



Ministry of Finance
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Considerations regarding investments in coal and petroleum companies within the Norwegian Government Pension Fund Global (GPF)

Church of Norway (CoN) National Council is grateful for being invited to an open meeting for comments and suggestions regarding investments in coal- and petroleum companies within The Norwegian Government Pension Fund Global (GPF) on June 18th 2014. Our contribution was presented by senior advisor Per Ivar Våje. We did not have the opportunity to comment on the main report from the Strategy Council of responsible investment and the GPF, presented on November 11th 2013. Our contributions here therefore also include a slightly extended perspective, in order to underline the main message from the CoN. At the same time we challenge the government-appointed expert-group to interpret its mandate wider than simply evaluating different policy instruments and their use regarding investments in coal and petroleum companies within the GPF.

The use of policy instruments for GPF regarding coal and petroleum companies

Our impression is that active ownership in order to push companies in a more pro-environment direction demands more resources than simply divestment. Therefore, it may be easier to fulfill some clear criteria for divestments rather than successfully managing active ownership. At the same time, we acknowledge that in cases where only small adjustments are needed it may be more useful to practice active ownership. For energy-companies with a mixture of renewable and fossil energy, some clear guidelines for active ownership and / or divestment should be made based on the percentage of involvement in fossil energy, in coal and in tar-sand. There are also different contexts, techniques and practices that make extraction and treatment of fossil fuel much more damaging for the environment some places than others. All these factors must be considered in an over-all evaluation of policy instruments.

Consequences for investments of church-related funds

The Norwegian Church Aid has decided not to invest in fossil fuel companies, and the investment fund of the Church of Norway (OVF) has divested all its shares in Statoil because of this company's engagement in tar-sand extraction in Canada. The Church of Sweden does not invest in tar-sand and is also excluding energy-companies where more than 5% of their financial turnover comes from coal. Internationally, there is a growing movement for divestment of fossil fuel¹ where several church-related funds are in the forefront². Ethical responsibility from rich countries is needed in order to stay below the two-degrees scenario. This is underlined by the report from work group three of the fifth main report of the IPCC (Ch. 3, 4 and 16).³ This

¹ <http://350.org/>

² <http://www.uua.org/news/pressroom/pressreleases/296102.shtml>, <http://time.com/#2853203/union-fossil-fuels/>

³ <http://www.ipcc.ch/report/ar5/wg3/>

report also suggests a drastic shift in subsidies and investments from fossil energy to renewables.

The engagement of the Church of Norway for climate and the environment

The Church of Norway has a long-standing engagement for climate and the environment, and a wide cooperation with several other actors. This has been expressed through clear statements on responsible stewardship of Norwegian petroleum resources, included management of the GPFG. When the guidelines for the Ethical Council were evaluated in 2007-2009, the National Council of the Church of Norway underlined that the management of the GPFG must be in line with the Norwegian policy for environment and external affairs. From the very beginning, the underlying principle for the CoN has been that ethical considerations should be given priority over the goal of maximum financial revenues, whenever there is a conflict between the two.

Resolution from Church of Norway General Synod, issue KM 12 /2013

At the General Synod last year, the issue KM 12/2013, entitled: “*Responsible ethical stewardship of Norwegian petroleum resources, and a statement on ethical management of the Norwegian Government Pension Fund Global*” was approved. The resolution (in Norwegian) was sent to all concerned departments of the Norwegian Government and committees at the Parliament and follows enclosed to this letter. It states:

The Norwegian Government and authorities must prioritize concern for the climate and for global poverty within its management of the Government Pension Fund Global (GPFG).

This means that:

- *Ten percent of the GPFG must be invested in poor countries within ten years. This must be done in such a way that it will benefit the poor segments of the population.*
- *Ethical considerations have to precede economical revenues, and stronger ethical guidelines should form the foundations of the investments.*
- *Within the ten-year anniversary of the Ethical Council of the GPFG in 2014, new ethical guidelines should be worked out and the mandate and resources of the Council should be strengthened.*
- *Considerably more of the GPFG should be invested in renewable energy and development of new energy. Considerably less should be invested in the fossil industry.*

...Norway strives to achieve internationally binding climate-agreements which will reduce CO₂ emissions in such a way that the two-degree target will be reached. If investments within GPFG should be in line with this target, a considerable part of the fund should be invested in renewable energy and development and implementation of new environment-friendly technology. The fund must also reduce its investments in fossil energy. Through the GPFG Norway has the opportunity to contribute to a boost in the transformation from the current dependency on fossil to renewable energy. By doing so, there will be coherence between the role of Norway as a responsible investor through the GPFG and fighting for an ambitious and binding international climate agreement.

Why invest more in renewable energy and less in fossil energy?

There are several reasons for increasing the investments in renewable at the expense of fossil energy:

- Concerning the credibility of Norway as a nation and our role model in taking seriously the challenges of climate change. Our wealth because of the petroleum industry can be a source to the solution of these challenges if the investments are used to create growth in green energy simultaneously with reducing the investments in fossil energy.
- Concerning justice: The huge difference in distribution of wealth and access to energy in the world is enough to argue that Norway should invest more in direct infrastructure for renewable energy in poor countries in order to facilitate development and poverty reduction. As an example, this is in line with the development strategy of Ethiopia, which aims to achieve economic growth without increasing its carbon footprint. We

recommend listening to Sony Kapoor⁴ who claims that this can be done without jeopardizing the target of maximum revenues.

- Concerning economy and financial risk: When an increasing number divest from fossil energy, the revenues will decrease and the potential for growth lies within renewable energy. This is fairly well documented by the Norwegian Climate Foundation and the Zero Emission Resource Organization. If the Norwegian economy is to be less dependent on oil and gas, it is common sense to invest considerably less in fossil energy than what is currently done.
- This also concerns sustainable development: If investments are not in line with the two-degree scenario, they imply an ecological risk far more overwhelming and damaging than the financial risk. This will be contradictory to the official climate-policy of Norway and the UN millennium development goals, and may lead to unforeseen negative consequences for all life on earth. With this as criteria, the GPFG should divest at least from the most environmentally controversial fossil fuel industries.

The National Council of the Church of Norway recommend considering the different comments made in this letter. We ask for a strengthening of the ethical considerations regarding management of the Norwegian Government Pension Fund Global, in line with the resolution from Church of Norway General Synod, issue KM 12 /2013.

Yours sincerely

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Sustainability”

This document has been electronically approved and therefore without signature

⁴ Kapoor, S. 2013. Investing for the Future. Discussion Paper. 82 p. Redefine and Norwegian Church Aid.