in 2017, the absolute value of investments has risen, meaning that ABP has still not taken steps to divest.**

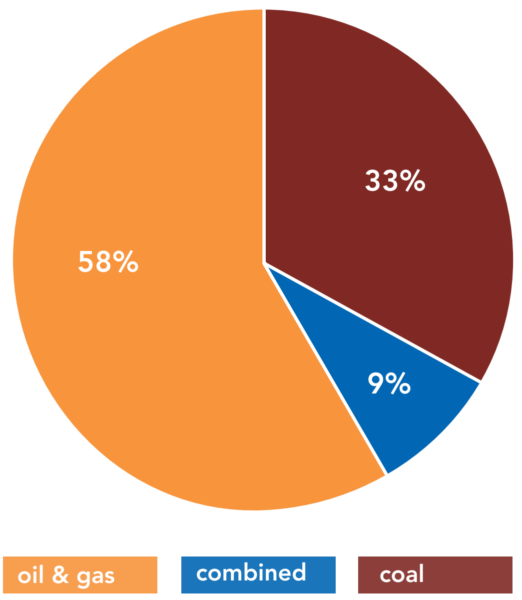
(Direct) fossil energy investments by ABP



40 http://unfccc.int/paris_agreement/items/9485.php
41 http://priceofoil.org/content/uploads/2016/09/OCI_the_skys_limit_2016_FINAL_2.pdf
42 http://priceofoil.org/content/uploads/2016/09/OCI_the_skys_limit_2016_FINAL_2.pdf
43 https://www.journals.elsevier.com/applied-energy/
44 Companies diversified in coal, oil, and gas will appear in both the GCEL and Carbon Underground 200 appendices. Those companies include BHP Billiton LTD, Australia; China Petroleum & Chemical Corp. (SINOPEC); CNOOC Ltd.; ENGIE; and Sasol Ltd.

(Direct) fossil energy investments by ABP

(x mln euro)



Coal

Our last *Dirty & Dangerous* report recommended that ABP should divest from coal by the end of 2017. Comparing the pension fund's investments in December 2017 to December 2016, we find that ABP has taken no steps to divest according to this recommendation and coal investments have increased by €265 million since 2016– totaling €4,6 billion. We also called on ABP to use the Global Coal Exit List (GCEL)[48] as criteria to define coal investments instead of the narrow criteria used by the fund to define its coal investments. So far we do not see indications of that change.

Another board member stated in the webinar, "Responsible and Sustainable Investment," that ABP needs to roll back its investments in coal in order to reach the climate goals, "We do indeed still invest in coal but we are seeing that its position in our portfolio is reducing from about 8 percent to 5 percent because investing in coal makes it very difficult to achieve our goals to reduce carbon dioxide emissions [from our portfolio]. So, it is decreasing."[49,50] However, when comparing ABP's public data to the GCEL,[51] we find that ABP's coal investments have not decreased over the past year. While the pension fund has sold 19 coal holdings, the absolute value of the investments in the remaining coal holdings has actually increased.[52]

One of the key findings in last year's *Dirty & Dangerous* report was that ABP heavily invested in companies building entirely new coal capacity, and this still holds for 2017.[53] Investments in new coal infrastructure are investments for the next 50 years. Reports by leading climate scientists[54] and the United Nations[55] all concur that there is no room for new coal mining or coal plants if we wish to keep the Paris Agreement within reach. Thus it is morally unacceptable to build up coal infrastructure. If ABP takes the Paris Agreement seriously it should swiftly stop investing in companies that are going to dig, deliver and burn coal for the next 50 years.

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45 Slide and statement by Carel van Eykelenburg, ABP Board and Investment Committee member

46 See Appendix 1 Methodology

47 After a rise in 2016, the percentage is now back to the level of December 2015, also 5,5%.

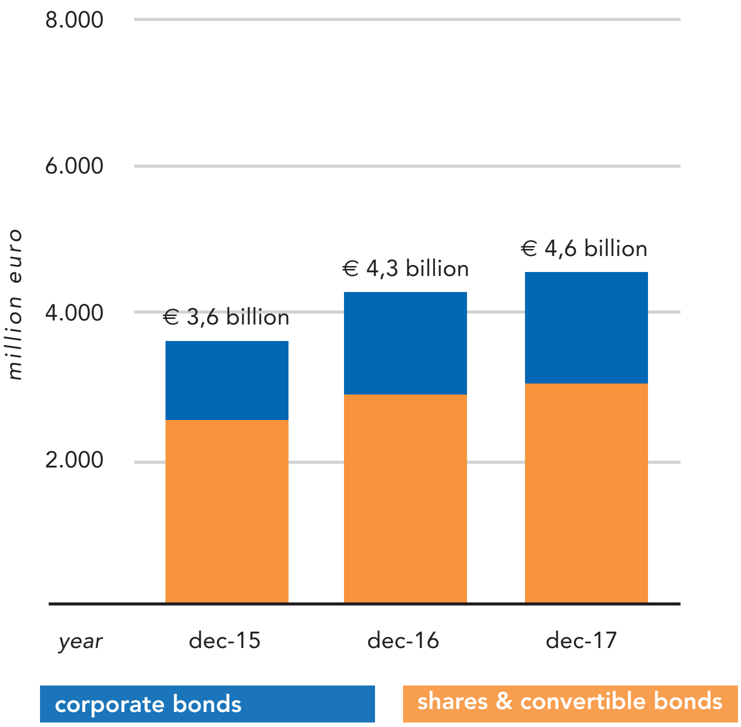
48 GCEL is developed by urgewald and the definitions of companies included are explained in Appendix

49 Statement by ABP Board member Geraldine Leegwater during webinar Sept 2017 https://www.abp.nl/over-abp/actueel/webinar.aspx

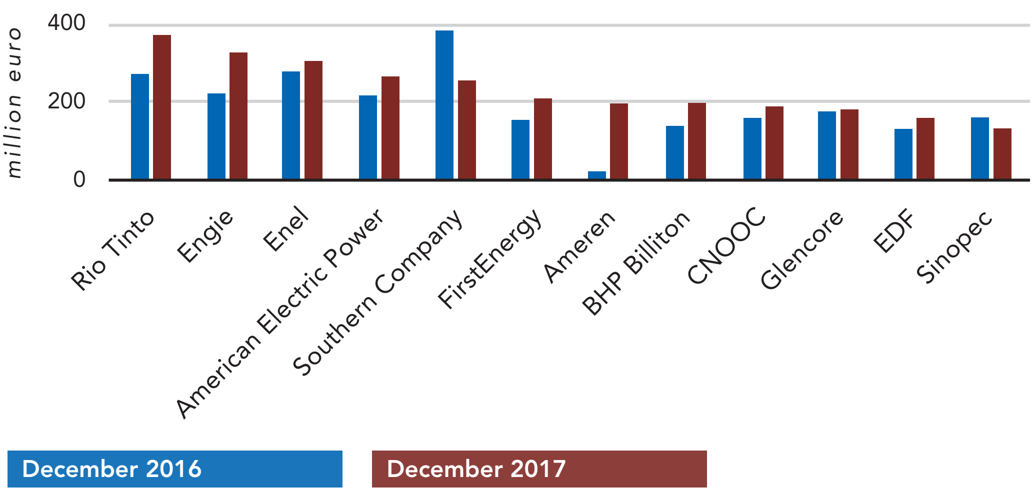
50 Note: The statement that investment in coal is "reducing from about 8 percent to 5 percent" is not consistent with our findings of an increase in these investments. Nor can we reconcile this with what ABP's other board member Carel van Eykelenburg stated in the webinar that "ABP has 16,5 billion in fossil fuel investments," indicating that the fossil energy investments account for 4% of ABP's total portfolio of €405 billion. Unfortunately we cannot resolve the discrepancy further as ABP is not fully transparent as to their fossil fuel investments.

51 ABP commented in response to 2017's *Dirty & Dangerous* report that they do not classify companies like EDF, ENEL, and ENGIE as "dirty" coal companies. We have continued to consider them as part of our divestment list on the GCEL because these companies are still building new coal plants when the climate cannot afford such projects. These companies need to be critically evaluated for commitments to a managed decline. Moreover ABP should not use these companies as a reason not to divest from coal more generally.

(Direct) coal industry investments by ABP



Top 12 coal investments by ABP (mln euro)



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52 ABP comment to Both ENDS during the advance data check of this report: "In het volgende Verslag Duurzaam en Verantwoord Beleggen, dat op 9 mei wordt gepubliceerd, hebben we een vergelijking opgenomen van de energiemix in 2015 en 2017. Daarin is te zien dat het aandeel kolen afneemt van 8% naar 5%. De daling is mede veroorzaakt door de CO_2 target." Thus, our conclusion is that ABP uses a much more narrow definition of coal than the GCEL and were it to use GCEL, would align with our findings.

53 In 2017, ABP still invests in companies building 196.000 MW of new coal capacity. New coal capacity is defined as Urgewald's top 120 top coal plant developers, available at https://coalexit.org/database

54 http://climateactiontracker.org/assets/publications/publications/CAT_10_Steps_for_1o5.pdf

55 https://wedocs.unep.org/bitstream/handle/20.500.11822/22070/EGR_2017.pdf

Oil & gas

Parallel steps are needed for ABP to move its money out of oil and gas, and we urged ABP to do so by 2020. In December 2017, ABP still had €7,3 billion in oil and gas– a 6 percent increase from December 2016 and an astounding 30 percent increase from December 2015.

Specifically, ABP is heavily invested in Shell and ExxonMobil. Its shares in these two companies make up 25 percent of its oil and gas portfolio. Share price changes do not explain the changes in ABP's portfolio (resp. +6,9 percent for Shell and -7,5 percent for ExxonMobil).[56] Thus ABP has bought more of Shell[57] and much more of ExxonMobil[58] during 2017. As Chapter 4 will discuss, outsized investments in these two companies are particularly concerning given the climate, environmental, and human impacts these specific companies cause.

Divesting from oil and gas is critical because projects that spend pension savers' cash on expanding the dirty fuels' infrastructure today locks us into new energy infrastructure that we cannot use down the road. Investing heavily in these companies, as is the case with ABP, instead of pulling cash out runs the risk of locking in more stranded assets. Oil and gas investments are sometimes framed as 'lower emissions' than investments in coal but this is contested. Methane pollution associated with the extraction of oil and gas is more carbon intensive than previously estimated, seriously accelerating global warming.[59] To prevent further climate disruption we need to phase out coal as well as oil and gas. Ending the easy access to capital for the production chains of all fossil fuels will furthermore contribute to enhancing the investment potential for renewable alternatives.

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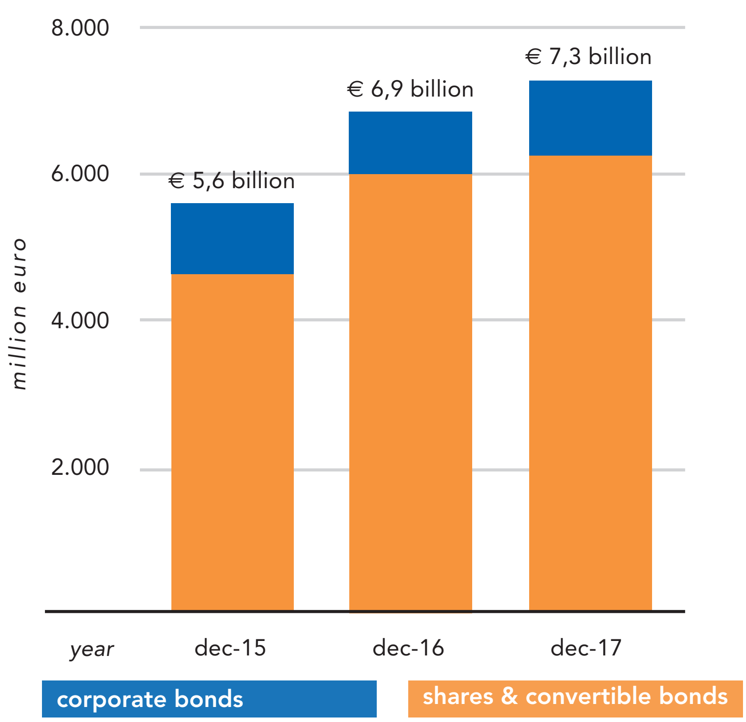
56 Royal Dutch Shell RDS-AS share price history shows 6,9 percent increase from 30-12-2017 (€25.99) to 29-12-2017 (€27.79). ExxonMobil share price history shows it ended 2016 higher ($90.26) than 2017 ($83.64) - a decrease of 7.5%. https://finance.yahoo.com/quote/RDSA.AS/history?period1=1483225200&period2=1514588400&interval=1d&filter=history&frequency=1d&guccounter=1

57 ABP total investment in Shell was €699 million in 2017 vs €472 million in 2016, increase of 48%.

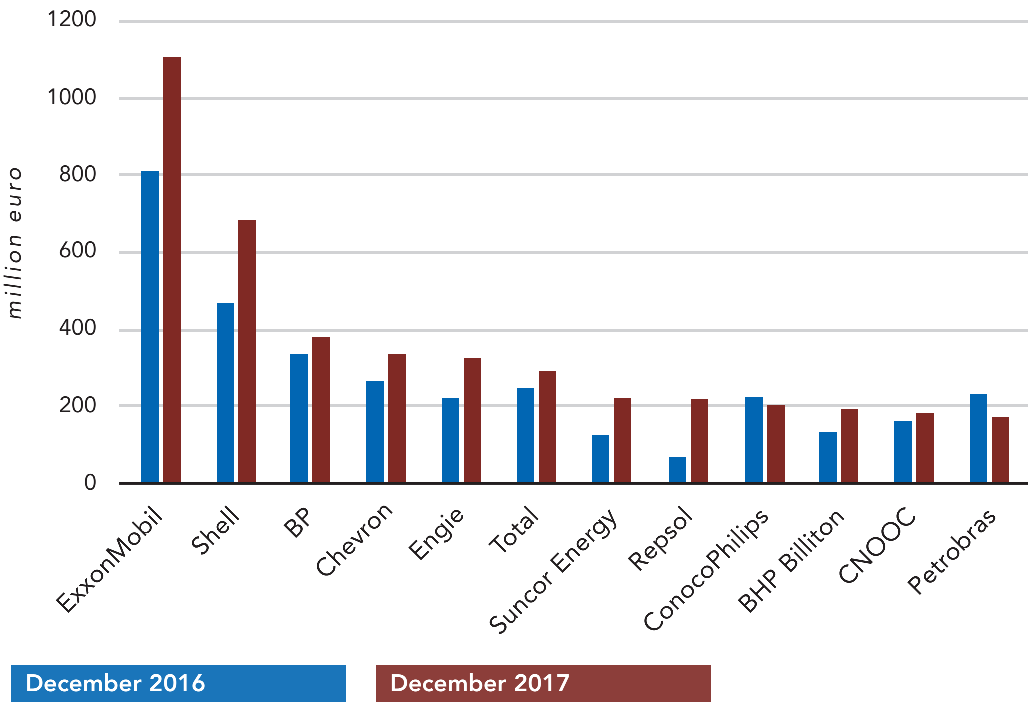
58 ABP total investment in ExxonMobil was €1.130 million in 2017 vs €831 million in 2016, increase of 36%.

59 https://www.theguardian.com/environment/2016/oct/05/fossil-fuel-industrys-methane-emissions-far-higher-than-thought

(Direct) oil & gas investments by ABP



Top 12 coal investments by ABP (mln euro)



Illegal coal collecting at Coronation, a coal mine, Mpumalanga, South Africa.
©Action Aid South Africa

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60 See full cases in last year's report page 22-34 http://www.bothends.org/en/Publications/document/180/Dirty-dangerous-the-fossil-fuel-investments-of-Dutch-pension-fund-ABP?category=Geld

61 https://www.theguardian.com/environment/2017/dec/18/newcastle-worlds-biggest-coal-export-port-announces-shift-away-from-coal

62 https://www.abp.nl/over-abp/actueel/webinar.aspx

63 http://www.rwe.com/web/cms/de/1101724/boaplus/

64 [1] http://www.handelsblatt.com/my/unternehmen/energie/strommarkt-rwe-setzt-weiter-auf-kohle-und-verhandelt-mit-enbw-ueber-kraftwerkkauf/21053728.html?ticket=ST-8858487-BCfbvCwNIocQ7XGR50GT-ap2
[2] https://www.reuters.com/article/us-uniper-m-a-fortum-oyj-rwe/rwe-likely-to-target-uniper-assets-after-fortum-takeover-sources-idUSKBN1CI18U
[3] https://www.reuters.com/article/us-engie-germany/frances-engie-exploring-sale-of-german-power-plants-sources-idUSKCN1GJ20Y

65 https://www.washingtonpost.com/news/powerpost/paloma/the-energy-202/2017/10/12/the-energy-202-coal-production-is-actually-up-under-trump-should-he-get-credit/59de9a3d30fb041a74e75cf0/?utm_term=.ec79dfd70804

4 A CLOSER LOOK AT ABP'S FOSSIL FUEL INVESTMENTS

4.1 COAL COMPANIES: A REVIEW

Last year's report included five case studies to illustrate the climate, environmental, and human impacts of ABP's coal investments.[60] We find it deeply troubling that ABP is still heavily invested in most of the companies highlighted in the five coal case studies a year later. The following summarises the five cases and how ABP's investments have changed:

- Indonesia: ABP has sold off Electric Power Development but still invests in Itochu and Adaro Power, the two companies spearheading the construction of the Batang Power Plant, which is slated to be the biggest coal fired power plant in Indonesia. Residents around the plant have been jailed and intimidated for their opposition. The power plant is expected to start operating in 2020.

- Colombia: ABP remains invested in the joint venture partners behind the enormous Cerrejón mine in Colombia: 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. Colombians are not reaping the benefit from these exports, as communities in the coal mining region have been impoverished, displaced, and subjected to violence.

- Australia: ABP's stake in BHP in Australia and UK has decreased slightly. In addition to the coal mines in New South Wales, BHP also owns 35 percent of the Newcastle Port, which is the world's largest coal port. It is located right next to the Great Barrier Reef and contributes to the irreparable damage of this World Heritage Area. Just in December 2017, the new Newcastle Port board chair recognised the precarity of its partial owner's industry and admitted the Port's urgent need to diversify its traffic away from coal.[61]

- Europe: ABP exited Czech CEZ but is still invested in Europe's largest lignite producers—RWE from Germany and Poland's PGE. From September to December 2016, ABP sold off a large portion of its investment in RWE. In a recent webinar, ABP pointed to its divestment from RWE as an example of a shift in its investments away from coal.[62] This was short-lived because ABP bought corporate bonds in 2017, disappointingly indicating that ABP was not on a divestment path from RWE. The energy company is on the GCEL because it is planning to build another lignite-fired power plant[63] and is willing to buy up coal plants from companies that are transitioning away from coal.[64]

- United States: Around one third of ABP's coal investments (€1,3 billion) are in US coal mining and coal power companies without much change in 2017. ABP's continued investments in the US coal industry puts it in a position that de facto profits from US President Trump's support of

Lignite coal fired power plants in Germany ©urgewald coal and his decision to pull the US out of the Paris Agreement. This is no doubt a short-sighted tactic, since the industry is still projected to rapidly decline regardless of Trump's support.

4.2 OIL & GAS COMPANIES: ABP'S BIGGEST INVESTMENTS SHELL AND EXXONMOBIL

Shell: €699 million (increase of €227 million, 48 percent over 2016)
ExxonMobil: €1.130 million (increase of €299 million, 36 percent over 2016)

Just one hundred companies are responsible for over 70 percent of total global greenhouse gas emissions between 1988 and 2015. Of those companies, Shell and ExxonMobil are in the top ten. ABP currently invests €1.829 million in the two oil and gas giants combined– its two largest investments in fossil fuel energy companies. We take a closer look at these companies from two angles–climate change and direct impacts.

Continuing to disrupt the climate

Shell and ExxonMobil continue to build fossil fuel infrastructure for short-term gain and put communities around the world at risk.[67] Shell's most recent "Sky Scenario"[68] projection published in March 2018 claims to stay within the Paris Agreement but has the fossil fuel industry pumping oil and gas until 2070. The scenario allows CO_2-emissions to cumulate to dangerous levels and depends heavily on technologies not even invented yet to undo the climate disruption by removing CO_2 from the atmosphere and store it under the ground. [69,70] Relying on negative emissions as a core technology is a huge gamble that has a high potential of failure.[71] As Greg Muttitt of Oil Change International put it, "The lesson is simple: If you want to know how to fix climate change, don't ask a company that wants to sell you more oil and gas."[72]

#ExxonKnew and #ShellKnew -- Climate Denialism

2018 is the 40th anniversary of ExxonMobil's scientific understanding of the warming climate. In the time since, not only has the company not taken action, it has challenged the scientific basis of climate change.[73]

> "The lesson is simple: If you want to know how to fix climate change, don't ask a company that wants to sell you more oil and gas."
>
> *Greg Muttitt of Oil Change International*

Shell is no different. The Dutch news forum "De Correspondent" recently revealed documents that confirm that the oil giant knew about the risks as early as 1986 and made a film about climate change in 1991.[74] Shell then "neglected to heed its own warning" and lobbied against climate legislation and relied heavily on statements made by climate deniers for its public outreach for years.[75] In 1989, the Fossil fuel company even reinforced its own oil platforms for sea level rise while continuing to fund climate denialist campaigns.[76] Shell's uncovered documents are key evidence for a legal case against Shell being pursued by Milieudefensie (Friends of the Earth Netherlands).[77]

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66 https://b8f65cb373b1b7b-15feb-c70d8ead6ced550b4d-987d7c03fcdd1d.ssl.cf3.rackcdn.com/cms/reports/documents/000/002/327/original/Carbon-Majors-Report-2017.pdf?1499691240
67 http://priceofoil.org/content/uploads/2017/11/gas-briefing-nov-2017-v5.pdf
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69 https://decorrespondent.nl/7789/wat-mis-is-met-shells-bewering-dat-het-de-klimaatambities-van-parijs-zal-halen/858417901-ca555cc0
70 https://www.ftm.nl/artikelen/shell-negatieve-emissies
71 http://www.web.cemus.se/wp-content/uploads/2018/02/The-Trouble-with-Negative-Emissions.pdf
72 http://priceofoil.org/2018/03/26/shell-climate-scenario-bad-for-humanity/
73 https://insideclimatenews.org/news/13042016/climate-change-global-warming-oil-industry-radar-1960s-exxon-api-co2-fossil-fuels
74 https://decorrespondent.nl/6784/van-je-aandeelhouders-moet-je-het-hebben-zo-kan-shell-wel-een-klimaatvriendelijk-bedrijf-worden/2823208226432-6749085b
75 https://thecorrespondent.com/6285/shell-made-a-film-about-climate-change-in-1991-then-neglected-to-heed-its-own-warning/692663565-875331f6
76 http://www.ciel.org/wp-content/uploads/2018/04/A-Crack-in-the-Shell_April-2018.pdf
77 https://www.climateliabilitynews.org/2018/04/05/shell-knew-climate-change-liability/
78 https://www.theguardian.com/environment/2015/mar/25/fossil-fuel-firms-are-still-bankrolling-climate-denial-lobby-groups

The companies have recently admitted to the need to curb climate change, but still channel funds into climate denialist groups and lobby to limit climate action.[78] In a broader sense, their propagation of 'negative emissions' to bring down CO_2 concentrations in the future can be considered as a more subtle form of climate change denial – the denial of the need of rapid, real changes.

Corporate Engagement Not a Pathway Forward

In ABP's 2016 Sustainability Report, the pension fund referenced its corporate engagement with ExxonMobil. ABP joined other institutional shareholders in 2017 and submitted and supported a 2017 resolution asking ExxonMobil to publish a 2 degree scenario planning. One of ABP's own external asset managers, Blackrock, who co-submitted the resolution, cited its disappointment in Exxon's subsequent reporting, saying, "We remain concerned that ExxonMobil's reporting does not substantially address a 2 degree scenario."[79,80]

Similarly, a coalition of Dutch pension funds, led by ABP, called on Shell to stop its Arctic exploration for oil in 2015.[81] While Shell initially stopped its exploration, mostly due to an Obama era ban on Arctic drilling, it promptly initiated efforts again once the Trump Administration gave the green light for a different Arctic oil project and is exploring in partnership with ENI the Beaufort Sea part of Arctic Ocean, ABP's continued and growing investments in Shell and ExxonMobil enable the companies' irresponsible behavior. [82,83,84]

On the other hand, Shell uses the entanglement of pension funds as a legitimation to keep expanding its oil and gas activities. Ben van Beurden, CEO of Shell, recently condoned these activities in an interview by reasoning it is Shell's societal duty to generate dividends and gain high profits for pension funds and others.[85]

Direct Impacts - The Reality of Environmental and Human Rights Abuses

Shell and ExxonMobil are also linked to environmental and human rights abuses all around the globe– from destroyed communities, to corruption scandals, to degraded environments. The cases below confirm a trend of decades-long abuses in Africa and the Dutch province of Groningen.

Shell and ExxonMobil in West Africa

The Best-Known Case: Shell in Ogoniland, Nigeria

Nigeria is one of the oldest extraction points in West Africa and one of the best-known cases of Shell's exploitation.[86] In the 1990's, the Movement for the Survival of the Ogoni People (MOSOP) was formed in reaction to the destruction of the land of the indigenous Ogoni people by the oil infrastructure projects. MOSOP still calls for an end of Shell's presence in the Niger Delta region.[87,88] Shell worked directly with the Nigerian military to suppress the movement through tactics such as rape, destruction of homes, and murder.[89]

Shell's mistreatment of the Ogoni people does not end in the 1990's. Since then, the community has been hit by oil spill after oil spill, threatening their health, drinking water, and economic vitality. The United Nations Environment Programme found that the groundwater contamination was 450 times the legal limit in 2011, affecting 40.000 people in the surrounding area. The Nigerian

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79 https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-exxon-may-2017.pdf

80 https://www.forbes.com/sites/mikescott/2018/03/26/grading-exxonmobils-climate-risk-report-u-for-unsatisfactory/#5860630aee85

81 ABP's Sustainable and Responsible Investment 2015, http://jaarverslag.abp.nl/docs/pdfs/ABP_Duurzaam_en_Verantwoord_Beleggen_2015.pdf

82 https://nos.nl/artikel/2184029-shell-zoekt-toch-weer-olie-in-noordpoolgebied-aandeelhouder-boos.html

83 https://www.reuters.com/article/us-eni-oil-arctic/italys-eni-begins-drilling-oil-well-in-alaskas-beaufort-sea-bsee-idUSKBN1EL1L1

84 Email communication from ABP to Both ENDS during fact check review of this report 2 May 2018: "Shell heeft verzekerd dat zij niet actief zijn in Arctische gebieden. De betreffende casus verwijst waarschijnlijk naar Eni, die daar een licentie hebben maar ook geen concrete plannen voor boringen." Note to reader: ABP also invests €26 million in ENI as of December 2017.

85 https://soundcloud.com/studio-energie/afl-7-shell-ceo-ben-van-beurden-over-transitie-teleurstelling-en-twijfel Minute 13.00

86 http://www.europarl.europa.eu/document/activities/cont/201202/20120229ATT39554/20120229ATT39554EN.pdf

87 http://www.rightlivelihoodaward.org/laureates/ken-saro-wiwa-movement-for-the-survival-of-the-ogoni-people/

88 http://mosop.org.ng/

Niger Delta Oil "Leave the oil in the soil" ©Sosialistisk Ungdom (SU)

government regulator deemed the area clean in 2012, but in 2015 black oil still covered the ground.[90]

In 2017, an Italian court ordered Shell and its partner, ENI, to stand trial for one of the biggest bribery trials of all time.[91] The companies and their employees are alleged to have knowingly participated in a bribery scheme, paying €1,1 billion to a former Nigerian oil minister's "high-powered kickback and bribery scheme", to acquire an offshore oil field known as OPL245.[92]

ExxonMobil and the Oil-Fueled Corruption in Equatorial Guinea

When ExxonMobil entered Equatorial Guinea in 1991 to exploit newly-discovered oil, the country's GDP was €110 million. It now has the highest GDP of any Sub-Saharan country.[93] This new wealth did not reach the majority of Equatorial Guinea's population, but instead funded a repressive and corrupt government. In 2004, a subcommittee of the American Senate identified a bank account where ExxonMobil deposited hundreds of millions of euros into the personal coffers of President Teodoro Obiang Nguema, the longest ruling head of state on the continent.[94] The President used the funds to buy yachts and villas while Equatorial Guinea citizens lived without basic amenities.[95]

ExxonMobil's deep investments and specific payoffs to high-up officials has made the extreme wealth disparity and general suppression possible. As a New York Times author wrote, "Few countries symbolise oil-fueled corruption and nepotism more than Equatorial Guinea."[96] There are no signs that ExxonMobil seeks to stop its extraction in Equatorial Guinea. In 2017, ExxonMobil signed a contract with the government to operate a deep-water drilling station just off the country's shores.[97]

Shell and ExxonMobil oil in Gabon

Like its neighbour Equatorial Guinea, Gabon is a clear example of oil-rigged politics and non-compliance with national and international laws. Both

Shell and ExxonMobil have been active in Gabon since the 1990's. Once a country with a heavily dense tropical rainforest, home of the African bush elephant, and described by a former worker of Shell as "paradise"– it has turned into "oil-hell".[98]

As an environmentalist recounts, "both ExxonMobil and Shell have been at the heart of heavy oil spills in some of Gabon's most forested areas, resulting in water pollution and loss of livelihoods of the population, forcing people to leave those areas. Not only are the environmental effects noticeable, our country has seen an increase in human rights abuses, both by companies and our government. People are afraid to speak out or they simply disappear".[99]

After being in Gabon for about 15 years, Shell sold all its onshore plots to the capital holder Assala Energy Holdings Ltd., a portfolio company of The Carlyle Group in 2015, officially leaving Gabon in 2017. However, appearances can be deceiving. Right after Shell sold its onshore shares, it started looking into opportunities to operate deep-water drills off Gabon's pristine coastline.[100]

Shell and ExxonMobil turning to the "green gas": Tanzania and Mozambique

Since the discovery of the world's third largest natural gas fields just off the coast of Southern Tanzania and Northern Mozambique, oil and gas companies—including Shell and ExxonMobil—jumped into negotiations with the Tanzanian and Mozambican governments. ExxonMobil now owns 35.7 percent of ENI's 70 percent offshore Area 4 in Mozambique, mostly to be used for upstream gas developments.[101] Shell and ExxonMobil are major shareholders in the Tanzanian gas fields and in Mozambique; Shell is hoping to construct a Gas-To-Liquid (GTL) plant on American Anadarko's 7.000 hectares land concession. The company recently signed a contract with the Mozambican government which ensures its contribution to the upcoming gas industry in this country.[102]

Shell and ExxonMobil's investments in new gas fields, likely operational well after 2024 or even as late as 2030, are clear examples of their non-compliance with their own statements to uphold the Paris Agreement. Moreover, their investments are already affecting Mozambique and Tanzania. Both countries have seen an increase in more repressive politics, militarisation of the exploration areas, violence and insecurity, and a general atmosphere of fear, mistrust, and suspicion by the local population.[103] The exploration and activities on the ground are affecting people living on the coast and their environment—deep sea and onshore drilling in combination with infrastructure development bring high levels of risk to the livelihoods of coastal communities. However, this is neglected by both local authorities and the companies, with Shell and ExxonMobil putting the burden of responsibility on the local government.[104]

Bringing Disaster Home - Groningen

Shell and ExxonMobil do not just cause human and environmental damage in relatively more vulnerable countries in West Africa and elsewhere. The two oil and gas giants' operations have also hurt Dutch citizens, some of whom are ABP's own pension savers.

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89 https://www.amnesty.org/download/Documents/AFR4473932017ENGLISH.PDF
90 https://postconflict.unep.ch/publications/OEA/UNEP_OEA.pdf
91 https://www.bloomberg.com/news/articles/2017-12-20/eni-shell-to-face-trial-in-italy-over-1-billion-bribery-case
92 https://qz.com/1162711/nigeria-corruption-shell-and-eni-to-stand-trial-over-1-1-billion-opl245-bribery-oil-deal/
93 https://www.newsday.com/opinion/commentary/how-our-incoming-secretary-of-state-helped-to-enrich-one-of-africa-s-nastiest-dictatorships-1.13061604 cont/201202/20120229ATT39554/20120229ATT39554EN.pdf
94 https://www.nytimes.com/2016/12/13/world/americas/tillersons-company-exxon-mobil-follows-its-own-foreign-policy.html
95 https://www.newsday.com/opinion/commentary/how-our-incoming-secretary-of-state-helped-to-enrich-one-of-africa-s-nastiest-dictatorships-1.13061604
96 https://green.blogs.nytimes.com/2009/07/09/oil-corruption-in-equatorial-guinea/
97 https://www.chron.com/business/energy/article/Exxon-to-look-for-oil-off-Equatorial-Guinea-11196754.php
98 WhatsApp conversations between Both ENDS and former worker at Port-Gentil, of which Shell had 17% ownership until 2016. https://www.mbendi.com/indy/oilg/ogrf/af/ga/p0005.htm
99 Telephone communication between Gabon NGO BrainForest and Both ENDS, 22 April 2018. https://www.state.gov/documents/organization/265468.pdf

Shell and ExxonMobil came together in a joint venture, called Nederlandse Aardolie Maatschappij (NAM), in 1947 to start extracting oil and gas fields within the Netherlands. In 1959 a huge natural gas deposit was found in the northern province of Groningen. Following decades of gas exploration Groningers have in recent years been struck by devastating earthquakes due to underground soil subsidence. While the safety of thousands of buildings and old monuments has been jeopardised local people receive little to no compensation or recognition from NAM. After years of continued protests, the people of Groningen finally received a huge win when the Dutch government called for a halt in gas production by 2030[105] —sadly a time horizon that almost coincides with expected full depletion of the gas field that was once Europe's largest.[106]

As ABP pension-saver Ceciel Nieuwenhout, describes, "ABP invests in Shell and Exxon, so in fact also in NAM. I find it an unnerving idea that the pension fund I am obliged to contribute to invests in the companies that have caused so much suffering here in Groningen. If it was up to me, ABP would have stopped in investing in [Shell and Exxon] long ago!"

The Cost to Communities

Gas extraction by NAM in Groningen and surrounding fields has led to over 1.000 gas-induced earthquakes since 1986,[107] and over 100.000 people live in houses with NAM-acknowledged earthquake damage.[108] NAM's damage compensation process is notoriously poor, placing the burden of evidence on the victims[109] and leading to struggles involving damage experts and drawn-out civil lawsuits.[110]

Despite being confronted by massive protests for six consecutive years, Shell and ExxonMobil continued to lobby against production reductions.[111] In January 2018, the area was hit by a 3,4 magnitude quake that caused serious destruction across the region.[112] In March 2018, the Dutch government finally responded—they required that gas production be phased out completely by 2030.[113] However, the win was shadowed by the facts that the gas field is depleted and, almost simultaneously, the government announced that natural gas extraction will be intensified (using fracking) in Pieterzijl-Oost, which is only 20 kilometers from the main Groningen field.[114] NAM, together with the Dutch government, is also actively pursuing intensification of gas drilling from Groningen and Friesland[115] under the nearby Wadden Sea, which is the only nature reserve in the Netherlands with UNESCO World Heritage status.[116]

At the time of writing of this report, the political decision around reducing gas extraction has to be negotiated with Shell and ExxonMobil. In these negotiations the companies are seeking compensation for not being allowed to pump up all the reserves. Time will tell how this political decision is translated into a timeline of gas extraction reduction and community members' compensation for damages.

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100 https://www.offshoreenergytoday.com/shell-sells-onshore-assets-in-gabon-what-about-offshore/
101 http://news.exxonmobil.com/press-release/exxonmobil-completes-lng-acquisition-mozambique-area-4
102 http://www.oilreviewafrica.com/gas/gas/mozambique-and-shell-sign-mou-for-domestic-use-of-the-rovuma-basin-gas
103 Fieldnotes from research done by Both ENDS in April 2018. As well as research done by Shared Value Foundation (to be published). http://clubofmozambique.com/news/mozambique-is-suffering-a-military-expression-of-a-political-problem/
104 Email and field visit communication between local NGOs and Both ENDS
105 https://uk.reuters.com/article/uk-netherlands-groningen-gas/netherlands-to-halt-gas-production-at-groningen-by-2030-idUKKBN1H520E
106 https://www.cbs.nl/nl-nl/nieuws/2016/37/aardgas-voor-bijna-80-procent-op
107 https://www.knmi.nl/kennis-en-datacentrum/uitleg/aardbevingen-door-gaswinning
108 https://www.groningsperspectief.nl/wp-content/uploads/2016/07/Rapport-Gronings-Perspectief-1.pdf
109 http://www.dvhn.nl/groningen/Kamer-omkering-bewijslast-moet-ruimhartig-21464987.html
110 http://www.volkskrant.nl/binnenland/nam-aansprakelijk-gesteld-voor-psychisch-leed-na-beving-dit-is-een-doorbraak~a4468670/
111 http://nos.nl/artikel/2157033-duizenden-groningers-in-optocht-tegen-gaswinning.html

In the Dutch province Groningen (thousands of) families are desperate after severe earthquakes caused by gas extraction. ©Egbert Born

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112 https://www.reuters.com/article/us-usa-guns/u-s-gun-control-movement-pushing-congress-to-act-lawmakers-idUSKBN1H10VH

113 https://uk.reuters.com/article/uk-netherlands-groningen-gas/netherlands-to-halt-gas-production-at-groningen-by-2030-idUKKBN1H520E

114 http://www.dvhn.nl/groningen/Gaswinning-gaat-naar-nul-maar-bij-Pieterzijl-gaat-de-NAM-fracken-23047844.html

115 http://www.lc.nl/friesland/Provincie-tegen-gaswinning-Ternaard-vanwege-onrust-23065084.html

116 https://www.nrc.nl/nieuws/2017/05/10/dreigt-de-waddenzee-te-verdrinken-a1557894

117 The World Bank, one of the world's most important financial institutions announced in December 2017 at the One Planet Summit in Paris that it "will no longer finance upstream oil and gas, after 2019". http://www.worldbank.org/en/news/press-release/2017/12/12/world-bank-group-announcements-at-one-planet-summit

118 TCFD includes a focus on transition risks i. e. the risk of loss of cash spent on investments not needed as the world transitions to zero emissions.

119 HLEG final report issued January 2018 https://ec.europa.eu/info/publications/180131-sustainable-finance-report_en

120 https://www.dnb.nl/nieuws/nieuwsoverzicht-en-archief/dnbulletin-2017/dnb363837.jsp

121 https://cop23.unfccc.int/news/new-york-city-to-divest-pension-funds-of-fossil-fuels

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ABP'S PEERS COMMIT TO DIVEST

While ABP increased its investments in fossil fuel energy companies in 2017, leading financial institutions announced steps toward full or partial divestment of coal, oil, and gas companies.[117] Furthermore, a number of initiatives and recommendations addressing climate risk came out in 2017, including the G20's Financial Stability Board's **Task Force on Climate Financial Disclosure** (TCFD)[118] and the European Commission's **High-Level Group on Sustainable Finance (HLEG)**.[119] The **Dutch Central Bank (DNB**) issued a new report assessing the climate associated risks within the financial sector.[120] ABP is quickly becoming a laggard in comparison to other key players in the pension fund and insurance sector abroad and at home.

Global Peers Setting the New Standard

- **New York City** announced plans to divest its five pension funds from €4 billion in coal, oil, and gas assets within five years.[121] The city's plans do not end there—it also plans to sue the world's five largest publicly traded oil companies to hold them responsible for present and future damage to the coastal city from climate change.[122]
- The largest asset owner in the world, the **Norwegian Government Pension Fund Global (GPFG)**, was advised by its asset manager to remove oil and gas stocks from its benchmark index for financial reasons, after previously divesting from coal.[123] This recommendation is under discussion in the Norwegian Parliament and, if approved, will divest GPFG from all oil and gas companies.
- Several other pension funds have excluded particular fossil fuel companies from their portfolios during the course of 2017. **AP7**, which provides pensions to 3,5 million Swedish people, sold off six companies it believes are "violating the Paris Agreement," specifically ExxonMobil, Gazprom, TransCanada Corp, Westar, Entergy, and the Southern Company.[124] Four of the six were cited because they have lobbied against introducing climate legislation in the US.[125]
- In 2017, **Danish pension fund, PKA**, representing over a quarter million people in the public health care sector, decided to divest from five Canadian oil producers because of stranded asset risks.[126] In April 2018, PKA announced it divested from 35 oil companies for not having "the right managerial focus on the Paris Agreement in their investments."[127]
- In March 2018, the **Danish pension fund, MP**, announced a new investment criteria and threshold[128] to exclude coal, tar sands, and oil extraction companies after continued pressure from its pension savers– Danish high school teachers, lecturers, and scientists.[129]
- The French insurance company **AXA** announced one of the most stringent and far reaching coal divestment goals at the December 2017 One

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122 https://www.washingtonpost.com/news/energy-environment/wp/2018/01/10/new-york-city-sues-shell-exxonmobil-and-other-oil-majors-over-climate-change/?utm_term=.204bc8af015f

123 https://www.norges-bank.no/en/Published/Press-releases/2017/2017-11-16-press-release/

124 https://www.reuters.com/article/us-climatechange-investment-sweden/swedish-pension-fund-sells-out-of-six-firms-it-says-breach-paris-climate-deal-idUSKBN1962CC

125 http://nordic.businessinsider.com/swedens-largest-pension-fund-just-gave-exxon-mobil-and-other-oil-giants-a-huge-slap-in-the-face-2017-6/

126 https://cleantechnica.com/2017/04/18/danish-pension-fund-pka-divests-5-canadian-oil-producers-stranded-asset-risks/

127 https://www.reuters.com/article/denmark-pensions-investment/update-1-danish-pension-fund-pka-dumps-35-oil-companies-idUSL8N1RP24H

128 They have come up with two set of thresholds: 1) Companies where turnover from extraction of coal + tar sands is more than 25 percent of company turnover, will be divested immediately. I.e. in 2018, 2) Companies where turnover from extraction of oil, coal, and tar sands is more than 50 percent, will be divested before December 2020.

129 Email correspondence with Thomas Meinert Larsen and Both ENDS, dated 14 March 2018

130 https://www.axa.com/en/newsroom/press-releases/axa-accelerates-its-commitment-to-fight-climate-change

Planet Summit in Paris. AXA divested from companies with a coal share of power production or revenue of over 30 percent, as well as coal companies mining more than 20 million tons of coal annually or companies building more than 3 GW of new coal-fired power stations.[130] AXA announced later that it would sell off coal assets together worth €3,1 billion. It has also divested from tar sands.
- In February 2018, the Italian insurance company **Generali** followed AXA's lead and announced that it would divest €2 billion from coal[131] and plans to implement the same divestment criteria—using urgewald's Global Coal Exit List.

Dutch peers taking action

Two Dutch pension funds, BPL Pensioen and Pensioenfonds van de Metalektro (PME) sharpened their investment policies and have decided for full or partial divestment of certain types of fossil fuel companies:
- In 2016, **BPL Pensioen**'s Board decided to decrease the CO_2 footprint by 50 percent of its investment portfolio and achieved its goal by September 2017. BPL also decided to exclude companies with 5 percent or more of its revenue generated by thermal coal starting in 2018.[132] Says Jan Karstanje of BPL Pensioen's Board Bureau, "I expect by the end of the year we will be coal-free".[133] Additionally, BPL Pensioen is currently not invested in listed shares of BP or Shell". A combination of our multifactor model and our carbon filter has ensured that BPL Pensioen currently does not invest in Shell and BP shares". Karstanje notes, "Shell has a number of violations of the UN Global Compact and these violations are always a part of our discussions… Shell has a red flag from BPL Pensioen but not an exclusion".[134]
- **PME** is the fifth-largest pension fund in the Netherlands. PME sharpened its investment policy in 2017 to reduce CO_2 emissions by 25 percent by 2021 in its direct listed shares portfolio and invest €4,5 billion in sustainable holdings. PME credited pension savers' actions as an important inspiration for the policy.[135] The pension has excluded companies with 50 percent or more of its revenue from tar sands and will be taking a critical look at its fossil fuel investments in 2018 which could lead to PME divesting from companies conflicting with a 2-degree scenario.[136]

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131 https://www.generali.com/media/press-releases/all/2018/Generali-approves-climate-change-strategy-It-will-divest-2-billion-from-coal

132 Email communication between the board bureau of BPL and Both ENDS, 13 April 2018: "The choice of 5 percent as criterion was chosen because also at 5 percent the number of companies to be excluded was still manageable and it also had hardly any impact on the risk of the portfolio."

133 Telephone call between the board bureau of BPL and Both ENDS, 10 April 2018

134 Email communication between the board bureau of BPL and Both ENDS, 13 April 2018.

135 https://www.metalektropensioen.nl/client/pme/upload/nieuws/01-05-2017/Pensioen_Pro_FD_PME_legt_lat_duurzaamheid_hoger.pdf

136 Remarks by Eric Uijen, chair of executive board for PME, 2 November 2017 during the public event "My pension and the climate crisis: Is my pension part of the climate problem or actually part of the solution?" https://dezwijger.nl/programma/mijn-pensioen-en-de-klimaatcrisis. For tar sands exclusion see https://www.metalektropensioen.nl/client/pme/upload/downloads/Downloads%20Over%20PME/PME_uitsluitingsbeleid.pdf

6 CONCLUSION AND RECOMMENDATIONS

ABP invested a grand total of €10,9 billion directly in the fossil fuel energy industry in 2017. This total is an increase of €500 million from 2016; and an increase of more than €2,5 billion since December 2015, the first data point after the release of its new investment policy *Vision 2020*. For the second year in a row, ABP is giving the wrong signal by increasing investments in coal, oil, and gas companies while aiming to be a sustainable pension fund.

The pension fund has made strides to decarbonise a portion of its investment portfolio through a demand-side carbon footprint reduction, but this fails to consider the sustained promotion of carbon emissions supply generated by fossil fuel companies and their profound and lasting contribution to climate change. Therefore, we advocate that ABP take on a complementary supply side strategy to divest from the fossil fuel industry in pursuit of its goal to be a sustainable pension fund. Without doing so, its investments are helping expand the fossil fuel infrastructure that causes carbon lock-in. Investing in any new coal infrastructure is an affront to the Paris Agreement and continued oil and gas expansion will obstruct the transition to a clean energy future—expansion will condemn us to both the risk of accelerated climate change and stranded assets.

ABP has taken the first steps in product exclusion policy by excluding tobacco and nuclear weapons. If ABP would look at the supply side of fossil fuels then this would also imply that coal, oil, and gas industries have to be excluded.

As we have seen in the examples of Shell and ExxonMobil, the unrelenting construction of oil and gas projects show that the companies are willing to sacrifice land, communities, and morality for their short-term gains. ABP's continued investments in such companies cannot be construed as anything but putting pension savers' money into companies that are destroying the planet and people's lives, now and in the future. Tackling climate change requires radically overhauling the core business model of the fossil fuel industry – this is something that shareholder engagement and action is not made to address. Removing the "social license to operate" of the fossil fuel industry is what is needed to accelerate climate action and ensure an orderly energy transition.

We encourage ABP to take the next step in its duty to care for its pension savers' retirement monies, similar to its peers like BPL and New York City. ABP should expand its decarbonisation efforts to include a supply side strategy. ABP's inaction in the last year means that it will have to pick up the pace. Again, we call on the pension fund to:

1. **Develop a holistic set of criteria to calculate ABP involvement in coal and aim to sell off a large portion of such coal assets by the end of 2018.** We recommend using the GCEL as a guide and start first by selling off the companies who are expanding coal power capacity. The divestment criteria should then be tightened in the following years so that all coal assets, defined by GCEL, are sold off by 2020.

2. **Commit to selling off all its investments in oil and gas companies and permanently exclude the oil and gas industry from its investment portfolio by 2020** (as defined in The Carbon Underground 200TM). Use 2018 and 2019 to apply stakeholder influence with an ambitious ask—the companies need to stop investing in new oil and gas developments. If by end of 2020, these companies are still investing in new fossil fuel exploration, ABP must divest. This sends a strong message to the companies, the market, and ABP's peer pension funds.

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

Fossielvrij NL gives ABP Board Chair some garden shears and asks her to cut ABP's ties to fossil fuels. Global Divestment Week action outside ABP's offices Amsterdam May 2017. ©Laura Ponchel

ABP should implement these recommendations and address climate impact and financial performance risks in a serious way that befits the serious challenge of solving the climate crisis.

ABP must put the multiple warnings of scientists and actors such as the DNB in practice.

Research among pension savers shows the majority is strongly worried about climate change and wants ABP to seriously take this into account in their investment decisions. This also becomes clear from the public calls by both employees and large employers to ABP. We call on ABP's pension savers to voice their concerns more powerfully, as there is clearly a need to push ABP towards these recommended divestment actions. The pension savers have a critical role to play to ensure that ABP is not becoming a further laggard amongst similar pension funds.

We are racing the clock and every day counts. ABP should take climate change seriously and commit to divest from the fossil energy industry now.


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Duurzaam en verantwoord beleggen
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METHODOLOGY

ABP Financial Data

ABP sets the policies for investment and APG Group is the asset manager, managing the bulk of investments on behalf of ABP. To its credit, ABP publishes the latest value of its direct investments in shares and bonds in publicly listed companies every three months. This enabled the authors to analyse investment portfolio changes from 2014 (when the data collection by Fossielvrij NL was initiated) onwards.[137]

In addition, APG contracts external managers. On the ABP website there is a list of its most significant external managers—20 in 2016, including Blackrock Investment Management Ltd and UBS Global Assets Management. However, the investment data made available to the public excludes detailed investments managed by external managers. As stated on ABP's website: "The volume of assets managed by the published external managers above ranges from 0,9 billion to 8,1 billion euro" representing 46 percent of ABP's assets, but no precise data is revealed.[138] Presumably these portfolios also include investments in coal, oil, and gas companies, but they could not be included in this report because this data is not made publicly available.

Coal Investment Analysis

We argue that the definitions used by Bloomberg and the Industry Classification Benchmark to identify coal investments are insufficient in breadth. Therefore, this report makes use of the Global Coal Exit List (GCEL) as of April 2017 developed by urgewald to determine the coal content of ABP's investment portfolio. The GCEL is an extensive database of over 1.000 companies compiled over the past 1 1/2 years.[139] The database covers all major players in the thermal coal industry throughout the entire value chain, most notably the power generation sector, the mining sector, and the infrastructure & services sector. A company is listed if it fulfils at least one of the following three criteria:

1. 30% or more of the company's power production or revenues are coal-based;
2. The company's annual coal production exceeds 20 million tons, or it burns more than 20 million tons annually; and/or
3. The company plans to build new coal power plants, develop new mines, and/or set up new coal transport infrastructure.

For a full list of ABP's investments in companies on the GCEL, see Appendix 2.

Oil and Gas Investment Analysis

This report makes use of the Carbon Underground 200TM developed by Fossil Free Indexes as of July 2016 to identify the oil and gas content of ABP's investment portfolio, the same list of companies as last year's report to maintain consistency. The Carbon Underground 200TM identifies the top 100 public oil and gas companies globally, rated by the carbon emission potential of their reported fossil fuel reserves.[140] It also identifies the top 100 public coal companies, but the use of GCEL is preferable as it is more exhaustive list. No equivalent list to GCEL has been collected for oil and gas so we used the best publicly available data. For a list of ABP's investments in oil and gas companies on the Carbon Underground 200, see Appendix 3.

137 https://www.abp.nl/english/press-releases/quarterly-report-q4-2016.aspx
138 https://www.abp.nl/images/externe-managers.PDF
The GCEL was officially published in June 2017 - https://coalexit.org/
139 http://fossilfreeindexes.com/research/the-carbon-underground/
140 http://fossilfreeindexes.com/research/the-carbon-underground/

In order to effectively compare divestment from last year's report (published May 2017) and this one, we used the same set of companies in the GCEL and Carbon Underground 200TM lists.

Case Study Sources

Case studies are based on written sources, interviews, and statements made by local people living in the areas. Written sources include media publications, reports from urgewald and Both ENDS and other civil society organisations, information and data from authorities, academic publications, and websites with company information.

This report does not aim to be a full accounting of ABP's investments, but instead provides evidence of where the meaning of the *Vision 2020* is not yet implemented into practice. It presents a concise account through illustrative case studies that portray the impacts of ABP's fossil fuel energy investments to inform a direct dialogue between Dutch pension savers and ABP. In a follow up to last year's report that focused on coal case studies, this year's report interrogates ABP's biggest oil and gas investments-- namely Shell and ExxonMobil.

ABP INVESTMENTS IN 'GLOBAL COAL EXIT LIST'

In Euros millions

*** Legend: Divestment Criteria**

cspp = coal share of power production > 30%
csr = coal share of revenue > 30%
mt = mining or consumption of > 20 million tons of coal per year
ctg = Coal to Gas or Coal to Liquids operations/ extensions
exp = expansion plans in the coal sector (power plants, mines, coal facilities)
sub = subsidiary of a company to which the divestment criteria apply

Company	Country	Shares & convertible bonds 31-12-2017	Shares & convertible bonds 31-12-2016	Corporate bonds 31-12-2017	Corporate bonds 31-12-2016	Total 2017	Total 2016	Norwegian pension KLP divested	Divestment Criteria*	Industry Sector	Annual Coal Production in million tons	Installed Coal Capacity in MW	Coal Power Expansion Plans in MW
AGL Energy Ltd	Australia	23	18			23	18		cspp	mining, power	30	6.850	
Aurizon Holdings Ltd	Australia	4	10	32	39	36	49		csr, exp	services			
BHP Billiton Ltd, Australia (BHP Billiton Group)	Australia+UK	148	119	51	18	199	137		mt	mining	184,5		
Origin Energy Ltd	Australia	30	39	26	43	56	82		cspp	power			
South32 Ltd	Australia	15	24			15	24		mt	mining	40		
Whitehaven	Australia	21	6			21	6	x	csr, exp	mining	15,1		
Fortis Inc/Canada	Canada	13	10			13	10		cspp	power		1.515	
Teck Resources Ltd	Canada	42	32	14	19	56	51		csr, mt, exp	mining	25,3		
AES Gener SA	Chile	<0.5	1			0	1		cspp, sub	power			
Beijing Enterprises (Beikong) Holdings	China	1	4			1	4		ctg	services			
China Coal Energy Co Ltd	China		7			0	7	x	csr, mt	mining	86,6		
China Power International Development Ltd (CPI)	China		10			0	10	x	cspp, csr, exp	power		71.998	30.397
China Resources Power Holdings Co Ltd	China	15	18			15	18	x	cspp, csr	power, mining	13,9	29.746	10.700
China Shenhua Energy Co Ltd	China	89	29			89	29	x	cspp, csr, mt	power, mining	280,9	40.907	26.041
Datang International Power Generation Co Ltd	China	1	1			1	1	x	cspp, exp	power		31.278	28.945
Huaneng Power International Inc	China	3	21			3	21	x	cspp, exp	power		71.944	20.750
Shanghai Electric Group	China	<0.5	1			0	1	x	exp	services			7.127
Sinopec Engineering Group Co Ltd	China	5	5			5	5		ctg	services			
Yanzhou Coal Mining Co Ltd	China	1	9			1	9	x	csr, mt, exp	mining	72,6		
China Petroleum & Chemical Corp. (SINOPEC)	China	135	159			135	159		ctg	power		4.485	
CNOOC Ltd	China	190	159			190	159		ctg	services			

APPENDIX 2

Company	Country	Shares & convertible bonds 31-12-2017	Shares & convertible bonds 31-12-2016	Corporate bonds 31-12-2017	Corporate bonds 31-12-2016	Total 2017	Total 2016	Norwegian pension KLP divested	Divestment Criteria*	Industry Sector	Annual Coal Production in million tons	Installed Coal Capacity in MW	Coal Power Expansion Plans in MW
CEZ AS	Czech Republic	1	9			1	9		exp, cspp	power, mining	21	6.462	1.410
EDF (Électricité de France)	France		5	159	128	159	133		mt	power		10.600	
ENGIE (GDF Suez & International Power)	France	190	116	140	106	330	222		exp	power		7.645	950
EnBW	Germany			39	93	39	93		cspp	power, mining	4,8	5.651	
RWE AG	Germany	<0.5	9	108	7	108	16		cspp, csr, mt, exp	power, mining	90,5		1.475
Uniper	Germany		15			0	15		cspp, exp	power		9.132	1.100
CLP Holdings Ltd	Hong Kong	90	123			90	123	x	cspp, csr, exp	power		11.397	3.670
HK Electric Investments Ltd	Hong Kong		2			0	2	x	csr, cspp	power		2.500	
Adani Ports & Special Economic Zone Ltd	India	21	15			21	15		sub, exp	services			
Bharat Heavy Electricals Ltd (BHEL)	India	<0.5	1			0	1	x	exp	services			1.480
Coal India Ltd	India	1	5			1	5	x	cspp, csr, exp	power, mining	538,8		1.600
NTPC Ltd	India	1	2			1	2	x	cspp, csr, exp	power		44.004	38.372
Power Finance Corporation	India	10	16			10	16		exp	financials			12.000
Tata Power Co Ltd	India	1	5			1	5	x	cspp, csr, exp	power		14.600	3.170
Reliance Infrastructure	India		2			0	2	x	cspp, csr, exp	power, mining, services		500	
Steel Authority of India	India		9			0	9		exp	services		557	200
Adaro Energy Tbk PT	Indonesia	17	14			17	14	x	csr, mt, exp	mining	50,4	60	1.033
PT AKR Corporindo Tbk	Indonesia	6	6			6	6		exp	mining, services			660
Enel SpA	Italy	174	165	133	110	307	275		exp	power		16.103	110
Chubu Electric Power	Japan		39			0	39		exp	power, mining		4.133	2.378
Chugoku Electric Power Co Inc/The	Japan		0,5			0	0,5	x	cspp, exp	power		2.371	1.801
Electric Power Development Co Ltd (J-Power)	Japan		4			0	4	x	cspp, exp	power, mining	3	9.400	3.158
Hokkaido Electric Power Co Inc	Japan					0	0	x	cspp, csr	power		2.500	
Hokuriku Electric Power Co	Japan		1			0	1	x	cspp, csr	power		2.900	
Idemitsu Kosan Company	Japan	5	26			5	26		exp	services, mining	11		667
JGC Corporation (Japan Gasoline Co)	Japan	3	6			3	6		exp, ctg	services			1.050
KANSAI ELECTRIC POWER CO	Japan	12	17			12	17		exp	power		1.800	1.817
Marubeni	Japan	43	40			43	40		exp	power, services, mining	6,7	1.231	5.865
Shikoku Electric Power Co Inc	Japan		0,5			0	0,5	x	cspp, csr, exp	power, mining	3,3	1.106	500

APPENDIX 2

Company	Country	Shares & convertible bonds 31-12-2017	Shares & convertible bonds 31-12-2016	Corporate bonds 31-12-2017	Corporate bonds 31-12-2016	Total 2017	Total 2016	Norwegian pension KLP divested	Divestment Criteria*	Industry Sector	Annual Coal Production in million tons	Installed Coal Capacity in MW	Coal Power Expansion Plans in MW
Tohoku Electric Power Co Inc (TEPCO)	Japan		13			0	13		cspp, exp	power		3.200	933
Tenaga Nasional Bhd (TNB)	Malaysia	50	76			50	76	x	cspp, exp	power		4.780	3.260
Aboitiz Power Corp	Philippines	2	3			2	3	x	cspp, exp	power		300	899
DMCI Holdings Inc	Philippines	7	4			7	4	x	cspp, exp	power		900	350
JG Summit Holdings	Philippines	8	9			8	9		exp	services			600
Manila Electric Co (MERALCO)	Philippines	<0.5	3			0	3		cspp, exp	power		288	2.090
PGE Polska Grupa Energetyczna SA	Poland	6	6			6	6		cspp, csr, mt, exp	power, mining	47,7	9.724	5.260
Tauron Polska Energia SA	Poland	3	7			3	7		cspp, csr, exp	power, mining	6,4	4.922	910
Sembcorp	Singapore	2	2			2	2		cspp, exp	power		660	330
African Rainbow Minerals Ltd	South Africa	9	4			9	4		mt	mining	21		
Exxaro Resources Ltd	South Africa	33	20			33	20	x	csr, mt, exp	mining	42		315
Sasol Ltd	South Africa	84	112			84	112		ctg, exp	power, mining	39,2		
Korea Electric Power Corp (KEPCO)	South Korea	18	55			18	55	x	cspp, exp	power		27.327	10.480
Endesa SA	Spain	59	62			59	62		cspp	power		497	
Vattenfall	Sweden			49	41	49	41		cspp	power		11.283	
Banpu Public Co Ltd	Thailand	2	2			2	2	x	csr, exp	power		926	
Glow Energy PCL	Thailand	7	8			7	8	x	csr, sub	power		1.258	
Anglo American PLC	UK	34	52	42	15	76	67		mt, exp	mining	94,8		
Glencore PLC	UK+Switzerland	92	81	90	94	182	175	x	mt, exp	mining	124,9		
Rio Tinto	UK+Australia	372	274			372	274	x	mt, exp	mining	30,2		
AES Corp/VA	USA	<0.5	10	24	8	24	18	x	cspp, exp	power		9.056	641
Ameren Corp	USA	204	11		8	204	19	x	cspp	power		5.109	
American Electric Power Co Inc	USA	193	112	71	102	264	214	x	cspp, mt	power		14.318	
CMS Energy Corp	USA	23	17			23	17		cspp	power		2.154	
CONSOL Energy Inc	USA		1		6	0	7	x	csr, mt	mining	26,6		
Dominion Resources Inc/VA	USA	53	91	38	17	91	108		cspp	power		4.971	
DTE Energy Co	USA	19	44			19	44	x	cspp	power		6.259	
Duke Energy Corp	USA	71	98	55	109	126	207	x	cspp	power		17.958	
Dynegy Inc	USA			17	10	17	10	x	cspp, csr	power		11.200	
FirstEnergy Corp	USA	90	58	118	96	208	154	x	cspp	power		9.249	
NRG Energy Inc	USA		5	17	23	17	28	x	cspp	power		13.184	

APPENDIX 2

Company	Country	Shares & convertible bonds 31-12-2017	Shares & convertible bonds 31-12-2016	Corporate bonds 31-12-2017	Corporate bonds 31-12-2016	Total 2017	Total 2016	Norwegian pension KLP divested	Divestment Criteria*	Industry Sector	Annual Coal Production in million tons	Installed Coal Capacity in MW	Coal Power Expansion Plans in MW
OGE Energy Corp	USA	<0.5	9			0	9	x	cspp, csr	power		2.852	
Pinnacle West Capital Corp	USA	12	57			12	57	x	cspp, csr	power		2.475	
PPL Corporation	USA	21	26	50	30	71	56		cspp	power		11.682	
SCANA CORP	USA	5	27			5	27		cspp	power		1.819	
Southern Co/The	USA	63	159	191	224	254	383	x	cspp, exp	power		19.141	582
WEC Energy Group Inc	USA	103	36			103	36	x	cspp	power		5.044	
Westar	USA	14		23	25	37	25	x	cspp, csr	power		2.759	
Xcel Energy Inc	USA	89	20	10	11	99	31	x	cspp	power		8.487	
TOTAL		3.059	2.909	1.497	1.382	4.556	4.291						
For Information													
Itochu Corp	Japan	38	45						exp, but csr to small	power, mining	13,4		633

APPENDIX 3

ABP INVESTMENTS IN OIL AND GAS

This report makes use of the Carbon Underground 200TM developed by Fossil Free Indexes as of July 2016 to identify the oil and gas content of ABP's investment portfolio, the same list of companies as last year's report to maintain consistency. The Carbon Underground 200TM identifies the top 100 public oil and gas companies globally, rated by the carbon emission potential of their reported fossil fuel reserves.

http://fossilfreeindexes.com/research/the-carbon-underground/

In this chart are ABP direct investments in the top 100 oil and gas companies in The Carbon Underground 200TM.
Values are in millions euros.

APPENDIX 3

In Euros millions

Company	**Shares & convertible bonds** December 2017	**Shares & convertible bonds** December 2016	**Corporate bonds** December 2017	**Corporate bonds** December 2016	**Total** December 2017	**Total** December 2016
Gazprom	30	128	0	0	30	128
Rosneft	26	57	0	0	26	57
PetroChina	0	0	0	0	0	0
ExxonMobil	1130	804	0	27	1130	831
Lukoil	167	211	0	0	167	211
BP	294	257	94	89	388	346
Royal Dutch Shell	633	447	66	25	699	472
Petrobras (Petroleo Brasileiro SA)	167	232	7	0	174	232
Chevron	347	211	0	66	347	277
Novatek	98	155	0	0	98	155
Total	174	156	122	94	296	250
Tatneft	39	60	0	0	39	60
ENI	26	66	0	0	26	66
ConocoPhillips	214	168	0	50	214	218
ONGC - Oil & Natural Gas Corp Ltd (India)	8	49	0	0	8	49
Statoil	113	12	0	0	113	12
CNOOC	190	159	0	0	190	159
China Petroleum & Chemical Corp = SINOPEC	135	159	0	0	135	159
Canadian Natural Resources	43	89	0	0	43	89
Bashneft	0	0	0	0	0	0
Repsol	186	72	38	0	224	72
Inpex	46	39	0	0	46	39
Occidental	28	166	0	18	28	184
EOG Resources	88	119	0	0	88	119
Suncor Energy	215	125	14	0	229	125
Anadarko Petroleum	35	75	66	48	101	123
Ecopetrol	35	5	0	0	35	5
Antero Resources	0	6	8	11	8	17
BHP Billiton (UK + Aus)	148	119	51	18	199	137
Marathon Oil	14	26	36	30	50	56
Devon Energy	29	16	0	15	29	31
Imperial Oil	20	13	0	0	20	13
BASF	127	216	0	0	127	216
Apache	105	89	25	0	130	89
EQT	2	0	23	0	25	0
Range Resources	1	8	9	7	10	15
Chesapeake Energy	0	4	19	10	19	14
Noble Energy	3	21	11	12	14	33
Continental Resources	3	30	27	14	30	44
Cabot Oil & Gas	6	6	0	0	6	6
YPF	18	13	0	0	18	13
Hess	59	130	12	20	71	150
OMV	128	61	14	1	142	62

APPENDIX 3

Company	**Shares & convertible bonds** December 2017	**Shares & convertible bonds** December 2016	**Corporate bonds** December 2017	**Corporate bonds** December 2016	**Total** December 2017	**Total** December 2016
Cenovus Energy	3	30	53	24	56	54
Encana	0	22	17	17	17	39
Woodside Petroleum	85	72	0	0	85	72
Southwestern Energy	0	6	11	8	11	14
KazMunaiGas EP	0	0	0	0	0	0
Whiting Petroleum	7	2	6	11	13	13
Husky Energy	18	10	0	0	18	10
CONSOL Energy	0	1	0	6	0	7
PTT PLC	123	59	0	0	123	59
Murphy Oil	0	10	9	6	9	16
SK Innovation	110	82	0	0	110	82
Linn Energy	0	0	0	0	0	0
California Resources	0	0	5	4	5	4
Sasol	84	112	0	0	84	112
Pioneer Natural Resources	11	39	0	25	11	64
Concho Resources	5	23	0	13	5	36
QEP Resources	0	0	6	5	6	5
Crescent Point Energy	2	34	0	0	2	34
EP Energy	0	0	8	8	8	8
WPX Energy	0	0	4	7	4	7
Tourmaline Oil	0	24	0	0	0	24
Newfield Exploration	8	4	29	6	37	10
Mitsui	55	62	0	0	55	62
MEG Energy	0	0	8	7	8	7
Cimarex Energy	76	54	0	0	76	54
SM Energy Company	0	0,5	10	0	10	0,5
Lundin Petroleum	6	7	0	0	6	7
Det Norske	0	0	0	0	0	0
Santos	16	7	0	24	16	31
Memorial Resource	0	0	0	0	0	0
Oil India	1	12	0	0	1	12
Ultra Petroleum	0	0	3	0	3	0
Maersk	54	99	0	0	54	99
ENGIE/GDF SUEZ	190	116	140	106	330	222
Energen	0	2	0	0	0	2
Seven Generations Energy	25	10	3	0	28	10
National Fuel Gas	20	0	26	0	46	0
MOL	6	7	0	0	6	7
JX Holdings	148	128	0	0	148	128
Denbury Resources	0	12	4	5	4	17
"Polish Oil & Gas = Polskie Gornictwo Gazownictwo"	14	13	0	0	14	13
ARC Resources	0	18	0	0	0	18
Oando Energy	0	0	0	0	0	0

APPENDIX 3

Company	**Shares & convertible bonds** December 2017	**Shares & convertible bonds** December 2016	**Corporate bonds** December 2017	**Corporate bonds** December 2016	**Total** December 2017	**Total** December 2016
Galp Energia	7	35	0	0	7	35
SandRidge Energy	1	1	0	0	1	1
Peyto E&D	0	5	0	0	0	5
Centrica	67	79	0	0	67	79
Birchcliff Energy	0	0	0	0	0	0
TAQA	0	0	0	0	0	0
DNO International	0	0	0	0	0	0
Xcite Energy	0	0	0	0	0	0
Freeport-McMoRan	17	31	24	36	41	67
Oil Search	5	14	0	0	5	14
PDC Energy	0	0	3	0	3	0
Painted Pony Petroleum	0	0	0	0	0	0
Great Eastern	0	0,5	0	0	0	0,5
Gulfport Energy	0	1	4	0	4	1
TOTAL	**6.294**	**6.023**	**1015**	**873**	**7309**	**6.896**

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