

Value lost to UK local authority pensions due to oil investments

Research questions

1. How much did UK local authority pension funds decline in value since 2017 due to investments into major oil & gas companies? (minimum estimates)
2. Which local authority pension funds were most affected by the crash in oil share prices, and how much value was lost per pension member?

Contents

[Research questions](#)

[Findings](#)

[Methodology](#)

[Data source](#)

[Investments analysed](#)

[Local Authority Pension Funds analysed](#)

[Oil & Gas companies analysed](#)

[Share values](#)

[Appendix I: Local authority pension funds analysed, and their decline in value due to oil investments](#)

[Appendix II: Local authority pension funds excluded from analysis, due to lack of data on direct equity holdings in oil & gas companies](#)

[Appendix III: Local authority pension funds excluded from analysis, due to commitments to reduce investments into oil & gas companies](#)

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This report was commissioned by Platform London, and researched and written by Mika Minio-Paluello and Anna Markova (Transition Economics).

Findings

This analysis, commissioned by Platform, concludes that UK local authority pension funds that are not divesting from fossil fuel companies could have lost at least £1.75 billion in value over the past three years as a result of investments into just nine oil & gas companies.

56 pension funds were identified as holding direct investments into oil companies and not having made public commitments to reduce direct fossil fuel holdings. These funds' combined direct investments into nine oil companies were valued at £3.6 bn in spring 2017, and would have dropped to £1.8 bn by November 2020.

The three funds losing the most value have all publicly opposed divesting direct holdings.¹

- Greater Manchester Pension Fund was the most exposed, potentially losing £375 million in value, or 2.2% of its total holdings. This is equivalent to £1,000 per pension member.
- West Yorkshire Pension Fund was second most exposed in terms of total value, losing £211 million in value. This is equivalent to £740 per pension member.
- Nottinghamshire was third with £81 million, equivalent to £1,070 per pension member.

In early 2020, Reuters reported Greater Manchester and West Yorkshire funds as claiming they would have lost £400m and £160m respectively over 3 years to 2019, if they had divested from fossil fuels.² The losses by 2020 on only the nine top oil companies almost entirely eradicate this gain.

Share values are volatile, and regularly rise and fall. However, repeated Financial Times reporting on the falling asset values and impairments amongst big oil companies describes this not as a temporary downturn, but as “the direction of travel”.³ Despite the expected continued use of fossil fuels in some industries for many years, the push to net zero will hit the underlying business model of large oil & gas companies significantly - especially those that rely on high oil prices to turn profits.

¹ <https://www.reuters.com/article/us-britain-pensions-divestment-idUSKBN1ZJ1EK>

² <https://www.reuters.com/article/us-britain-pensions-divestment-idUSKBN1ZJ1EK>

³ <https://www.ft.com/content/b7689fd1-5b06-42e9-bc9f-0a912c93924e>
<https://www.ft.com/content/4eb74a22-5c2d-4cfa-ab30-980e669c8c88>

Table 1: Largest losses by absolute value in GBP

	Local Authority Pension Fund	Value lost 2017-2020, £
1	Greater Manchester Pension Fund	374,831,107
2	West Yorkshire Pension Fund	211,201,819
3	Nottinghamshire County Council Pension Fund	81,241,089
4	East Riding Pension Fund	81,053,203
5	West Midlands Pension Fund	79,564,936
6	Teesside Pension Fund	73,139,447
7	Hampshire Pension Fund	68,424,492
8	Derbyshire County Council Pension Fund	64,904,000
9	Surrey County Council Pension Fund	61,002,532
10	Kent County Council Pension Fund	51,983,275

Table 2: Largest losses in terms of percentage of total fund value

	Local Authority Pension Fund	Percentage lost of total fund value
1	Greater Manchester Pension Fund	2.18%
2	London Borough of Bexley Pension Fund	2.06%
3	Teesside Pension Fund	1.90%
4	Isle of Wight Council Pension Fund	1.86%
5	East Riding Pension Fund	1.79%
6	Nottinghamshire County Council Pension Fund	1.72%
7	London Borough of Merton Pension Fund	1.71%
8	Falkirk Council Pension Fund	1.69%
9	Surrey County Council Pension Fund	1.62%
10	Dumfries and Galloway Pension Fund	1.62%

Table 3: Total losses to LA pension funds by company

	Oil & Gas Companies	Total GBP value lost by LA pension funds 2017-2020
1	Royal Dutch Shell	797,035,034
2	BP	545,756,039
3	Centrica	210,759,986
4	Exxon	54,716,134
5	EOG Resources	54,126,941
6	Total	46,534,109
7	Eni	24,867,507
8	Conocophillips	11,098,476
9	Chevron	7,966,336

Methodology

Data source

Our estimates are based on the assumption that non-divesting councils have not changed their exposure to fossil fuel company stocks.

The 2017 investment data broken down by pension fund is publicly available through the Fossil Free map.⁴ Platform sourced the data directly from local authority pension funds through Freedom of Information Act requests.⁵

Due to time limitations, Transition Economics only examined the Top 10 fossil fuel holdings by pension fund. Fossil holdings not in the Top 10 were not taken into account. This means that the total direct investments examined here are underestimates and are smaller than those previously identified by Platform's 2017 analysis.

This also pertains to investments into specific companies. As pension funds often hold several parallel investments into the same companies, it is possible that our totals will be smaller than the totals per company identified by Platform London in its 2017 analysis of the data. For example, Greater Manchester Pension Fund held over £115 million of shares in Royal Dutch Shell 'B', with a further £32 million of Royal Dutch Shell 'A' shares. Although in this case, they are both in the Top 10 of GMPF's fossil fuel holdings.

Investments analysed

This Transition Economics analysis estimates losses direct investments into oil & gas companies only.

It does not reflect shares held in the same companies held through passive funds.

This means our analysis likely underestimates overall losses, as the identified companies have historically made up a significant portion of major UK and US stock markets, and hence a significant contribution to passive funds.

⁴ <https://gofossilfree.org/uk/fuellingthefire/#map>

⁵

<https://631nj1ki9k11gbkx39b3qpz-wpengine.netdna-ssl.com/uk/wp-content/uploads/sites/3/2017/11/Councils-Fuelling-the-Fire-Online-1.3.pdf>

Local Authority Pension Funds analysed

12 local authority pension funds were excluded from the analysis, due to having publicly committed to divesting or to reducing their directly held equities in fossil fuel companies were excluded from the analysis. Pension funds that only announced they were shifting portions of their passive funds to low carbon trackers were not excluded, as this will not affect direct equity investments into relevant companies. See Appendix III for the list of 12 divesting pension funds.

A further 29 local authority pension funds were excluded from the analysis, where there was no data on directly held equity investments. (Appendix II)

Analysis was then conducted on the remaining 56 local authority pension funds, for which there is data on specific investments into oil & gas companies and that have not publicly committed to reduce these assets. These funds are listed in Appendix I.

Oil & Gas companies analysed

This research analysed the breakdown of local authority investments into oil & gas extracting companies, ranking total collective investments.

The analysis then focused only on oil & gas companies where cumulative spring 2017 investment by the 57 non-divesting pension funds totalled over £30 million.

These are the resulting 9 oil & gas companies on which the analysis focused:

Oil & Gas Companies
Royal Dutch Shell
BP
Centrica
Exxon
EOG Resources
Total
Eni
Conocophillips
Chevron

Share values

This research analyses the change in value from April 2017 to November 2020.

The 2017 share value corresponds to the closing price on 7 April 2017, as this date is reflective of when local authority pension funds were collecting data on relevant holdings and investments.

The 2020 share value is the closing price from 13 November 2020, after share prices rallied (went up) following the US election outcome and Pfizer-BioNTech vaccine announcements.

Repeated Financial Times reporting on the falling asset values and impairments amongst big oil companies describes this not as a temporary downturn, but as “the direction of travel”.⁶

⁶ <https://www.ft.com/content/b7689fd1-5b06-42e9-bc9f-0a912c93924e>
<https://www.ft.com/content/4eb74a22-5c2d-4cfa-ab30-980e669c8c88>

Appendix I: Local authority pension funds analysed, and their decline in value due to oil investments

Local Authority Pension Fund	Value lost 2017-2020, £	Percentage lost of total fund value
Greater Manchester Pension Fund	374,831,107	2.18%
West Yorkshire Pension Fund	211,201,819	1.56%
Nottinghamshire County Council Pension Fund	81,241,089	1.72%
East Riding Pension Fund	81,053,203	1.79%
West Midlands Pension Fund	79,564,936	0.58%
Teesside Pension Fund	73,139,447	1.90%
Hampshire Pension Fund	68,424,492	1.11%
Derbyshire County Council Pension Fund	64,904,000	1.55%
Surrey County Council Pension Fund	61,002,532	1.62%
Kent County Council Pension Fund	51,983,275	1.16%
Strathclyde Pension Fund	46,374,450	0.24%
Tyne and Wear Pension Fund	40,784,900	0.53%
Lothian Pension Fund	36,077,023	0.49%
Falkirk Council Pension Fund	34,769,723	1.69%
Northern Ireland Pension Fund	34,666,648	0.84%
Dyfed Pension Fund	32,617,538	1.37%
Tayside Pension Fund	30,005,131	0.88%
Torfaen Pension Fund	29,703,708	1.10%
Somerset County Council Pension Fund	25,097,057	1.28%
Cumbria County Council Pension Fund	21,776,257	0.84%
Suffolk County Council Pension Fund	16,563,921	0.63%
London Borough of Bexley Pension Fund	16,401,479	2.06%
North East Scotland Pension Fund	15,780,431	0.39%
Hertfordshire Pension Fund	15,449,561	0.37%
Buckinghamshire County Council Pension Fund	14,336,597	0.54%
Dumfries and Galloway Pension Fund	13,506,338	1.62%
Cheshire Pension Fund	13,219,062	0.32%

Avon Pension Fund	12,841,094	0.30%
London Borough of Hounslow Pension Fund	12,694,521	1.36%
Royal County of Berkshire Pension Fund	12,174,001	0.63%
London Borough of Hillingdon Pension Fund	11,858,980	1.24%
Highland Council Pension Fund	11,650,109	0.66%
Shropshire Pension Fund	11,181,376	0.65%
London Borough of Merton Pension Fund	10,809,220	1.71%
London Borough of Hammersmith and Fulham Pension Fund	10,414,761	1.04%
Isle of Wight Council Pension Fund	10,394,955	1.86%
Gloucestershire Pension Fund	10,247,923	0.50%
London Borough of Wandsworth Pension Fund	10,104,858	0.46%
Leicestershire County Council Pension Fund	8,646,930	0.28%
Warwickshire County Council Pension Fund	5,988,041	0.30%
Cardiff and Vale of Glamorgan Pension Fund	5,440,939	0.34%
Peninsula Pension Fund	5,233,895	0.13%
London Borough of Bromley Pension Fund	3,794,408	0.40%
Lincolnshire Pension Fund	2,853,918	0.14%
Fife Council Pension Fund	2,356,219	0.11%
Scottish Borders Pension Fund	1,968,406	0.30%
Orkney Islands Council Pension Fund	1,625,133	0.48%
North Yorkshire Pension Fund	1,549,195	0.05%
East Sussex Pension Fund	1,542,673	0.05%
Royal Borough of Kingston upon Thames Pension Fund	1,531,610	0.19%
Essex Pension Fund	1,124,893	0.02%
London Borough of Havering Pension Fund	287,340	0.04%
London Borough of Newham Council Pension Fund	66,423	0.01%
London Borough of Camden Pension Fund	3,017	0.00%
Worcestershire Pension Fund ⁷	0	0.00%
Durham County Council Pension Fund ⁸	0	0.00%

Source: Transition Economics analysis

⁷ This pension fund did not invest directly into the nine oil and gas companies under analysis, although it did invest in others.

⁸ This pension fund did not invest directly into the nine oil and gas companies under analysis, although it did invest in others.

Appendix II: Local authority pension funds excluded from analysis, due to lack of data on direct equity holdings in oil & gas companies

Local Authority Pension Fund
Lancashire County Pension Fund
West Sussex Pension Fund
Staffordshire Pension Fund
Rhondda Cynon Taf Pension Fund
Dorset County Council Pension Fund
Cambridgeshire Pension Fund
Wiltshire Pension Fund
Bedfordshire Pension Fund
Gwynedd Council Pension Fund
City and County of Swansea Pension Fund
Cornwall Pension Fund
Norfolk Pension Fund
Clwyd Pension Fund
London Borough of Lewisham Pension Fund
Westminster City Council Pension Fund
Royal Borough of Greenwich Council Pension Fund
London Borough of Croydon Pension Fund
London Borough of Enfield Pension Fund
Northumberland County Council Pension Fund
Royal Borough of Kensington and Chelsea Pension Fund
London Borough of Barnet Pension Fund
City of London Pension Fund

London Borough of Barking and Dagenham Pension Fund
London Borough of Harrow Pension Fund
London Borough of Brent Pension Fund
London Borough of Redbridge Pension Fund
Powys County Council Pension Fund
Shetland Islands Pension Fund
London Borough of Ealing Pension Fund

Appendix III: Local authority pension funds excluded from analysis, due to commitments to reduce investments into oil & gas companies

Local Authority Pension Funds publicly committed to reducing direct investments into oil & gas companies
London Borough of Hackney Pension Fund
London Borough of Haringey Pension Fund
London Borough of Islington Pension Fund
London Borough of Southwark Pension Fund
London Borough of Waltham Forest Pension Fund
Merseyside Pension Fund
London Borough of Lambeth Pension Fund
London Borough of Tower Hamlets Pension Fund
Oxfordshire County Council Pension Fund
London Pension Fund Authority
Environment Agency Pension Fund_
South Yorkshire Pension Fund

Source: Transition Economics analysis.



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