Shell Dumped by Church of England Pensions Due to Oil Risk

The decision is due to the oil and gas sector failure to live up to a number of the board's environmental, social and governance considerations.

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The Shell Plc company logo on a totem sign at the entrance to a petrol station in Billericay, UK, on Wednesday, Feb. 1, 2023. Shell posted a fourth-quarter profit that was well ahead of expectations as its natural gas business thrived, lifting the oil major to a record performance in 2022 fueled by soaring energy prices. PHOTO BY CHRIS RATCLIFFE /Bloomberg

(Bloomberg) — The Church of England Pensions Board will offload its stake in Shell Plc as part of a total exit from oil and gas, as the influential investor turns its back on companies it says are failing to address climate risks.

After years of trying to engage with management boards, it's now clear that Shell and a number of its peers don't have "sufficient ambition to decarbonize in line with the aims of the Paris Agreement," John Ball, chief executive officer of the CofE Pensions Board, said in an emailed statement on Thursday.

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Shell said last week it intends to devote an ever larger chunk of annual spending to oil and gas, a strategy that's been dubbed "catastrophic" by climate activists. Shell says it can still deliver on its pledge to shareholders to eliminate emissions by mid-century, but hasn't said how. At the same time, the company signaled it will restrict spending on renewable energy projects to those it thinks can compete with the returns of its fossil-fuel business.

The move is not only angering investors but also some employees. Steffen Krutzinna, a power trader at Shell, decided to quit because of his employer's renewed embrace of oil and gas, according a post on LinkedIn.

Exits driven by concerns around environmental, social and governance metrics have coincided with sagging share prices for many of the stocks being targeted. After adding 43% in 2022 amid an energy crisis fueled by the war in Ukraine, Shell's share price is largely unchanged in 2023.

Other investors voicing concerns over Shell's strategy pivot include Legal & General Investment Management, the UK's largest asset manager. The firm has called on Shell to explain how it can continue to cut emissions while ratcheting up investments in fossil fuels. Velliv, a Danish pension fund, is in the process of dumping Shell as part of a $3.4 billion exit from high-carbon assets.

The Church of England Pensions Board most recently held £1.35 million ($1.73 million) across equity and debt in Shell, and about £7 million in equity and debt across oil and gas companies in its common investment fund, it said.

A separate Church investing body, the Church Commissioners for England which manages a £10.3 billion endowment fund, said on Thursday it's now also blacklisting oil and gas majors. What's more, the investor will exclude all other companies "primarily engaged" in the exploration, production and refining of oil or gas, unless they are "in genuine alignment" with a 1.5C pathway, by the end of 2023, it said.

In 2021, the Church Commissioners excluded 20 oil and gas majors, and will now also exclude BP, Ecopetrol, Eni, Equinor, ExxonMobil, Occidental Petroleum, Pemex, Repsol, Sasol, Shell, and Total, "after concluding that none are aligned with the goals of the Paris Climate Agreement."

The CofE Pensions Board's decision to divest from oil and gas marks a rare exit by the investor, which typically prefers to work with companies to help them transition. Other notable divestments to date include iron ore and nickel producer Vale SA, after a mining waste damn collapsed and killed 270 people.

Though the CofE Pensions Board only looks after about £3.2 billion in assets, it's managed to punch above its weight due to its key role in a number of investor coalitions. The investor has a particular history with Shell, after it co-led engagement with the oil major on behalf of a $68 trillion investor group, Climate Action 100+. That work was seen as instrumental in bringing about Shell's 2020 net zero emissions pledge.

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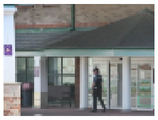
"There is a significant misalignment between the long-term interests of our pension fund and continued investment in companies seeking short term profit maximization at the expense of the ambition needed to achieve the goals of the Paris Agreement," Ball said. Recent signals have "undermined confidence in the sector's ability to transition."

(Adds reference to fossil-fuel returns in fifth paragraph.)

2  'Unique circumstances' led to London man's access to palliative care room

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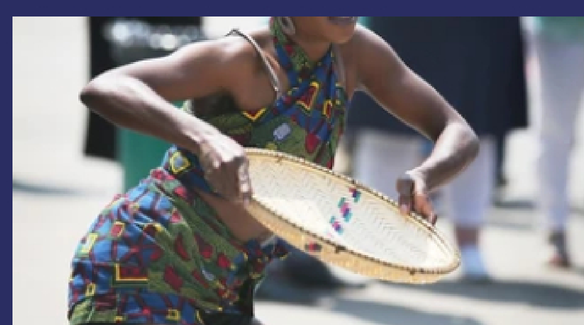

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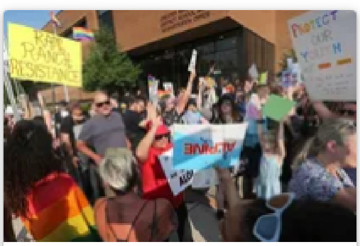

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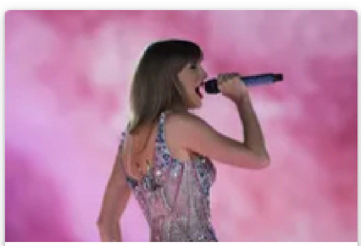

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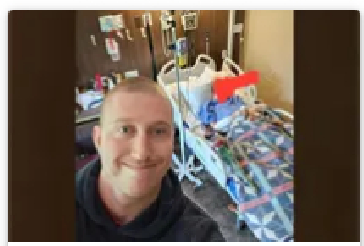

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