

Why should Catholic Institutions Divest from Fossil Fuels?

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Thank you for giving me this opportunity to brief you on climate change and investments, and to bring forward the proposal that bishops conferences across Europe should consider divesting investments under their control from the fossil fuel industry.

Why divestment?

The background to this briefing is really what is happening in the world as a result of climate change. The impacts of climate change are already very apparent to those of us who work in the development sector. For Trócaire and the other CIDSE agencies it is not something we can talk of anymore in the future tense. It is very much a growing humanitarian emergency and challenge for future human development. It is central to the future of sustainable development, and for the future of women and girls in particular – a key focus of this week's European Development Days.

Yet it is not only the developing world that is currently affected. There is an alarming incidence of increasing temperature anomalies over the past decade. Just now, on the 15th May 2018 Antarctica was a whopping +6.1 degrees C: 30 degrees C above normal. (climatereanalyzer.org) The climate emergency is well under way.

In Europe too, weather related anomalies are occurring with increasing frequency. In Ireland, for example, we are already seeing our fair share of these freak weather events, and the government is now finally responding with climate action officers appointed to all County Councils, massive flooding mitigation plans. And yet, even with the billions being spent – it is very little in the face of what could be coming down the tracks.

Despite current efforts, recent data showed that the amount of CO₂ in the atmosphere exceeded 410 ppm last month. This level, as far as science can tell, was last seen in the mid-Pliocene warm period more than 3 million years ago... earth's sea level was 66 feet or more higher and a lot warmer.

And that is now. What for the future? Last year a report which analysed all the commitments made at the Paris Agreement gave the world less than a 5% chance of meeting the targets set in Paris Agreement of keeping global temperature rise below 1.5degreesC, based on current rates of progress. The urgency of this situation cannot be overstated. The more we let time pass, the sharper the emissions reduction curve becomes – and the less feasible it becomes.

The science is clear: the earth’s climate system only has a certain “carbon budget” or “carrying capacity” for CO2 emissions. Beyond that, we start to interfere with the very systems which make life as we know it possible. At present, we are still using up this “budget” at an astonishing rate – and will have effectively used all of it by 2035.

And we know what is causing this. It is not so complicated: the burning of fossil fuels is by far the biggest source of CO2 pollution.

So the moral case for fighting anthropogenic climate change is clear – injustice of climate change on the poorest, on future generations, on other species. Pope Francis is clear on this in *Laudato Sí...* In chapter 6 on the lines of approach to tackling the ecological crisis, he pinpoints the need for an urgent energy transition. He also pinpoints the need for the costs of transition to be shared justly, and for moral leadership to be shown on the part of those who have the resources to pay.

For Catholic leadership, who appreciate the value of life on earth and this need to show leadership on ethics and finances is not something new. For decades finance committees have sought to make good choices for Catholic institutions based on a clear moral code – excluding sectors such as pharmaceuticals, arms industry and mining sector where there is evidence of the abuse of human rights. These stringent ethical considerations already in place mean that taking the step to divest from climate damage makes sense.

Financial Causes

The reasons why humanity has chosen to ignore and delay action on this momentous problem are many. However, at the heart of the problem is the seemingly unavoidable dependence of our economy of fossil fuels. This dependence has led to widespread inertia in the political and financial systems.

Not only, but there is ample evidence of manipulation and collusion at the highest levels to ensure that climate change is not accepted as scientific truth or treated as seriously as it should have been.

The result of this failure to accept the reality of climate change and to continue to proceed with investments in the future of fossil fuels as if climate change did not exist (or was an unrelated issue) has resulted in the emergence of what has been called a “carbon bubble”. This bubble effectively shows that the future emissions potential of the fossil fuel industry – as based on the known assets - far strips the capacity of the climate to absorb the emissions.

This results in a wicked problem: it is what the well-known climate campaigner Bill McKibben called the “terrifying new math” of climate change - either we allow those companies to burn all the oil and gas on their books and send the world into meltdown, or we accept that we cannot and deal with the consequences on these assets. This phenomenon of the carbon bubble has led many to question whether there is effective over-pricing of oil industry? Will key assets become stranded? How can prudent investors navigate this transition towards a low carbon economy?

The urgency of the transition to a low carbon economy is increasingly apparent – leading to action from many different sides coming together to accelerate change. Since the Paris Agreement 195 countries have taken action to shift towards a low carbon economy – and many are doing so by introducing new laws to ensure that the transition is as robust as possible. As these legal frameworks take shape, the potential for high emissions sectors to be left stranded grows exponentially.

The financial signals pointing to an immanent or perhaps immediate energy transition, moreover, are mounting. The main economic signal is a purely financial one: renewables are now cheaper than fossil fuels. Reports are emerging almost weekly on the lower production costs of renewables – and the irreversible tipping point that creates.¹ This energy transition is backed by many countries that have committed to being entirely free from fossil fuels in a relatively short timeframe is becoming a reality

¹ <https://www.forbes.com/sites/gauravsharma/2018/04/24/production-cost-of-renewable-energy-now-lower-than-fossil-fuels/#15891758379c>

*“In 2015, Sweden threw down the gauntlet with an ambitious goal: **eliminating fossil fuel usage** within its borders, and immediately **ramping up investment** in solar, wind, energy storage, smart grids, and clean transport. And the best part? The Swedes are challenging everyone else to join them in a race to become the first 100% renewable country. Now that's a competition where everyone wins!”*

Other countries also leading the charge towards 100% renewables include Costa Rica, Nicaragua, Scotland, Germany, Uruguay, Denmark, China, Morocco, Kenya... Political leadership has been key.

The USA was on this list of leaders. With President Trump now in power, and backed by many of the powerful interest groups that have delayed climate action and contributed to mis-information, many have asked whether things will go backwards. The economics seem to paint a different picture. Moreover, many in American society at all levels is rejecting his policies on climate change. These include 213 Faith organisations, 9 states, 252 cities and counties, 1,780 businesses and investors, and 339 colleges and universities. States are – California, Connecticut, Hawaii, New York, North Carolina, Oregon, Rhode Island, Virginia, and Washington.

In the past few weeks alone, we have seen some major announcements relating to future investments in the fossil fuel industry. Two major announcements this week: HSBC almost entirely withdraws from coal; “HSBC, the biggest bank in Europe, has today announced it will stop financing coal-fired power stations, oil sands and Arctic offshore drilling projects in a move to support the low-carbon economy”. Allianz – Europe’s biggest insurance group - announces it will not be insuring coal plants²

Their decisions are perhaps dressed up as positive action, but the hard truth is that Governor of the Bank of England, Mark Carney, has highlighted now on many occasions his view that continuing to invest in climate damaging industries incurs serious risk. Several recent financial industry reports by BlackRock, Moody’s, Mercer, and Fitch now cite climate risk as a fiduciary concern. And the risks are mounting all the time. There are three forms of financial risk associated with climate change:

² <https://www.ft.com/content/a23a6c3c-4eec-11e8-9471-a083af05aea7>

“There are three broad channels through which climate change can affect financial stability:

- First, **physical risks**: the impacts today on insurance liabilities and the value of financial assets that arise from climate- and weather-related events, such as floods and storms that damage property or disrupt trade;
- Second, **liability risks**: the impacts that could arise tomorrow if parties who have suffered loss or damage from the effects of climate change seek compensation from those they hold responsible. Such claims could come decades in the future, but have the potential to hit carbon extractors and emitters – and, if they have liability cover, their insurers – the hardest;
- Finally, **transition risks**: the financial risks which could result from the process of adjustment towards a lower-carbon economy. Changes in policy, technology and physical risks could prompt a reassessment of the value of a large range of assets as costs and opportunities become apparent.”³

A recent survey of asset managers, moreover, “found 89 per cent of managers agreed energy transition risks - such as increasing emissions regulations or growing competition from clean tech alternatives - will significantly impact the valuations of the oil companies in the next five years, compared to 46 per cent when the survey was conducted in 2017. More than 62 per cent said the negative impacts will hit their peak for oil companies in the next five years, and start to impact valuations for gas companies within the next decade.”

Here in Ireland, our climate legislation is very weak. However, the government is soon to pass a bill withdrawing the Irish Strategic Investment Fund from fossil fuels, becoming the first country to withdraw its sovereign wealth fund from fossil fuels. There are also opportunities in investing in climate solutions, renewable energy in particular, but also other kinds of climate solutions.

What do we need to do?

It is with these considerations that Trócaire and the Global Catholic Climate Movement is asking bishop conferences across Europe to join the growing

³ Mark Carney (2015) Breaking the Tragedy of the Horizon – Climate Change and Financial Stability, www.bankofengland.co.uk/publications/speeches/2015/844.aspx

movement to publicly commit to divest the investments within its control from fossil fuels.

This movement has grown from nothing, to nearly 700 institutions totaling a value of more than [\\$5.2 trillion](#) have divested from fossil fuel companies (as of last full count in 2016). 90 Catholic institutions have committed to divest in the past two years, including CARITAS Internationalis, the Belgian Bishops' Conference, Diocese of Assisi, Franciscan Sisters of Mary, Georgetown University, Missionary Society of St. Columban, and the University of Dayton.⁴ We will hear more from these case studies later on.

Divestment is not just about moving money. It is about shifting cultural norms. Throughout history, divestment movements have played a key role in history in removing social license from business models and practices that society decides are no longer morally acceptable. Most notably, they played a key role in the ending of Apartheid. Fossil fuel divestment is having a real world impact on the powerful fossil fuel industry. It's weakening their social license and political grip and prodding the financial markets to recognise its inherent climate risk. Oil companies are learning that having the word 'oil' in their brand no longer pays.

Many Catholic institutions that have gone through this process have seen other benefits as a result of a stronger commitment to their core mission and values. In particular, they have seen greater engagement from younger generations, who have a keen interest in sustainability, and an ability to recruit talented staff who have a strong mission-driven focus.

Practical Steps

The process for divesting is very simple. The toolkit outlines a process that can be followed, but in essence it is even more straightforward. It involves making a commitment. That commitment can then be formalised by signing the fossil free pledge on the Global Catholic Climate Movement website to commit to divestment and make the decision public. This commitment allows 5 years from the point of signing to unwind any investments from fossil fuels. In general this involves divesting from the top 200 oil and gas companies by reserves. I hope that you will consider taking this important step.

⁴ Full list available on <https://catholicclimatemovement.global/divest-and-reinvest/leaders/>

Reference document:

Trocaire (2017) [Ethical Investments in an Era of Climate Change](#)