Still Dirty, Still Dangerous

the fossil fuel investments of Dutch pension fund ABP

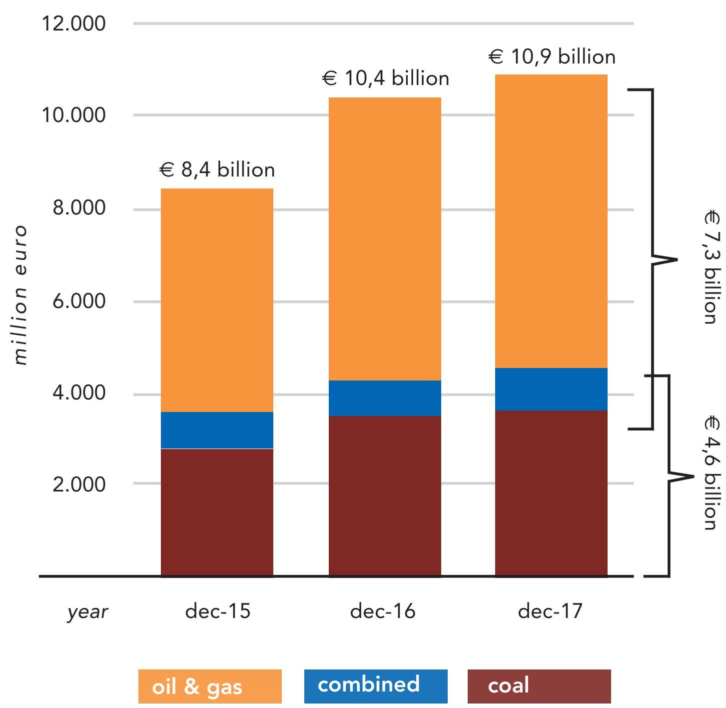
EXECUTIVE SUMMARY

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,

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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".