



PRESS KIT: FAIR PENSIONS' COUNTING THE COST CAMPAIGN

In January 2010, the responsible investment charity FairPensions, working with a coalition of investors and NGOs, succeeded in co-ordinating shareholder resolutions about Canada's tar sands to be discussed at Shell and BP's 2010 annual general meetings.

The resolutions call on Shell and BP to answer questions about their involvement in tar sands. Signatories to the resolutions (142 shareholders in Shell and over 140 in BP) include pension funds, fund managers, foundations, faith groups and individuals who question the financial wisdom of tar sands projects.

FairPensions' initiative has also received support from diverse groups and individuals concerned about the environmental and human rights impacts of tar sands.

What are tar sands?

Tar sands (also known as 'oil sands' or 'extra heavy oil'), are a type of naturally occurring bitumen deposit, requiring a complex, energy-intensive, and high emission-producing process to produce oil in a useable form. The world's largest deposits occur in Canada and Venezuela. The Canadian and Venezuelan deposits contain about 3.6 trillion barrels of oil, compared to 1.75 trillion barrels of conventional oil worldwide. The campaign is focused on the most developed location of tar sands extraction in Alberta, Canada, which covers about 140,000 square kilometres (more than the total area of England and Wales).

Tar sands: environmental, social and financial risks

The size of tar sands deposits, combined with their unusually high greenhouse gas emissions, mean that they threaten to be a major contributor to climate change. Roughly three barrels of natural gas are consumed to create one barrel of tar sands oil. Every day the extraction process uses enough natural gas to heat 3.2 million Canadian homes for a day. Tar sands are a significant factor in Canada's failure to meet its Kyoto protocol targets.

Tar sands also have impacts on the health and human rights of people over wide areas. Approximately 11 million litres of contaminated water leaks into surrounding rivers and groundwater each day, containing arsenic, mercury, and various carcinogens - which have already been linked to elevated rates of cancer in downstream communities. Exploiting tar sands involves widespread deforestation and wildlife loss; and First Nations communities have already begun legal proceedings citing breaches of constitutional rights.

Investors and industry analysts increasingly raise concerns about the long-term profitability of tar sands, specifically pointing to the very high operating costs, expected carbon price rises, oil price volatility, expected fluctuations in demand, regulation of greenhouse gas emissions, and the legal and reputational risks arising from environmental damage and human rights cases.

The campaign so far

Tabling the resolutions brought together a broad based coalition of investor support (well over the 100 signatories required for both BP and Shell, in the largest coalition of its kind seen in the UK) and sparked interest and debate around the world.

Since then, FairPensions has sent briefings to hundreds of investors, held face-to-face meetings with key industry figures urging them to vote in favour of the resolutions, and pressured BP and Shell to be transparent about the risks of tar sands.

Working with NGO partners, FairPensions has also launched a public mobilisation campaign to enable members of the public to quickly and easily contact their pension providers about the resolutions. Over 5,000 members of the public have already made use of this tool (available at www.countingthecost.org.uk), making this by far the biggest ever mobilisation of pension fund members. Over the last few months, fund managers and pension schemes have been getting questions from thousands of members wanting to know how votes would be cast on the resolutions, and whether money managers were on top of the issues. Fund managers have been forced to ask questions of the companies and focus their attention on tar sands, often for the first time.

The resolutions have also received support from MPs. On 11 March, Harriet Harman - who, as Leader of the House, has responsibility for regulating the MPs' pension scheme - faced questions in the Commons from MPs about the issue. A growing number of MPs have also signed a cross-party Early Day Motion which calls on the MPs' pension fund to vote for the resolutions.

Campaign supporters also include Alistair McGowan, Caroline Lucas, George Poitras, Simon Hughes, Thom Yorke and Zac Goldsmith.

BP

The resolution was the focus of intense engagement between BP and major City investors in the weeks leading up to the AGM, and attracted support from major institutional investors, including some of the largest pension funds in the world.

At the BP AGM on 15th April, over 15% of shareholders refused to back BP management's recommendation to vote against the resolution. This is extremely rare for this type of resolution. According to a vote tracking database run by Manifest, a leading European proxy voting agency, any result over 5% is considered significant. The 15% result therefore means that investors holding £10 billion in BP's stock have yet to be convinced that tar sands represent a wise investment - and that whatever BP has done to reassure investors so far, they have not gone far enough.

The vote is only one outcome of a wider process, which has catapulted tar sands risks to the top of BP's agenda, and has become a major topic of debate in the City. The task for investors now is to make the most of the disclosures made to date, and continue to robustly engage with BP into the future. This will be matched by an unprecedented level of scrutiny from campaigners, politicians and members of the public.

Shell

The resolution process has prompted Shell to engage in a sustained dialogue with shareholders about tar sands. Investors have welcomed disclosures made on current tar sands operations, but the company has not provided reassurance about the profitability and risk management of planned 'in-situ' projects which have higher production costs and greenhouse gas emissions. In-situ production is required for the majority of Shell's vast undeveloped tar sand resources.

This will be debated at Shell's AGM on 18th May, which will also provide one of the first opportunities for European investors to consider the environmental and financial risks of unconventional oil extraction in the wake of the Gulf of Mexico deep sea oil spill.

About FairPensions

FairPensions campaigns for pension funds and fund managers to adopt responsible investment practices, managing environmental, social and governance (ESG) issues which have the potential to be financially relevant.

FairPensions is supported by a number of leading charities and trade unions, including ActionAid, Amnesty International, BECTU, CAFOD, Community, CWU, ECCR, EIRiS, GMB, Greenpeace, NUJ, Occupational Pensioners' Alliance, Oxfam, Traidcraft, Unison, Unite and WWF, as well as thousands of individuals.

Who else is involved?

Investors who co-filed the resolutions include

Boston Common Asset Management, USA
CCLA (on behalf of the COIF Charities Investment Fund)
Central Finance Board of the Methodist Church
The Co-operative Asset Management
The Ecumenical Council for Corporate Responsibility (ECCR)
Joseph Rowntree Charitable Trust
MMA Praxis International Fund, USA
Public and Commercial Services Union
Clients of Rathbone Greenbank
Trustees for Roman Catholic Purposes
Unison Staff Pension Scheme

Additional international investors who supported the BP resolution include

AMP Capital Investors' Responsible Leader Investment Funds (Australia)
CalPERS (USA)
CalSTRS (USA)
Christian Super (Australia)
Connecticut Retirement Plans & Trust Funds (CRPTF) (USA)
Folksam (Sweden)
Local Government Super (Australia)
The New York State Common Retirement Fund (USA)
The Vermont Pension Investment Committee (USA)

Civil society partners include

Friends of the Earth Europe
Greenpeace
New Internationalist
The Otesha Project UK
People and Planet
Platform
The Co-operative
Unison
World Development Movement
WWF

Who else is supporting the campaign?

Alistair McGowan, actor and comedian
Caroline Lucas, MP (Green)
George Poitras, Mikisew Cree First Nation
Simon Hughes, MP (Liberal Democrats)
Thom Yorke, musician
Zac Goldsmith, MP (Conservative)

Contacts

Duncan Exley, Director of Campaigns

Direct dial: 020 7403 7806

Mobile: 07847 006 253

Email: duncan.exley@fairpensions.org.uk

Alexandra Woodsworth, Press Officer

Direct dial: 020 7403 7833

Email: alexandra.woodsworth@fairpensions.org.uk

www.fairpensions.org.uk