

ITEM 3.1. FOSSIL FUEL DIVESTMENT**FILE NO: S051491****MINUTE BY THE LORD MAYOR**To Council:

Climate change is the most important issue of our times. Greenhouse emissions need to be reduced urgently to avoid dangerous levels of climate change. The City of Sydney has a long-standing commitment to reducing the greenhouse gas emissions of its own operations and the Local Government Area by 70 per cent on 2006 levels by 2030.

Our operations became carbon neutral in 2007 and we were the first government in Australia certified in 2011. Since 2006, our organisation's greenhouse gas emissions have reduced by 27 per cent and emissions across our Local Government Area have reduced by 19 per cent amidst strong growth in population and employment (reducing carbon intensity by 36 per cent). Environment Action 2016-21, currently on public exhibition, sets targets for our next term, including emissions reductions of 44 per cent and renewable energy of 50 per cent for our organisation.

Transitioning rapidly away from fossil fuels to clean energy is a key part of a solution to climate change. The City's Investment Policy formally included Social Responsibility criteria in 2008. The scope of Council's investments is limited under the *Local Government Act 1993*, through a Ministerial Investment Order, to deposits and bonds in Federal, State or Local governments and in banks that are Approved Deposit-taking Institutions under the Banking Act. Councils are not permitted to invest in equities and therefore not permitted to invest directly in individual companies. The City has never directly invested in a fossil fuel project.

At present, just over half of our surplus funds are held in the "Big 4" (or related) banks, with the remainder held with 15 other approved financial institutions. The City regularly meets with financial institutions to advocate for fossil-fuel free banking products (see Attachment A for an example of a recent letter to our financial institutions). Diversifying further to smaller banks without fossil-fuel investments is challenging as they often will not accept larger deposits (due to their inability to reinvest the funds). It is also challenging to access new green investment opportunities as there is much greater demand than supply; for example, last year, the National Australia Bank issued Green Bonds but the City was unable to procure any as larger institutions acquired the entire issue.

Following review after representations by community organisation 350.org, two improvements have been identified that can be made to the City's Investment Policy:

- strengthen the commitment to "preference" sustainable investments where returns and risk are equivalent; and
- clarify that the criteria to avoid environmentally harmful activities includes coal, gas and oil.

If re-elected as Lord Mayor, I commit to directing staff to bring the revised Investment Policy and Strategy to the first ordinary council meeting after the election.

RECOMMENDATION

It is resolved that Council

- (A) agree the Investment Policy and Strategy should be brought to the first ordinary meeting of the new council after the election on 10 September; and
- (B) note the Investment Policy will be revised to:
 - (i) strengthen the commitment to 'preference' sustainable investments where returns and risk are equivalent to other investments; and
 - (ii) clarify that the criteria to avoid environmentally harmful activities includes coal, gas and oil.

COUNCILLOR CLOVER MOORE

Lord Mayor

ATTACHMENTS:

Attachment A: Letter to Mr Brian Hartzler, Chief Executive Officer, Westpac, dated 2 August 2016