

Divesting from Fossil Fuels, Investing in a Sustainable Future

The COVID-19 crisis has caused dramatic human, social and economic cost, and painfully reminded us of the fragility of the world we live in. At the same time, the climate crisis is accelerating and demands urgent action.

As we start to rebuild our economies to recover from the pandemic, we must take urgent action to ensure climate breakdown doesn't become an even bigger crisis for the global economy and our communities worldwide. As mayors of some of the world's most influential cities, we are determined to lead the way by divesting financial assets from fossil fuel companies and championing investments in the green economy whenever possible. The financial case for divestment is clear - current market conditions and the long term outlook for the coal, oil, and gas sectors reinforce the risks to fiduciaries. This is not just a health and environmental necessity, this is an economic imperative.

Significant fossil fuel dependence over many decades is the root cause of the climate emergency we are facing and directly contributes to: global overheating; rising sea levels; poor air quality in our cities; increased spread of diseases; and more frequent extreme weather events.ⁱ Moreover, the associated air pollution is likely to have exacerbated the severity of this health crisis.ⁱⁱ To protect our societies and ecosystems from collapsing under climate breakdown, it's clear that we can't afford to pollute our world any longer.ⁱⁱⁱ

With a deeply vulnerable oil, gas and coal sector,^{iv} we must avoid attempts to support — with public or private funds — a risky industry where prevailing business models are deeply incompatible with internationally agreed climate goals.^v The financial arguments to divest from fossil fuels have been strong for many years;^{vi} not having a pathway for divestment risks locking-in polluting technologies, diverting resources from the solutions of the future, and jeopardizing fiduciary responsibility with highly exposed assets.^{vii} As evidence mounts that sustainable portfolios outperform conventional funds, it's clear we must now instead embrace a just transition to sustainable industries that have the potential to create the millions of new, decent jobs that our cities need to recover.^{viii} Through green investments, we will promote the transition to a more resilient, prosperous and sustainable economy.

Our recovery must facilitate a decisive shift from the fossil fuel economy and not return to the past — a past that has exacerbated this crisis. Cities, pension funds and other investors have a key role to play in securing the future we want, with long-term, forward-looking policies that can drive change far beyond our jurisdictions. Now is not the time to weaken regulations that protect our health and the natural world. Now is the time to divest from fossil fuel companies and undertake investment and policy change that prioritises public and planetary health, building back a more equal society and addressing this climate emergency.

Cities, pension funds and other institutional investors have key roles to play in driving the investments required for this transition, whilst safeguarding their assets against climate risks. Through ambitious climate policies in our cities we are sending a strong and consistent signal to the financial industry. Through phasing out fossil fuel-reliant urban systems, we are creating a favourable environment for sustainable urban investments. Through forward-

looking sustainable investment strategies, our pension funds can drive change beyond their actual investment portfolios.

We will also use our influence to call on other actors to join us in creating the resilient and sustainable economy we all need. Now is the time for all governments and financial actors to step up their climate ambition, by directing investments away from fossil fuels and towards sustainable industries that are necessary to create new good jobs while protecting the climate.

These actions will help deliver a truly green recovery and set us on the path to achieving the goals of the Paris Agreement. It will directly benefit our residents, through cleaner air, improved quality of life and new decent jobs in the green economy. It will help us emerge stronger and build our resilience against future crises, safeguarding our assets for the future we want.

We will:

- Take all possible steps to divest our city assets from fossil fuel companies and increase our financial investments in climate solutions to help promote decent jobs and a just and green economy.
- Call on our pension funds to divest from fossil fuel companies and increase financial investments in climate solutions to help promote decent jobs and a just and green economy.
- Advocate for fossil-free and sustainable finance by other investors and all levels of government, including by promoting the importance of strong, long-term climate policies and demanding greater transparency.

To meet this commitment, we, as mayors, will take one or more of the following actions:

1. To make a commitment to increase our investments in climate solutions and the green economy, and to divest municipal investments from fossil fuel companies.
2. To encourage the city — or other relevant — pension fund to develop a policy to divest from fossil fuel companies, as part of a wider climate risk management strategy.
3. To encourage the city — or other relevant — pension fund to develop a policy to invest in climate solutions as part of a wider climate risk management strategy.
4. To monitor progress and communicate this progress to C40 on an annual basis, by requesting regular progress reports on how the relevant portfolios are managing climate-related financial risks and opportunities.
5. To use our influence to advocate for investments in climate solutions and divestment from fossil fuels by other actors, such as private financial institutions and our regional and national governments.

Divesting from fossil fuels and increasing sustainable assets is a long-term commitment. To progress on the above actions, upon endorsement of the Declaration, we will develop and share an action plan with C40. The first step may be to assess the exposure of relevant portfolios to fossil fuel companies and other climate-related financial risks, as well as to green

and sustainable assets, for example by following by the recommendations of the Taskforce for Climate-related Financial Disclosures'.^{ix}

ⁱ <https://www.unenvironment.org/explore-topics/resource-efficiency/what-we-do/cities/cities-and-climate-change>

ⁱⁱ https://projects.iq.harvard.edu/files/covid-pm/files/pm_and_covid_mortality.pdf

ⁱⁱⁱ <https://www.ipcc.ch/sr15/>

^{iv} <https://www.iea.org/articles/energy-market-turmoil-deepens-challenges-for-many-major-oil-and-gas-exporters>; <https://carbontracker.org/reports/decline-and-fall/>

^v <https://www.transitionpathwayinitiative.org/tpi/publications/58.pdf?type=Publication>;
<https://carbontracker.org/reports/absolute-impact/>

^{vi} https://ieefa.org/wp-content/uploads/2018/07/Divestment-from-Fossil-Fuels_The-Financial-Case_July-2018.pdf

^{vii} <https://www.weforum.org/agenda/2020/04/oil-barrel-prices-economic-supply-demand-coronavirus-covid19-united-states/> - In April 2020, the price of crude oil dropped to below \$0 dollars a barrel, a record low.

^{viii} <https://www.morningstar.com/en-uk/lp/European-Sustainable-Funds-Performance>;
<https://www.iea.org/reports/sustainable-recovery>

^{ix} <https://www.fsb-tcfd.org/>