COUNTY COUNCIL – 4 DECEMBER 2018

QUESTION FROM MEMBERS OF THE PUBLIC

1. Question from Richard Pike, Forest Row, East Sussex

The latest report from the Intergovernmental Panel on Climate Change (IPCC) has highlighted the huge differences that limiting global warming to 1.5ºC, as opposed to 2ºC, would make ('Global Warming of 1.5ºC', October 2018, http://www.ipcc.ch/report/sr15/). Has the Pension Committee discussed the IPCC report, and if so what effect do they think its conclusions are likely to have on the Fund's future investments?

Response by the Chair of the Pension Committee

The Pension Committee has regular training on Responsible Investment and regularly reviews its Investment Strategy Statement to ensure it is addressing the risks facing the Fund.

The Committee has recently approved the Fund Responsible Investment Policy, of which one of the core principles is to regularly evaluate and manage carbon exposure in order to mitigate risks to the Fund from climate change. The Committee is aware that the more we limit global warming below 2ºC that there will be benefits and will continue to engage with companies towards limiting climate change.

2. Question from Frances Witt, Lewes, East Sussex

In September 2018, the leading non-profit shareholder advocacy foundation As You Sow, published a major report entitled '2020: A Clear Vision for Paris Compliant Shareholder Engagement' (https://www.asyousow.org/reports/2020-a-clear-vision-for-paris-compliant-shareholder-engagement).

As You Sow has spent over 25 years engaged in shareholder advocacy on a host of different issues, during which time it has won a number of successes, including getting the three largest beverage companies in the US to commit to recycling a majority of its post-consumer containers and getting Dunkin Doughnuts to remove titanium dioxide from its powdered doughnuts.

In their September 2018 report As You Sow note that despite 'receiving more engagement and resolution filings than any other sector' (some 160-plus shareholder resolutions filed at 24 oil & gas companies from 2012-2018) 'No U.S. oil & gas company has adopted plans or targets to limit its full lifecycle contribution of greenhouse gas emissions. Instead, the vast majority of U.S. companies continue to argue the need for business as usual investments to meet growing global demand—even if that production contributes directly to the world overshooting its Paris goals and locking in global and economic calamity' (pages 8, 10 and 11).

Does the East Sussex Pension Committee accept this assessment of the record of engagement with US oil and gas companies? And, what is the East Sussex Pension Fund's exposure to these companies?

Response by the Chair of the Pension Committee

The East Sussex Pension Fund has in the region of 4.0% of its investment in oil and gas companies.

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

The Committee believes that these can be maximised by collaborating with other likeminded investors to increase the pressure for change and encourages improvements to be made.

3. Question from Karen Hardy, Seaford, East Sussex

ESCC has recently publicised its 'Core Offer' for future funding on its website along with a link to a survey so that residents can provide their views on the Core Offer. ESCC say that they are 'committed to involving people in decisions that affect them. We'd like to know your views on our core offer to East Sussex and the public services it would include..….it's important to know how residents of East Sussex see the future.'

I have attempted to complete this survey but have foundered at question 2 as follows- '2. Which of these options would you prefer to keep East Sussex within its financial means?
*I would prefer to pay much higher council tax - a rise of 23% over the next three years - to keep services at their current level
* I would prefer to reduce the range of public services on offer and keep any rises in council tax as low as possible'

There is no alternative option and I have no opportunity to provide an alternative answer. The survey does not allow me to move to the next question without agreeing to one of the two fixed ESCC choices so I am prevented from completing the survey and am disenfranchised from this 'consultation'.

May I suggest that as a matter of urgency, this consultation be removed from the ESCC website and that question 2 have a free text box option added so that the public are all able to respond to it in a sensible and fair fashion.

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

We have included in the survey several 'free text' sections where the responder can answer in their own words. That includes the chance to comment on the proposed core offer, suggest alternatives and make suggestions for how things could be structured and funded differently.

Later in the survey, you'll find a question which asks about how you think the long-term funding gap in East Sussex could be filled and which sets out several possible options.

However, you are right that the second question does set two starkly-limited options for the immediate future. This reflects the current inescapable reality for all local authorities – we are legally obliged to meet the growing demand for statutory services with limited resources and with a legal cap on rises in council tax (unless over-ridden by local referendum). Like you, we don't like either alternative but we feel it's legitimate to ask people which direction they lean towards. This is a vital question the council has to address and sets the context for the core offer: that is why we don't think an option to skip this question would be helpful. There are several other places in the survey where free comments can be made, including in relation to this choice, so we're confident of capturing a very broad range of views from everyone who takes part.

4. Question from Lottie Rodger, Lewes, East Sussex

The Intergovernmental Panel on Climate Change (IPCC)'s recent report 'Global Warming of 1.5 °C' concluded that "limiting global warming to 1.5°C, compared with 2°C, could reduce the number of people both exposed to climate-related risks and susceptible to poverty by up to several hundred million by 2050". However, the window for doing this, and thereby avoiding the worst impacts of climate change, is rapidly closing.

Indeed, according to Professor Nicholas Stern, who authored the Stern Review on the Economics of Climate Change for the UK government, "the next 10 years will be absolutely crucial in determining what kind of world will exist in the decades beyond. If we act decisively, and innovate and invest wisely, we could both avoid the worst impacts of climate change … If we do not, we face a world in which it will become increasingly difficult for us and future generations to thrive."

How does the Pension Fund's timeline for its current policy of engagement with fossil fuel companies relate to the narrow window described in the IPCC report?

Response by the Chair of the Pension Committee

The Pension Committee believes by increasing pressure on fossil fuel companies, through active shareholder engagement, we can get companies to improve their corporate behavior. 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 which provides an incentive to companies to move towards limiting climate change.

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

I have a question on behalf of Community Action Newhaven (CAN) about the failure to be open and transparent around the £23 million Newhaven Port Access Road, and in particular about omissions on the Port Access Road web pages.

- Firstly, why is there no up to date information about timescales, including when the contractor will come on site, and how works will then unfold?
- Secondly, why does the website omit to mention that the new road will not join up with the Enterprise Zone Eastside South business park - even though it passes adjacent, literally touching it all along one border? This makes a nonsense of claims that the new road is all about adding value to the Enterprise zone. It also means traffic from the new Eastside business park will have to use the same residential roads - Beach Road and Railway Road - which construction of the new road is supposed to be rescuing from congestion. Surely it would be better to be open about this rather than keep the information buried deep in the business case?
- Thirdly why does neither the website, nor even the business case, mention that the route chosen requires digging up brand new, never used roundabout, the construction costs for which were paid by a developer in 2015? The website simply states that the road will ‘complete’ the route following the earlier construction of part one. Even council statements in response to our recent questions only acknowledge that the layout of roundabout exits are being changed, and fail to acknowledge that the whole thing has be ripped up in order to rebuild it from scratch using public money at a location some 20 metres away.
- Fourthly, neither on the website, nor even in the business case, is there an admission that this road in two short stretches lies within the South Downs National Park boundary. Failing to mention this crucial piece of information is surely a communications disaster waiting to happen?

It is no wonder that the public is distrustful of this project when there are such important omissions in the information supplied. Our question is therefore: will the county council now update its website to include all these facts and any other embarrassing secrets it is sitting on?

Response by the Lead Member for Economy

In relation to the questions that have been received by Community Action Newhaven (CAN) regarding the Newhaven Port Access Road, I have the following responses.

Firstly, in relation to no up to date information about construction timescales, there is an outline timeline on the website and this it will be updated as works progress.

Preparatory work has started on site, and construction is anticipated to take 19 months to complete. The detail of the construction programme is still to be finalised, and this is dependent on a number of seasonal environmental activities that are themselves weather dependent. As have been previously notified to CAN, a

Community Liaison Group will be set up which will provide regular engagement opportunities.

Secondly, in relation to CAN's comment about the website omitting to mention that the new road will not join up with the Enterprise Zone Eastside South business park, the scheme plans available on the website clearly show that the NPAR does not link into the Eastside South site, and it has never been the case that it would. The NPAR will provide a new direct access into the East Quay area of Newhaven Port, one of the Enterprise Zones sites. Therefore, the NPAR is significantly adding value to the delivery of the Enterprise Zone.

Thirdly in relation to the question about the location of the Pargut roundabout, the plans showing both the existing and revised roundabouts are available and shown within the business case that is on our website.

Fourthly, regarding the comment on the extent of the road in the South Downs National Park, the Park Authority came into being after planning permission for the NPAR had been granted. As noted, there are two small sections of the road that lie within the SDNP boundary. However, these are minor and landscaping has been proposed that will screen views of the road from the National Park. Discussions have taken place with officers from the National Park Authority on this matter and they have not raised any concerns over the proposals. In addition, constructing the roundabout in the originally approved location avoids the alignment of the road having to be moved, which would have resulted in a longer stretch of the road falling within the National Park.

In relation to the final point, our website will be updated at appropriate times as construction progresses and the information relating to CAN's questions 2, 3 and 4 is provided within the detailed business case available on our website.

6. Question from Hugh Dunkerley, Brighton

In answers to past questions, Councillor Stogdon has referred to the importance for the East Sussex Pension Fund's engagement policy of the Local Authority Pension Fund Forum (LAPFF)'s 'participation in the Transition Pathway Initiative, which aids understanding of where companies are placed in the transition to a low carbon economy and their competence to manage this transition.' (Response to question from Arnold Simanowitz, March 2017, https://divesteastsussex.wordpress.com/questions-answers-at-esccs-full-council-meetings/).

Earlier this month, the TPI published a ground-breaking assessment of the corporate public disclosures of the ten largest publicly listed oil and gas companies 'taking into account the full lifecycle emissions of their products' ('Carbon Performance Assessment in Oil and Gas: Discussion paper', November 2018, http://www.lse.ac.uk/GranthamInstitute/tpi/wp-content/uploads/2018/11/Oil-and-gas-discussion-paper.pdf). It found that:

(1) Only two of the ten companies (Shell and Total) had set long-term ambitions that

would result in a large reduction in their carbon emissions intensity and that even these were ‘not yet ambitious enough to align with a pathway to limit global warming to 2°C or below before 2050’;

(2) Five of the companies (including Exxon) do not have any quantitative emissions reduction targets at all; and

(3) Not one of the ten companies has ‘proposed to reduce its carbon intensity sufficiently to be aligned with a Below 2 Degrees benchmark or to achieve net zero emissions by 2050.’

What changes to its engagement policy will the East Sussex Pension Fund be making in the light of this new information

Response by the Chair of the Pension Committee

The Pension Committee welcomes the Transition Pathway Initiative report as it provides the Pension Committee with the information to challenge the plans of publicly listed oil and gas companies directly. The Pension Committee will be better informed to challenge our Investment Managers to ensure that they are a taking these risks into consideration when making investments.

The Committee has recently approved the Fund Responsible Investment Policy, of which one of the core principles is to regularly evaluate and manage carbon exposure in order to mitigate risks to the Fund from climate change.   Greater disclosure is still required and the Pension Committee will continue pushing for this by collaborating with other likeminded investors to increase the pressure for change and encourage improvements to be made.