

COUNTY COUNCIL – 14 MAY 2019

QUESTION FROM MEMBERS OF THE PUBLIC

1. Question from Janet Blackman, Seaford, East Sussex (on behalf of Lewes Women Against State Pension Injustice)

Lewes WASPI (Women Against State Pension Injustice) Group are part of a national campaign movement who are fighting for justice for 1950s-born. Can you please advise me what action East Sussex County Council has taken to provide either free travel passes or concessionary passes similar to the senior rail card, or 60+ cards to the women who have been affected by two increases in their state pension age (SPA)?

These women received little or no notice of an increase to their SPA of up to 6 years. Many had given up work to care for grandchildren or elderly relatives in the expectation that they would receive their pensions at 60 years of age only to find out they had another 6 years to wait. A loss of potential pension income of up to £45,000 with no time to mitigate this loss, has been a devastating blow to these women and their families. Women who are single, divorced, separated or widowed have been hit particularly hard by these changes and in many cases, it has led to a deterioration in their mental health.

Many women born in the 1950s started work at 15 – 16 years of age, and they are still having to work. They have paid approximately 45 years in National Insurance Contributions. Some are continuing to pay National Insurance as their state pension age has increased by up to 6 years so will potentially be paying for up to 50 years even though only 35 years National Insurance contributions are required to receive a full pension. Many women, who had previously given up their jobs in the expectation of receiving their state pension at 60 years, have had to return to work and those that have been able to find jobs are generally working in low paid employment and are really struggling to pay their bills. Often they have a choice of whether to turn on their heating (they are not entitled to the Winter Fuel Allowance until they have reached their SPA) or pay for food.

1950s-born women cannot afford to travel on busses or trains to see friends, family, or go to on outings because they cannot afford the fare. The cost of the fares is so high when compared to their actual employment income and is only exacerbating their situation. This leads to isolation and seclusion and consequently a decline in mental health. Other councils have recognised the need for concessionary fares for this group of women, and they have recognised the extreme financial impact these changes have had on this specific group. Indeed they are available in London to women from the age of 60 years for bus, overground, underground and main line trains services. Scotland, Wales, Manchester, the West Midlands and Liverpool also provide concessionary fares for ages 60 plus.

Response by the Leader and Lead Member for Strategic Management and Economic Development

I am very well aware that for some women born in the 1950s the changes to the state pension arrangements have had a really detrimental effect and I have

previously written on behalf of the Council asking that the Secretary of State make transitional arrangements for these women.

With respect to concessionary fares for older people, we operate the national scheme which gives free travel to people of state pension age. Unfortunately the existing scheme is not fully funded by the Government and if we were to broaden its scope we would need to make more savings in other services to pay for it. The County Council made very difficult choices when we set the budget in February. One of the things I am determined that we should be is open and honest so I want to be clear that I think, given the financial and demand pressures we already face having to reconcile, it is very unlikely that we will be able to identify additional funding for this purpose. I am willing to lobby again on behalf of this unfairly treated women group when the opportunity arises.

2. Question from Lottie Rodger, Lewes, East Sussex

In his response to my question at 26 March 2019 Full Council meeting, Councillor Fox appeared to be claiming that there was little that he could do, as a member of the Pension Committee, about the threat posed by global warming. Action on climate change, he claimed, would have to 'come from politicians ... not from pension funds.'

Last year Goldman Sachs judged that the 'growing number of investors and financial institutions [that] have announced bans or restrictions on coal investments, particularly from 2013 ... [had] been a driver of the sector de-rating over the past five years'. In a similar vein, in its 2018 Annual Report Shell noted that 'some groups are pressuring certain investors to divest their investments in fossil fuel companies. If this were to continue, it could have a material adverse effect on the price of our securities and our ability to access equity capital markets.'

How does the Pension Committee square these assessments – by Goldman Sachs and by Shell – with Councillor Fox's assertion that the Pension Committee is powerless to take effective action on climate change?

Response by the Chair of the Pension Committee

The Pension Committee does not believe it is the role of the Fund to govern global climate change and believe this role should be undertaken by National Governments.

The Fund does have a role in ensuring that its investments are protected by any impacts of climate change. By increasing pressure on fossil fuel companies, through active shareholder engagement, we can get companies to improve their corporate behaviour. Improvements made by these engagements lead to an increase in the long term value of the Fund's investments. This ensures that the companies are considering the impacts of climate change (including those driven by legislation) in their business models.

The Fund's approach to engagement recognises the importance of working in partnership to magnify the voice and maximise the influence of investors as owners.

The Fund appreciates that to gain the attention of companies in addressing governance concerns it needs to join with other investors sharing similar concerns. Along with its investment into the Climate Aware Fund, this provides an incentive to companies to move towards limiting climate change.

3. Question from Hugh Dunkerley, Brighton

At the 17 October 2017 Full Council meeting, Cllr Stogdon asserted that: 'The Fund believes that collaborative engagement is more productive than acting alone and works together with other LGPS funds through its membership of LAPFF. Company engagement is an important element, encouraging development of low carbon – aligned business models, and it is in the best interest of the Fund to get the entire oil industry to put itself on a pathway of “managed decline”.'

In its 2016 report 'Engaging for a Low Carbon Transition', the Local Authority Pension Fund Forum (LAPFF) noted that:

"Most oil companies follow an 'invest-to-grow' business model aiming to grow production steadily. In most cases, this model has failed to deliver top-line growth. Even more concerning for shareholders, it has generated deteriorating returns. The current model has clearly not delivered. A managed decline business model – investing to match a 450 demand scenario – would likely lower business risks, boost returns and avoid destroying shareholder value. This would involve investing less and returning more capital to shareholders."

What success has LAPFF had in the last 2½ years in persuading oil and gas companies to drop 'growth models' and instead return cash to shareholders? For example, how many AGM resolutions have they put forward calling for this?

Response by the Chair of the Pension Committee

As indicated in the LAPFF report, a 'managed decline business model' is orientated around investing to match a 450 demand scenario. This describes an energy pathway consistent with the goal of limiting the average global temperature increase to 2°C as set out by the Paris agreement.

LAPFF has engaged with a number of oil and gas companies over this period. Long-term engagement with BP, now continued under the umbrella of the Climate Action 100+ investor initiative, has led to the co-filing of a second shareholder resolution to the company. The resolution to the 2019 BP AGM, co-filed by ten LAPFF member funds, includes a request to the company to set out 'how the Company evaluates the consistency of each new material capex investment, including in the exploration, acquisition or development of oil and gas resources and reserves and other energy sources and technologies, with ... the Paris Goals'. As with the previous resolution in 2015, continued engagement has led to the board recommending support of the resolution.

In 2017, Shell set the ambition of reducing the Net Carbon Footprint of its energy products by around half by 2050, and by around 20% by 2035, in step with society's

drive to meet the goals of the Paris Agreement. Continued collaborative engagement has focused on linking associated shorter-term targets to its executive remuneration policy, which have been brought forward by one year for approval at the 2019 AGM. The company is focusing on value over volume and dividends and repurchases are now delivering a more than 10 percent cash return yield to shareholders.

Similar examples can be found in engagement with US companies. A voting alert issued to members for the Anadarko 2019 AGM (postponed owing to a bidding process) pressed the company to issue a report describing its plans to reduce its total contribution to climate change and align its operations and investments with the Paris Agreement's goal of maintaining global temperatures well below 2 degrees.

Continued engagement with Exxon led to at least one LAPFF member fund co-filing a resolution to the 2019 AGM, asking the company to disclose short, medium and long-term targets for GHG emissions. The resolution was rejected by the SEC after lobbying by the company. However, member funds will shortly receive voting advice aimed at pressing the company for increased disclosure on capital expenditure to enable shareholders to better consider whether the company is operating within the spirit of the Paris Accord.

4. Question from Viki Hall, Forest Row, East Sussex

The East Sussex Pension Fund's Responsible Investment Policy states that 'The Fund will incorporate climate risk assessment as part of the annual investment strategy review (considering the Fund's investment strategy under a range of climate change scenarios, including a 2 °C scenario).'

Which climate change scenarios will this year's annual investment strategy review consider, and when will the latter be made available to the public? Will any 1.5 °C scenarios be included?

Response by the Chair of the Pension Committee

The Pension Committee has an annual strategy review which looks at all the investment risks that the East Sussex Pension Fund is facing. The agenda for the Strategy day has not been finalised, but it will include but not limited to Environmental, Social and Corporate Governance (ESG) and Responsible investment strategies.

The strategy day is neither a public meeting nor a formal decision making meeting of the Committee, but an opportunity to review the Fund's current investment strategy and to set the future investment priorities for the fund.

5. Question from Ann Link, Lewes, East Sussex

In a recent (15 April 2019) speech Sarah Breeden, the Bank of England's Executive Director of International Banks Supervision noted that: 'Climate change poses significant risks to the economy and to the financial system, and while these risks

may seem abstract and far away, they are in fact very real, fast approaching, and in need of action today.'

She went on to note that:

'Studies have focused on the impact from the transition on the financial system through 'stranded assets' that turn out to be worth less than expected, probably zero in the case of unburnable carbon. The estimated losses are large –\$1tn-\$4tn when considering fossil fuels alone, or up to \$20tn when looking at a broader range of sectors. Even at the bottom ends of these ranges, losses represent a material share of global financial assets. A climate Minsky moment, where asset prices adjust quickly with negative feedback loops to growth, seems possible. That underlines why the financial system needs an early and orderly transition. And why we need to change course now.'

We are currently seeing an ever-increasing gap between the current emissions pathway and a technically achievable pathway to 1.5°C.

Does the Pension Committee accept that the growth of this gap is increasing the risk of a sudden and disorderly transition of the kind that Sarah Breeden is warning about, as closing this gap will inevitably require increasingly heavy-handed intervention?

Response by the Chair of the Pension Committee

The Pension Committee is keen to avoid a disorderly transition and believes that this outcome can be mitigated by increasing pressure on fossil fuel companies, through active shareholder engagement.

Getting companies to improve their corporate behaviour lessens the chances of a disorderly transition and leads to an increase in the long term value of the Fund's investments. This ensures that the companies are considering the impacts of climate change in their business models.

The Fund's approach to engagement recognises the importance of working in partnership to magnify the voice and maximise the influence of investors as owners. The Fund appreciates that to gain the attention of companies in addressing governance concerns it needs to join with other investors sharing similar concerns. Along with its investment into the Climate Aware Fund, this provides an incentive to companies to move towards limiting climate change.

6. Question from Emily O'Brien, Newhaven, East Sussex (on behalf of Community Action Newhaven)

I note that East Sussex County Council has merrily started construction of the Newhaven Port Access Road, using £23 million of public money.

However neither the required Marine Licence, nor the planning permission for the necessary link roads to the Port are in place.

Please could you clarify the timescales for obtaining both of these, and what ESCC plans to do should either of these applications be unsuccessful?

Response by the Lead Member for Economy

An application has been made by the Newhaven Port Access Road (NPAR) contractor to the Marine Management Organisation (MMO) for the marine licence that is required for the construction of a temporary causeway across the creek. This is a temporary construction to enable access to construct the bridge pier in between the creek and the railway line. The MMO has consulted with key stakeholders in connection with this application and we anticipate a licence being issued by the end of the month. The NPAR contractor is a competent civil engineering contractor who has experience of working in marine environments and is confident any conditions applied by the MMO can be satisfied.

With regard to the planning application for the roads connecting the NPAR into the port, this is a matter for Newhaven Port Authority who are due to submit a planning application to Lewes District Council (LDC). The question of timescales and alternative plans should be directed to the port authority and/or the determining planning authority LDC.

7. Question from Arnold Simanowitz, Lewes, East Sussex

A recent analysis comparing data from the IPCC's climate models with forecasts from industry analysts Rystad Energy ('Overexposed: The IPCC's report on 1.5°C and the risks of overinvestment in oil and gas', 23 April 2019, <https://www.globalwitness.org/en/campaigns/oil-gas-and-mining/overexposed/>), found that over the next decade:

- any production from new oil and gas fields, beyond those already in production or development, is incompatible with limiting warming to 1.5°C;
- all of the \$4.9 trillion forecast capex in new oil and gas fields is incompatible with limiting warming to 1.5°C; and,
- 9% of oil and 6% of gas production forecast from existing fields is incompatible with limiting warming to 1.5°C.

Do the East Sussex Pension Fund's fund managers and investment consultants accept these findings and if so, what actions will they be taking in the light of these findings?

Response by the Chair of the Pension Committee

The Fund's investment managers and consultants are constantly revising their views based on the best available data. This information will inform their investments on behalf of and advice provided to the Fund.

The Pension Committee believes by increasing pressure on fossil fuel companies, through active shareholder engagement, we can get companies to improve their corporate behaviour. Improvements made by these engagements lead to an increase in the long term value of the Fund's investments.

The Fund's approach to engagement recognises the importance of working in partnership to magnify the voice and maximise the influence of investors as owners. The Fund appreciates that to gain the attention of companies in addressing governance concerns it needs to join with other investors sharing similar concerns. Along with its investment into the Climate Aware Fund, this provides an incentive to companies to move towards limiting climate change.

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