

UNFINISHED BUSINESS

UB-1. City of Vancouver Responsible Divestment From Fossil Fuels

At the Standing Committee on Policy and Strategic Priorities meeting on November 27, 2019, the Committee concluded hearing from speakers to the motion and referred debate and decision to the Council meeting on January 21, 2020, as Unfinished Business.

MOVED by Councillor Carr

WHEREAS

1. The 2016 Union of BC Municipalities (UBCM) report, *Primer on Fossil Fuel Divestment and the Municipal Pension Plan* (MPP), noted that “the MPP imperative is to provide income security for retired members” and “Divestment may compromise our investment strategy, increase risks and costs, and negatively affect our clients’ investment returns”;
2. The B.C. Municipal Pension Plan is managed by British Columbia Investment Management Corporation (“BCI”), an asset manager that encourages responsible investing principles and is one of the founding members to the United Nations Principles for Responsible Investment in 2006. BCI has noted that their responsible investment approach is that being an investor and influencing change is more effective than to divest. Other investment firms such as Caisse Quebec are moving more aggressively to manage the impact and risks of fossil fuels by reducing their holdings and encouraging investment in renewable energy;
3. In May 2016, Council adopted a Responsible Investment Screening Process for the City’s investment portfolio. The recommended screening process for investing in Canadian banks and credit unions uses a typical structure of environmental, social, and governance (“ESG”) factors within a responsible investing perspective;
4. In February 2018, Council directed staff to report back on “what the implications would be of the City of Vancouver moving its Municipal Finance Authority (“MFA”) Investments into a fossil-free Socially Responsible Investment (“SRI”) fund if such a fund is established by the MFA”. Staff reported in March 2018, that the City does not invest in any MFA pooled investment funds, and therefore would not have MFA funds to move into a fossil-free SRI fund. Since then, as the City has been a leader in the responsible investment area, staff have engaged with MFA to support the creation of MFA pooled investment funds that align with a fossil free approach and MFA has introduced two new Pooled High Interest Savings Accounts that meet the short term investment needs of fossil fuel free investors and will also be introducing an MFA Mortgage Fund which has a small, greatly reduced exposure to fossil fuel companies. In addition, MFA has been engaging with asset managers with the view of creating a new short-term bond fund with a fossil fuel exclusion screen that would exclude securities of companies directly involved in the extraction, processing and transportation of coal, oil, or natural gas;

5. In 2017, the Chief Financial Officer of the City signed a letter from the “Accounting for Sustainability (A4S)” initiative of Chief Financial Officers, supporting climate-related financial disclosure. The letter specifically commits the City to “affirm our commitment to support the voluntary recommendations” of the Task Force on Climate-Related Financial Disclosures (“TCFD”). In 2018, the City was the first Canadian municipality to include climate-related financial disclosures in its annual financial report. The City’s disclosure aligns or partially aligns with TCFD recommendations, and will continue to improve over time as the City responds to climate change, and as the field of climate-risk disclosure evolves. The City is currently working with the City of Toronto, the City of Montreal, and CPA (Chartered Professional Accountants) Canada to develop and align standards for other municipalities to follow TCFD disclosures in their financial reports;
6. In June 2018, the City developed its Green Bond Framework and engaged Sustainalytics, a global leading provider of Socially Responsible strategies, to provide a second-party opinion on the City’s alignment with the four core components of the Green Bond Principles Framework. In October 2018, the City issued its inaugural Green Bond of \$85 million for capital projects that include investments in renewable energy, energy efficiency, green buildings and clean transportation (<https://vancouver.ca/your-government/investor-relations.aspx>);
7. Since then, with scientific validation of accelerating global warming and the need to leave fossil fuel reserves in the ground, there has been increasing awareness of the investment risk related to fossil fuel “stranded assets”. The October 2018 Intergovernmental Panel on Climate Change (IPCC) report calling for rapid reduction in greenhouse gas emissions, with a window of little more than a decade to avert catastrophic impacts of climate change, has shifted the rationale for divesting from an ethical or moral consideration to a financial and fiduciary argument:

“Divestment, once strictly a moral call to action, is now also seen as the only prudent financial response to climate risk” 350.org;
8. In January 2019, Council voted unanimously to recognize a global climate emergency and local climate crisis;
9. In June 2019, noting a B.C. government report that projects the City of Vancouver will have to spend \$1 billion this century to mitigate rising sea levels, Council approved a motion to write to “the 20 fossil fuel companies with the highest percentage of greenhouse gas emissions to ask that they be accountable for their share of climate emergency costs;
10. In October 2019, UN Secretary General Ban Ki-moon, told delegates at a climate change summit in Copenhagen that big investors such as insurers and pension funds should cut their investments and focus on renewable energy sources instead;
11. Divestment is now a rapidly growing worldwide movement. The total sum of global funds committed to fossil fuel divestment was \$52 billion in 2014, \$8 trillion

in 2018 and \$11 trillion in 2019. In 2019, more than 1,110 funds (including wealth funds, banks, cities, pension funds and insurance firms) have made divestment commitments, including Norway's \$1 trillion sovereign wealth fund, the world's largest. Caisse Quebec – Quebec's equivalent to B.C.'s pension fund manager – has more than \$285-billion in assets under management and says it believes it is the first North American institutional investor to set a carbon target covering all of its asset classes:

“There are going to be stranded assets associated with climate change. We don't want to get caught in those stranded assets ... We're looking for opportunities because we think it's good risk management to, over time, exit those.”

Michael Sabia, President and CEO of Caisse Quebec;

12. The cities-led responsible investment movement is growing. More and more cities around the world, including New York City, Paris, London, Oslo, Sydney, Melbourne, Auckland, San Francisco and Seattle, are manifesting their climate leadership through making a divestment commitment. To support cities in exploring and developing their divestment and sustainable investment strategies, the global Cities Climate Leadership Group C40, in close partnership with London and New York City, launched the Divest/Invest Forum in September 2018. The Forum is open to any city that seeks learn more about divestment, sustainable investment, and other climate-responsive financial strategies; no actions or commitments are required as a prerequisite to joining.

THEREFORE BE IT RESOLVED THAT City Council direct staff to review and report back on the following items:

- A. A plan that includes defining divestment, options and timelines for how the City could fully divest from fossil fuels, building on divestment measures taken to date as well as leading practices related to fossil fuel free investment portfolios.
- B. Opportunities to continue to engage the Municipal Finance Authority to create a fossil fuel free fund that would enable other B.C. municipalities to invest in such a fund.
- C. Bringing a motion to Council for the 2020 meetings of the Lower Mainland Local Government Association and the Union of B.C. Municipalities (UBCM) to re-examine the 2016 UBCM *Primer on Fossil Fuel Divestment and the Municipal Pension Plan* report, in light of globally changing investment and divestment strategies.
- D. Tasking and resourcing the Vancouver Economic Commission to work with local businesses and financial regulators to provide and promote resources and guidelines for local businesses and other private institutions to understand and apply TCFD (Task Force on Climate-related Financial Disclosures) decision-making in their work.

- E. Evaluating the benefit of the City and Vancouver Economic Commission participating on the C40 Invest/Divest forum, including attending its March 2020 workshop.
- F. The Mayor, on behalf of Council and the City of Vancouver write to the B.C. Municipal Pension Plan requesting a risk assessment of the plan's investments based on carbon exposure, asking the Plan to advise the City on what steps are being taken to measure and mitigate these risks, and urging the Plan to consider the long-term impact of global climate emergency and local climate crisis due to investments in fossil fuel assets and to redeploy funds into green and renewable assets that are necessary for a sustainable future.
- G. The Mayor, on behalf of Council and the City of Vancouver, send a letter to the Province of BC to encourage them to follow the examples of Canadian municipalities in developing a model for crown corporations and provincial agencies to include financial statement disclosures aligned with the TCFD (Task Force on Climate-related Financial Disclosures).
- H. The Mayor, on behalf of the City of Vancouver, a C40 City, sign the Global Green New Deal pledge which was signed by the other C40 mayors at their meeting in Copenhagen in October of 2019. That pledge includes an "urgent, fundamental and irreversible transfer of global resources away from fossil fuels and into action that averts the climate emergency."

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