Fossil Free SA: 2016 Annual report

November 2016: UCT students present to Vice Chancellor, Dr Max Price, three letters and petitions calling for the university to divest from fossil fuels.

Summary

2017 saw the world both advancing and retreating on climate issues. The year started with the encouraging news of the landmark Paris agreement on climate change, which entered into force in November, years ahead of schedule; and ended with the election of a climate denier to the US presidency, and news that global warming in 2016 had already come close to the 1.5 degree boundary the Paris agreement was supposed to establish.

The renewable energy revolution continued largely unabated, while the international divestment movement expanded to cover $5,4 trillion in total assets (total value of funds divesting, not capital divested).

Fossil Free South Africa continued our work to expand awareness of the dangers of the fossil fuel industry – and raise the profile of possible divestment – in South Africa, largely in our key campaign at UCT, which is now close to adopting a responsible investment policy. We are now exploring the possibility of establishing our own vanguard fossil-free fund, and hope to hold a workshop in early 2017 to encourage local financial services companies to start thinking along similar lines.

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Our campaign's logic

Climate change has increasingly been recognised as not only a major environmental issue, but a problem that threatens human life and civilisation, and that is already being felt most acutely by poor and vulnerable sectors of global society, not least in Africa.

Inspired in part by the global campaign to end apartheid by stigmatising companies invested in South Africa, the international fossil fuel divestment/reinvestment campaign – a decentralised movement of thousands of autonomous groups working within various institutions and across many regions and countries – aims to help stop climate change by targeting the companies that are most responsible for it: big oil, gas and coal.

The campaign's key focus asks investors of all persuasions to withdraw investment in these companies and where possible, reinvest these funds into ethically sound portfolios, preferably in renewable energy.

> *Our key call is: To help avert dangerous climate change, freeze all new investments in fossil fuels (starting with the Carbon Underground Top 200), and phase out all existing investments over five years.*

We acknowledge that fossil fuels remain, for the time being, indispensable to global and national economies and human wellbeing. However, all energy companies now have an urgent responsibility to transition to sustainable energy within the timeframes set by climate science. Many have long known that this transition is necessary, but have done everything in their power to obstruct it. Others are now acknowledging the need for change. Norway's Statoil, for example, recently dropped investments in tar sands while reinvesting in offshore wind.

The effectiveness of the divestment strategy is perhaps demonstrated by the fact that some members of the fossil fuel industry are now campaigning to discredit it.

An assessment of how well key members of the industry perform in relation to climate issues was completed by the Union of Concerned Scientists in 2016, and found that "Across the board, these eight companies continue to disparage the science and undermine the urgency of action—either directly or through the trade associations and industry groups they support," and that seven out of eight have not commenced significant planning for a world without carbon. US senator Sheldon Whitehouse has also outlined just how pervasive and cynical the fossil fuel industry's influence has become in the US over the past seven years.

Our background

FFSA formed as a voluntary association in 2015, around 18 months after our campaign kicked off with a group letter to the University of Cape Town, urging UCT to divest. A full timeline of our efforts and progress can be viewed on our website. During 2016, Fossil Free SA continued to work to push ahead the cause of fossil fuel divestment in South Africa, and we outline our work in greater detail below.

Beginnings

The international divest/reinvest movement began around 2012, urged by the climate activist group 350.org. The first institution to divest was Unity College of Maine in the US. (Five years later, they have no regrets.)

The movement was built on two key insights:

Firstly, that the collective stated reserves of the world's fossil fuel companies, if burnt, would far (five times or more) exceed what is considered to be a safe carbon budget for humanity. The global carbon budget is the amount of carbon that can be burnt 'safely', i.e., without pushing the planetary climate system to temperature increases that are generally agreed to be dangerous. This analysis was popularised by the London-based financial analysts Carbon Tracker (though it turns out Shell had done – but ignored – a similar analysis as far back as 1998).

Secondly, that if international agreements, national and regional regulation, social stigmatisation – and accelerating technology change – forces fossil fuel companies to leave the bulk of their reserves unburnt and underground, that will dramatically reduce their valuations in financial markets, reducing investor returns, compromising many pension fund values and creating economic turbulence.

Growth of the international divestment movement to 2016

Since 2012, the movement has grown far beyond the expectations of its founders, 350.org, as we heard one of their activists state frankly at a recent climate finance workshop in Cape Town. It has been institutionalised by the UN as the Portfolio Decarbonisation Coalition. Notable divestees already include the cities of San Francisco, Seattle, Portland, Copenhagen, Oslo, Stockholm, Paris, Melbourne; the British and Canadian medical associations, 40 UK universities, the Guardian Media Group and, perhaps most improbably, the Rockefeller Brothers Foundation (the Rockefeller fortune was built on oil).

In South Africa, the Anglican Church and Desmond & Leah Tutu Foundations have announced commitments to divestment.

By December 2016, global funds worth in total over $5.4 trillion, across 690 instititutions, had assumed various forms of divestment commitments. The full list of international divestment commitments can be viewed here.

In 2016, Norway's $863 billion sovereign wealth fund sold its holdings in 52 coal-heavy companies.

Also in 2016, the finance ministers and central bank governors of the G20 commissioned a substantial report from the Task Force on Climate-related Financial Disclosures of the international Financial Stability Board (chaired by Bank of England governor Mark Carney). The task force concluded that a far higher level of corporate disclosure around carbon risk has become vital to international economic stability.

International climate and energy policy developments in 2016

2016 started with an air of relative optimism amongst global climate change activists, following what was widely regarded as being a landmark agreement at the UN climate negotiations COP 22 in Paris in December 2016. It ended on a note of despondency, following the election of a climate change denier, Donald Trump, to the US presidency.

The outcome of the Paris COP, though undeniably a great achievement and though it makes provision for 'ratcheting up' ambition, remains a matter for grave concern. According to the Climate Action Tracker, current international commitments will add up to close to 4 degrees of global warming by 2100, a level that is far higher than the ambition of Paris to keep warming 'well below' 2 degrees. Such an increase is widely regarded as likely to be catastrophic.

Adding to the concern that ambitions for emissions cuts remain alarmingly inadequate is the little-recognised fact that the internationally agreed trajectories for peaking and reducing global carbon emissions are predicated on what may well be a techno-fantasy – the idea that by 2050, "negative emissions technologies (NETs)" will have been created and be sufficiently widely deployed to allow humanity to begin "sucking CO2" back out of the atmosphere on a huge scale in order to make up for our slowness in ending the use of fossil fuels. Without the use of NETs, far more ambitious plans than the Paris agreement are required. (The most prominent proposed form of NET is called BECCS – bio-energy with carbon capture and storage; that is, commercially growing and then harvesting and burning wood/biomass and capturing and somehow storing the resulting carbon dioxide.)

Over 2016, South Africa's energy policy has been a hair-raising combination of the promising and the perilous. On the one hand, our Renewable Energy Independent Power Producers Programme (REIPPP) has been lauded internationally as a huge success, seeing the cost of new-build solar and wind – without subsidy – drop to well below the cost of new-build coal or nuclear energy, and helping the country avert billions of rands that would otherwise have been spent on diesel generation to avert load-shedding. New analyses by the CSIR showed that our national wind and solar resources are even richer than previously thought.

On the other hand, elements within government and Eskom appear to be hell-bent on pursuing a continued policy of coal and nuclear procurement, despite the long-awaited publication of a new integrated resource plan (IRP) for electricity that, though flawed, suggested the need for nuclear build can be deferred until at least the 2030s.

Nuclear energy is no longer a practical option for urgently averting carbon emissions

Fossil Free SA is not an anti-nuclear campaign, but we can see no plausible rationale for deploying nuclear energy in South Africa – the dictates of efficiency (matching supply to demand), **cost**, safety and job creation all suggest that priority should be given to renewable energy. A most significant objection to nuclear energy in the context of climate change is that it cannot be scaled up within the timeframe needed for immediately urgent carbon emissions cuts. RE installations typically take no more than three years to deploy from the time of project approval. The equivalent time for nuclear energy is closer to 15 years.

Reasons for optimism: the accelerating renewable energy revolution

When considering many of the facts we've just outlined, it's easy to feel a little gloomy. However, there is much encouragement to be drawn from the accelerating progress of the renewable energy revolution around the world and in South Africa over the past few years:

- The global growth of the renewable energy sector has far, far exceeded projections from just 10 years ago.
- Solar photovoltaic panels are now, in most markets and without subsidy, the cheapest form of new electricity generating capacity.
- The market for electric cars has also expanded in the past couple of years, and there are projections (though not from the SA Department of Energy) that suggest diesel cars will no longer be manufactured 10 years from now, and that petrol vehicles, similarly, may be obsolete by 2035.
- According to Carbon Tracker:

  > *In August, a solar PV project in Chile set a new low price of 2.9c/kWh. The following month, a record low was set for offshore wind in Danish waters of approximately 6.4c/kWh. The third record to fall is that of battery storage courtesy of Tesla's Powerwall 2 that was announced in November. The Powerwall 2 is nearly half the installed cost per kWh of its predecessor with an inverter built in, making it "the cheapest lithium battery for the home ever made", according to Bloomberg New Energy Finance (BNEF)... BNEF announced this year that 2015 saw record levels of investment into renewables and record installed capacity.*

- Peabody Energy, the largest coal company in the US with a 2015 market cap of $25 bn, went bankrupt in 2016. Canada, France, Germany, Netherlands, Austria and Finland – all agreed to phase-out coal power.
- The International Energy Agency confirmed that coal consumption in China has peaked.

FFSA’s work in 2016

Our strategy has been to start with UCT for several reasons:

- Many of us have personal connections with the university, e.g., as alumni.
- The international divestment campaign started in universities.
- The university, with an endowment in the region of R5 billion, sees itself as a progressive, socially minded institution, which also does a substantial amount of climate change research; and so is potentially open to being persuaded of the merits of the divestment movement
- The university campaign offers the chance to influence a new generation of decision-makers as they move on to jobs in a wide variety of sectors.
- The university is geographically accessible for those of us living in Cape Town, facilitating dialogue, networking and persuasion.

Key accomplishments in 2016

- UCT is getting close to adopting an ethical investment policy, which might open the way to divestment. We have made significant contributions to the work of the UCT ethical investment task team, which was established in response to our initial suggestion that UCT consider divestment. (The pace of developments at UCT has been greatly slowed by the demands placed on the university administration by the Fees Must Fall movement.) In November, students presented three letters and petitions calling for UCT to divest to UCT Vice Chancellor Dr Max Price. Together, these petitions represented around 500 individuals.
- With door-opening assistance from Divest-Invest Philanthropies (US), we have now opened a significant engagement with the City of Cape Town on divestment. The City does not have equity investments, but does hold around R5 billion in bonds and cash. We have been impressed by the willingness of City officials to consider the issues we have raised. FFSA has also proposed amendments, including a divestment policy, to the city’s climate change policy.
- In October, a very exciting possibility opened for us. Delta 4, a Pretoria-based financial services consultancy, with links to Boutique Collective Investments (R100 bn under management), indicated that they are open to the possibility of establishing a bespoke carbon-free investment fund for Fossil Free SA. If we succeed in establishing this fund, which will depend on securing around R15 million in foundation capital, this will be a very exciting development for the divestment movement in SA, as we will finally be able to point our supporters, critics and potential emulators, to an established decarbonised investment fund. We are examining the possibility of establishing a company to host this fund, with the aim to make FFSA the beneficiary of profits.
- In April, David Le Page won an Enviropaedia Eco-Logic Award in the ‘Eco-warrior’ category for his work on the FFSA campaign.

Other significant work and engagements

- In September, a major SA investment holder, FutureGrowth, was reported as saying that it wished to be “on the right side of history” and was freezing new investments in fossil fuels. This does not yet amount to an actual commitment – it’s not clear that FutureGrowth’s views were accurately reported. But it’s perhaps significant that we had had the opportunity to present on the divestment movement to FutureGrowth analysts a year earlier. Initial moves to divest in a conservative market such as South Africa are likely to proceed in fits and starts.
- We have established closer ties with the 350.org team in Johannesburg, and hope to receive some funding from them this year, as well as continuing to collaborate on university divestment campaigns around the country.
- There are committed students at both UCT and Stellenbosch active in campus divestment campaigns. A number of these students attended a 350.org divestment training summit held in Johannesburg in 2016. At UCT, these students are members of either the Climate Action Project or the Green Campus Initiative.
- At the end of 2016, Fossil Free UCT proposed a (non-binding) motion urging UCT to divest at UCT’s Convocation. The UCT Convocation is composed, broadly, of faculty and alumni. This motion was not considered, due to the meeting of Convocation being disrupted, but we will raise the motion again when Convocation is reconvened, most likely early in 2017.
- Our ManCo held meetings on 29 February and 18 August. Our thanks, as ever, to Cullinan’s for hosting these meetings.
- We have continued our search for funding, approaching, amongst others, organisations such as Oxfam, the Raith Foundation, Anton Rupert Foundation, Konrad Adenauer Stiftung and Heinrich Boell Foundation. We currently have around three promising leads on possible funding for 2017.

Financial summary 2016

- Balance at beginning of 2016 (1 Jan 2016): R 24 515.37
- Income and sources of income:
  - Donations via monthly stop-order: R 700.00
  - Interested earned: R 960.88
- Balance at end of 2017 (31 Dec 2016): R 26 176.25
- Payment to coordinator: none
- Bank charges: none (Marketlink account)
- Number of stop-order contributors: one person
- The signed FFSA annual financial statements and independent review for the 2016 financial year (1 March 2015 to 29 February 2016) can be found on the FFSA website. *Note: FFSA received a ‘qualified’ review, because we did not have appropriate procedures in place for recording cash donations at a movie screening event that was held in 2015. The next time we collect donations at an event, we’ll be sure that appropriate procedures to avert any future qualified reviews are in place.*

Mailing list and social media status

Our mailing list has around 260 subscribers, and our combined Facebook pages, around 1,000 followers. We would welcome volunteer assistance with building these lists.

Current management committee as at end 2016

We are very grateful to our management committee for their vital experience and contributions to establishing and supporting the work of Fossil Free SA. We hope soon to announce two new additions to this committee.

Position	**Name**	**Experience**
Chair	Nicholas King	Environmental futurist, global change analyst and strategist. Former CEO
Vice-chair and campaign coordinator	David Le Page	Environmental journalist and editor.
Treasurer	Cormac Cullinan	Author and lawyer, Cullinan & Associates.
Operations and secretary	Robert Zipplies	Editor of the book Bending the Curve and co-founder of Common Cause South Africa.
	Happy Khambule	Formerly policy and research coordinator, Project 90 by 2030; now with Greenpeace.

Plans for 2017

Our key plans for 2017 include:

- Continuing our keystone campaign for UCT to divest, as well as other SA universities.
- Hosting a workshop (funding dependent) for SA fund owners and managers on carbon risk management and progressive/responsible/ethical investment in South Africa. Current enlisted partners include the Centre for Environmental Rights and 350.org. WWF has offered support in kind.
- Working to establish our own decarbonised fund in partnership with Delta 4.
- Building our Fossil Free SA supporters community through quarterly public meetings.

If further funding materialises:

- Expanding engagements with financial services companies (funding dependent).
- Building links with other organisations working for environmental justice in the fossil fuel sector, which may include exploring and supporting legal challenges to government's current energy policy (funding dependent).
- Employing research, activist and marketing staff.

Contact details

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Suggested further reading

Bill McKibben on the scale of mobilisation now needed to stop dangerous climate change:
https://newrepublic.com/article/135684/declare-war-climate-change-mobilize-wwii

Jeremy Leggett: "China's coal peak hailed as turning point in climate change battle"
https://www.theguardian.com/environment/2016/jul/25/china-coal-peak-hailed-turning-point-climate-change-battle