Good morning Chair, councillors. My name is Richard Mould-Ryan, I am a Hampshire Pension Scheme member, having worked for Eastleigh Borough Council for 26 years, and I thank you for the opportunity to speak this morning.

On behalf of HPF Divest, I want to draw your attention to a report released on February 23rd of this year by Platform and Friends of the Earth, which sets out the compelling case for pension fund divestment from fossil fuels. I quote from and paraphrase the report this morning.

It also details the fossil fuel investments of the Hampshire Pension Fund to the end of the 2019/20 financial year. This is information that local campaigners had previously been unable to obtain via three separate Freedom of Information requests, having been told repeatedly that no such figures existed. Needless to say, this has been hugely frustrating for members of the pension fund and wider public who care deeply about the climate emergency, which Hampshire County Council has declared its intention to tackle.

The figure given in the report for Hampshire Pension Fund's fossil fuel investments is £136.1 million, which puts the HPF in the top quartile of fossil fuel investors in the country.

However, calculations by Transition Economics for Platform London in November 2020 (Minio-Paluello and Markova, 2020) showed that the value of oil company shares owned by UK public pension funds has fallen by more than £1.75 billion in less than four years (Flood, 2020b). Hampshire Pension Fund suffered the 7th largest loss, of £68.4million between 2017 and 2020. This could be a sign of things to come.

Mark Campanale, founder and executive chairman of Carbon Tracker, an independent financial think tank, says in the report, "The biggest economic disruption of our modern era will be the transition from fossil fuels to renewable energy. This is a historic event that is unfolding rapidly, as renewables are now cheaper in most if not all parts of the world. The conclusion is clear: in times of rapid disruptive innovation, incumbents defending dominant market shares are almost never safe. The argument has evolved rapidly in the last decade because of the plummeting price of cleaner technologies, mirrored by the collapse in returns to investors in the fossil fuel industry."

As of 2018, the asset value of pension funds around the world represented roughly 51% of global GDP, with just 20 pension funds representing 9% of that. Of this estimated £36.5 trillion, 98% belongs to pension funds in OECD countries (Rempel and Gupta, 2020).

However, the impact of these investments, in particular in fossil fuel assets that accelerate climate change, is primarily felt by populations in the Global South, outside OECD countries. Pension funds and the fossil assets they own play a significant part in accelerating climate change and continue to create profit from the legacy of colonialism and inequality they emerge from.

So, there is clearly an important moral debate that, "we shouldn't burn this stuff", but now, because of the competitiveness of clean technology, it has also become a financial debate which says, "actually, there are cheaper, more efficient technologies out there. So we *won't* burn this stuff."

The moment that the price of an electric vehicle is comparable to that of an internal combustion engine car, we enter a new paradigm: a world of falling demand for fossil fuels. This then plays out in sector after sector, country after country.

Peak demand for fossil fuels was reached in the OECD in 2005; peak coal was in 2013; and we saw global peak oil demand and peak fossil fuel demand in 2019/20. And yet, the oil and gas sector is still planning for growth, but as cheaper renewable energy takes the demand for overall energy growth, this leads to overcapacity and stranded assets in the oil and gas industry. It faces lower volume and lower prices, meaning lower profits for fossil fuel companies, lower returns for investors, and losses for local authority pension fund beneficiaries.

Financial markets know this, which is why we have seen the collapse in the valuations of the fossil fuel sector, followed by write-downs. In the last year alone, the global oil sector has written down $100 billion of assets.

We understand that ESG issues are now a theme in all of your meetings, that the Hampshire Pension Fund has appointed a Responsible Investment advisor, and that the ACCESS pool has recently appointed an ESG consultant at Minerva who are part of the Transition Pathways Initiative. We very much welcome these developments which we hope will embed environmental considerations into every investment decision taken by the fund, and also welcome the shift of your passive fund and one managed fund into lower-carbon alternatives. However, you must move farther and faster.

In 2020, the Transition Pathways Initiative assessed 125 oil and gas producers, coal companies, and electricity groups on their preparedness for a lower-carbon economy. They found that no major oil, gas or coal company is on track to align their business with the Paris climate goal of limiting global temperature rise to well below 2°C by 2050 (Raval, 2020a).

Fund manager engagement alone will not change this, as it rarely results in a shareholder resolution to alter the course of the business that the asset is held in. Engagement as a negotiating position is meaningless without an explicit threat that you may withdraw your funds, which requires having a policy to divest. The argument for engagement instead of divestment tends to be made by asset owners who employ investment managers who won't or can't accept that there is a technology-driven transition occurring.

This is like arguing, "We're long-term shareholders in Blockbuster, the video rental store. We don't divest. We'll engage with them to adapt to the threat posed by this new disruptor called Netflix, who rent videos by post." As this "engagement" proceeds over the years, Blockbuster goes bust as people stop renting physical DVDs, while the share prices of Netflix and others run away with themselves because they got on board with the technology shift to low-cost live-streaming as it emerged. Therefore, the approach of, "we'll decarbonise when markets decide to decarbonise" is clearly not a risk management strategy, it's a "do nothing, and hope a few meetings will help" strategy.

Meaningful action on climate change requires a commitment to ending the expansion and extraction of fossil fuels, so the decision to end fossil fuel investments must be taken now as a priority, and this brief must be given to consultants, advisors and investment managers working on behalf of HPF and the ACCESS pool.

However, this is not just an ESG issue. It is a classic risk issue, because the transition is fundamentally disrupting markets in a way only comparable to the rise of the internet. The Bank of England has said that in the UK up to £16 trillion of assets could be wiped out if the climate emergency is not addressed effectively (Partington, 2019). As Mark Carney, the former governor of the Bank has said, the longer the adjustment is delayed in the real economy, "the greater the risk that there is a sharp adjustment" (Partington, 2019), including perhaps, the bursting of the carbon bubble. It's therefore worth remembering that a 2016 legal opinion for ClientEarth from two leading QC's found that pension fund trustees who fail to consider climate risk could be exposing themselves to future legal challenges for failing to protect the long-term interests of their members (ClientEarth, 2017).

I note that the report to be considered under item 6 says that, "correspondence to date on investments that relate to climate change…has been received from a very small minority of the nearly 179,000 scheme members". However you should also note that a 2020 poll revealed that the UK public wants a radical response to climate change, with the same urgency as the response to the COVID-19 crisis, (Stone, 2020), because after all, scheme members are part of the UK public. These investments are not only perpetuating present day global inequalities but are also not funding a future worth scheme members retiring into. Members of the public and the pension fund will hold you accountable in elections for your decisions on these investments and the losses they have already caused.

Last but not least we note that the Hampshire Pension Fund banks with Natwest, which itself has invested over $12 billion in fossil fuels since the Paris agreement. We suggest that a conscious choice to bank ethically would go hand in hand with a decision to end fossil fuel investments.

This report contains references for all the research and figures I have quoted. I urge you to read it, and act on its recommendations. Thank you for your time.