

## **MSDC COUNCIL – 26 NOVEMBER 2020**

### **Item 8 – Questions from Councillors**

#### **Question from Councillor John Matthissen to the Cabinet Member for Finance**

Will you review the fossil fuel element of all council treasury and strategic investments, publish the results, and phase out all counter parties, projects, and investments which finance extraction, processing and distribution of fossil fuels?

#### **Response from Councillor John Whitehead, Cabinet Member for Finance**

Thank you for your question Councillor Matthissen. From, the research and investigations that I have made over the past few days I have amassed sufficient material to write a long essay or mini-dissertation on this subject. However, I feel this is not the place for that so I will try to keep my answer as succinct as possible whilst hopefully still covering the major aspects.

This is a complex area where several strands could be considered around the environmental impact of investments and not just in relation to fossil fuels. So much is happening right now in this area and the Council has recently subscribed to a new service from our treasury management advisors, Arlingclose which will provide further advice and guidance in the coming months.

Our approved Treasury Management Strategy sets out the prime objectives for our treasury investments as being security, liquidity and yield in that order in accordance with CIPFA guidance. Our investments are generally in pooled funds where we hand over our money to professional investment managers to decide on individual investments. These are then actively managed and I am confident that both technological advances and the Green agenda are very much to the forefront when investment decisions are made by our investment managers. An investment portfolio in 2040 will certainly look very different to today's – we may well have passed 'Peak Oil' and the extraction, processing and distribution of fossil fuels will decline in the years ahead. If you and I know this then our professional managers most certainly will too.

Where I suspect you and I may disagree is over the interpretation of the phrase "phase out" in your question. I see this as an evolution rather than a revolution. The Oil Majors are at the forefront of this evolution and I sincerely believe they have a major role to play in it and are paving the way with their own Research and Development. These large companies are throwing billions of dollars at renewables and at sustainable low-carbon and even zero-carbon solutions. Governments, universities and new start-up companies have a significant role to play but we should not ignore the fact that the oil giants have both the determination and need to reinvent themselves and are in fact doing so. Responsible investors in these companies have a role to play. I certainly believe that role is not to disinvest and sell on to less scrupulous investors.

In considering the implications behind your question I am also very mindful of how our economy at present is still so dependent on oil in its day-to-day operations. Despite a sustained move to phase out the internal combustion engine over the next few years, many of our residents continue to rely on their cars and will certainly be visiting their nearest fuel station for some considerable time. Beyond their own vehicles, they will continue to rely on diesel-powered HGVs to stock their local supermarkets and to deliver bulky items to their doors. Enormous container-ships will need heavy marine oil to transport items around the world. Farming relies on oil to power its combine-harvesters, tractors and other machinery – without these what would our farming productivity look like? The vast majority of our residents still rely on oil or gas to heat their homes in the winter months.

The move to renewables is happening at an increasing pace, and clearly in the UK at a much quicker rate than in many larger, more populated countries. But for the foreseeable future the world will rely on the extraction, processing and distribution of fossil fuels and I for one, trust our professional managers to correctly reprofile our investment portfolios over time whilst meeting our agreed and established treasury management objectives.