

Towards decarbonisation: engaging with fossil fuel companies to drive a cleaner future

On Wednesday 17th February 2021, the SRI Engagement Group hosted a panel event as part of the College-wide Sustainability Week. A summary of this panel event can be found below:

Panellists

Abhijay Sood – Imperial College Union President

John Anderson – Director of Financial Strategy

Matthew Okenyi – Divest Imperial Representative

Mary Ryan – Vice Dean (Research), Faculty of Engineering

Background

- Abhijay Sood welcomed attendees to the event and provided an overview of the College's Socially Responsible Investment Policy and how the College had reached its current position, including summarising the conversations around ethical investment that had been active on campus for several years. Abhijay noted how the development of the SRI Policy had been guided by input from key stakeholders and the wider College community. The SRI Policy set out how the College can use its position to affect change in fossil fuel companies. Abhijay added that the College had divested from coal and tar sands.
- Abhijay noted that whilst the focus of the policy had been on fossil fuels, the principles of the policy have opened the door to broader conversations on ethical investment.
- The SRI Engagement Group was established in September 2020 to develop and implement methods to monitor and assess progress the College is making in influencing fossil fuel companies through its research and collaborations, education programmes and influence as a world-leading university.
- Abhijay highlighted the group's focus on proactive engagement with companies rather than attempting to revisit the policy. The group were also considering what action the College should take if a company did not respond in line with the College's decarbonisation expectations and what behaviour should trigger such action.
- The SRI Engagement Group had launched a consultation to hear the views of the College community on how the College could influence the behaviour of fossil fuel companies. The panel discussion would explore the key themes of the consultation.
- Panel members introduced themselves and highlighted a number of issues to explore, including stressing the severity of the problem and the need for urgent action, the need for the College's divestment policy to be fully aligned to its research policy and the increasing alignment of financial and global sustainability.
- Abhijay addressed a question from an audience member on the potential conflict of interests on the SRI Engagement Group. He affirmed that the group were striving to be as transparent as possible and potential conflicts of group members had been published on the [SRI Policy Website](#).

What criteria does the College use to monitor progress and to what extent might our engagement affect this?

- The panel discussed how the College might manage its relationship with fossil fuel companies moving forward. Panel members highlighted the importance of leveraging existing expertise in the College to unpick various potential measures such as: what

percentage of research companies undertake was directed towards clean energy rather than exploration; who companies were partnering with; and who and where they were lobbying. The College should use its academic excellence to develop independent measures and its own in-house experts to carry out analysis.

- Existing SRI screening tools could be used to establish appropriate questions to ask companies and decide on the most effective forums at which to raise these. The limitations of these tools were also highlighted, as well as the need for the College to pinpoint areas where companies were not progressing based on our institutional understanding rather than external tools.
- It was agreed that the College should leverage its reputation and influence as a research institution which was arguably stronger than its clout as an investor.
- The [Transition Pathway Initiative](#) was highlighted as a useful tool to assess companies' preparedness to reach Paris Agreement targets.
- In response to an audience question on political lobbying, the panel expressed their strong agreement that the SRI Engagement Group should be considering companies' behaviour in relation to climate policy.

What should fossil fuel companies demonstrate to convince potential investors that they are actively participating in the energy transition and worthy of investment to help achieve that?

- The 2018 [IPCC Report](#) demonstrated that in order to limit global warming to 1.5 degrees, global CO₂ emissions would need to be reduced to 45% relative to 2010 levels by 2030. It was noted that the College should be able to determine whether a company was serious about decarbonisation in the next six months to a year, and shorter-term milestones could be used to assess how serious a company's objectives were.
- Capital expenditure plans could help the College to determine a company's medium-term objectives, including what fraction of their Research and Development budget was allocated to the clean energy space.
- The College's fund managers and ARC were now signatories to the [UN Principles of Responsible Investment](#) which has ensured that reporting is enhanced across the investment portfolio. The next step will be to consider what engagement has achieved.
- The importance of continuous monitoring was highlighted as companies' response to decarbonisation may change over time. The panel also noted the importance of the College community's involvement in this process.

How do we engage with firms to achieve decarbonisation targets?

- The economic argument for combating climate change had become increasingly significant over the last two to three years. The College's financial influence would come from the College improving its ability to call shifts in the market. This would be a gradual process as the investment world relies on track records. The sector was also considering what role data and big-tech companies play in decarbonisation efforts.
- The opportunity for Imperial to join other universities in making a divestment pledge and using its prestigious role for the public good was noted.
- Imperial's reputation in research in the climate and energy space should not be underestimated and the ethical case for achieving decarbonisation targets was highlighted.
- The panel answered a question from the audience on how the College could ensure it review of its existing relationships with fossil fuel companies aligned with the ethical statements the

College was making about its investments. It was noted that the College had strategic framework agreements in place with our main research partners which were typically reviewed every three years; there is an opportunity for the scope of these agreements to be reviewed. It was noted that many companies saw the innovation potential of Imperial to drive the energy transition.

- The panel responded to an audience question on how the tension between the College's current position in relation to climate change research could be reconciled with the College's stance on fossil fuel investment:
 - It was noted that the Endowment Board would follow instructions set out by the SRI Engagement Group on how to most effectively engage with fund managers to ensure they fully understood the College's current position on exclusions and were kept informed of any future exclusions.
 - The College should work towards rapid diversification of its funding portfolio so that it is not dependent on one single research area. The importance of equipping students with the necessary skills to help companies through the energy transition was emphasised.
- The panel responded to an audience question on whether the SRI Engagement Group's focus on research/education programmes could slow the College's efforts to influence fossil fuel companies given this would be a gradual process. It was made clear that the SRI Engagement Group were striving for a holistic approach to engagement and reviewing the College's research/education portfolio would not hinder the College in taking divisive action on investment if it was required.

What might trigger action towards divestment?

- The panel agreed that the College should be transparent with companies and the wider College community about its ambitions and the steps that would be taken if companies did not respond satisfactorily.
- It was noted that the College may reach a point where reinvestment was the goal; if companies could evidence a change in their approach to decarbonisation then the College could be willing to both economically and ethically invest in them again.
- The importance of working with other institutions to develop new networks was highlighted. The panel discussed whether companies should receive a warning if they were on a track which was not aligned with the College's ambitions.
- It was noted that the majority of oil and gas extraction was carried out by state-owned companies (where the divestment approach would have no impact) which emphasised the importance of influencing through research, training and innovation.
- The panel commented on the opportunity to learn from this exercise to develop a framework to engage with other carbon-intensive industries/companies?
- In response to an audience question on the Imperial College Union's approach, Abhijay emphasised that the Union were developing their own assessment tool for assessing sponsorship for student clubs. This tool would align with the views of the majority of students, ensuring that any outcome would not drive clubs into a difficult financial situation.