

Fossil Free SA

2019 Annual Report



December 12, 2019: Fossil Free UCT supporters protest outside the annual meeting of Convocation. Later that evening, we won a second motion calling on the University to divest from fossil fuels and to collaborate with other SA universities to seed-fund a fossil-free, ethical asset class in SA.

Summary

2019 was a milestone year for the climate movement internationally. The arrival of new social movements such as the school climate strikes (which we helped foster in Cape Town) and Extinction Rebellion pushed climate change firmly into the public consciousness internationally – but still not so firmly in South Africa, where public dialogue has at last advanced from entertaining denialism, but continues to under-estimate the dangers of climate breakdown. Even the crisis at Eskom, our bankrupt national electricity utility, has led to all too little discussion of the opportunities for decarbonisation, and all too many of our policymakers remain in denial or ignorance of the ‘utility death spiral’.

The global renewable energy revolution continued largely unabated but still dramatically under-financed, while the international divestment movement expanded to cover \$14 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 has adopted a responsible investment policy thanks to our efforts.

The highlights of our year’s activities were:

- our July/August workshops for retirement fund officials in Johannesburg and Cape Town, a collaboration with the UN PRI, our regular partners, Just Share and 350 Africa, with sponsorship from Futuregrowth Asset Management; and
- our work on the steering committee of the Financing the Future Global Divest Invest Summit, held in Cape Town in September.

We continued to engage with numerous organisations, such as Rotary, to build public and community support for our work; and to work behind-the-scenes to foster the creation of the fossil-fuel-free and ethical investment funds that are needed to allow the divestment movement in South Africa to truly begin.

Our year closed with the passage of a second motion by the Convocation of the University of Cape Town calling unequivocally on the university to divest from fossil fuels, and to lead a coalition of universities and philanthropies to seed-fund a new fossil-fuel-free, ‘ethical plus’ asset class in South Africa.

Plans for 2020

Our key plans for 2020 include:

- Continuing our keystone campaign for UCT and other SA universities to divest and;
- in so doing, seed-fund a fossil-fuel free asset class in SA;
- Directly lobbying SA’s top asset managers, with the support of their clients, to establish fossil-fuel free funds.
- Working to establish fossil-fuel-free ‘ethical plus’ (FF-E+) funds in partnership with sympathetic asset managers (we are now engaged in three such conversations).
- Building our Fossil Free SA supporters community through quarterly public meetings and an expanded membership (of environmental sector organisations).
- Supporting this work with the employment of a second campaign researcher/organiser, and an intern.

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Background

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. South Africa is warming, on the whole, twice as fast as the global average. In 2019, the UN Environment Programme summarised the urgency of global emissions reductions by clarifying that having a chance of meeting the 1.5C Paris agreement target now demands annual emissions reductions of at least 7.6%.

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 has long been: To help avert dangerous climate breakdown, freeze all new investments in fossil fuels (starting with the Carbon Underground Top 200), and phase out all existing investments over five years. We now preface this with a call to immediately divert 5%-10% of investments into seeding a catalytic new asset class of fossil fuel-free and ethical investments.

We acknowledge that fossil fuels will remain, for some time, 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, and at least three major fossil fuel companies (including Ørsted A/S, formerly Dong; Origin Energy of Australia) have undertaken suitably ambitious transition plans. Many have long known that this transition is necessary, but have done everything in their power to obstruct it. Others, such as BP, are now acknowledging the need for change, though it remains to be seen if their progress will match their rhetoric.

Our standard for the desired pace of decarbonisation is simple: as much as possible as fast as possible. But we do use formal assessments of the desired pace of decarbonisation that put numbers to the urgency, such as UNEP's recommendation of 7.6% a year from 2020.

Campaign demand

To stop dangerous climate breakdown, all investors must:

- immediately divert 5%-10% of investments into seeding a catalytic new asset class of fossil fuel-free (as defined by the Carbon Underground 200) and ethical investments.
- freeze all new investments in fossil fuels,
- and phase out all other fossil fuel investments over five years.

Our theory of change

Our theory of change is best summarised in the quote below.

'Well, I've heard [this claim] that divestment is ineffective and I would like to suggest otherwise. Taking the South African case, where I wrote a 700-page book on it, it's absolutely true it had no effect on the stock price and that's totally irrelevant. At no point during the South African divestment or in the fossil fuel movement does anyone care about the stock price of these companies. If you look at it through finance, you see no effect and therefore you conclude that there's been no impact. But if you look at it through the discipline of history, you see that it's incontrovertible that step by step by step it was the South African divestment movement that changed the public discourse, that transformed the decisions of corporations to get out of South Africa and our government, led by a Republican Senate, to pass a comprehensive sanctions bill. Well, one of the things that's fascinating about it is that climate change has been one of those problems where we've been hoping that someone else would do something about it. But divestment has the impact of saying, what are your direct responsibilities? If you own stock in Exxon, if you're receiving dividends from Exxon whose business model is to destroy the planet, do you feel comfortable with that? Do you endorse what they're doing? Normally, when you own a stock, you're endorsing their business plan. And

so instead of pushing this off to someone else, it transforms people and institutions exactly as a democracy should.’ – Robert Massie, senior advisor, Boston Common Asset Management¹

But while the social and moral logic of the divestment movement remains paramount, it is now also possible to see that divestment is moving markets as well, freeing up capital for reinvestment in sustainable enterprises, forcing up the cost of capital for fossil fuel companies (a risk identified by Shell in its 2018 annual report), and imposing huge reputational costs on the same companies.

We know that divestment works because the fossil fuel companies fight it. The Independent Petroleum Association of America (IPAA), for example, has set up whole websites (divestmentfacts.com) dedicated to discrediting divestment. If divestment were not an effective tactic, they wouldn’t bother.

Our origins

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 2019, Fossil Free SA continued to work to push ahead the cause of fossil fuel divestment in South Africa, particularly in the pension fund space, and we outline our work in greater detail below.

We still believe that South Africa, one of the biggest economies in Africa, and key member of the BRICS bloc of emerging economies (Brazil, Russia, India, China and South Africa), could be a vital part of leading divestment in the global south.

Beginnings of the divestment movement

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 2019

Since 2012, the movement has grown far beyond the expectations of its founders, 350.org. Notable divestees already include the cities of San Francisco, Seattle, Portland, Copenhagen, Oslo, Stockholm, Paris, Melbourne; the British and Canadian medical associations, half of all UK universities, and Ireland.

¹ <https://dianerehm.org/shows/2015-07-01/environmental-outlook-the-growing-fossil-fuel-divestment-movement>

In South Africa, the Anglican Church and Desmond & Leah Tutu Foundations have announced commitments to divestment, but after several years, have not yet implemented them. In the case of the Tutu Foundation, divestment is no longer an institutional priority despite the Archbishop's stated preferences.

Together with 350 Africa, we successfully (somewhat to our surprise) nudged the City of Cape Town into making a divestment commitment in 2017. This commitment has been written into the City's investment policy documents, but we remain uncertain as to the full status of its implementation.

By February 2020, global funds worth in total over \$14 trillion, across 690 institutions, had assumed various forms of divestment commitments. The full list of international divestment commitments can be viewed [here](#).

Notable divestment commitments internationally included the world's biggest asset manager, Black Rock, and the staff pension fund of the European Central Bank.

Fossil Free SA's work in 2019

Overview

Our strategy of prioritising divestment by the University of Cape Town continued for many reasons, though our focus on UCT was somewhat reduced this year, partly because we were busy on other fronts, and partly because we were waiting for decisive action by the university's new panel for responsible investment (UPRI); such action has not materialised and we now need to renew pressure:

- Many of us have personal connections with the university, e.g., as alumni; and is geographically accessible for those of us living in Cape Town, facilitating dialogue, networking and persuasion.
- The international divestment campaign started in universities.
- The university, with an endowment in the region of R7 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.
- We have already succeeded in persuading the University to create a responsible investment panel, which was appointed in 2018;
- In the same year, incoming Vice Chancellor Professor Mamokgethi Phakeng indicated to us that she supports the divestment principle.
- We believe that as centre of 'thought leadership' and social innovation, a divestment commitment from UCT would have ripples of influence that would far exceed the weight of capital redeployed, and our financial industry advisers agree.
- 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.

Key milestones in 2019

- We partnered with the UN Principles on Responsible Investment to host workshops in Johannesburg and Cape Town for retirement funds on 'Climate-Proofing Retirement Funds'. These workshops were fully attended, and were supported by Batseta, the Council for Retirement Funds. We succeeded in drawing in our desired target audience, trustees and asset consultants.
- We attended the Institute of Retirement Funds Africa conference in Durban and hosted a stall in the innovation space there, in an effort to reach yet more pension fund trustees.

- We served on the steering committee of the international Financing the Future Global Divest Invest Summit which was held in Cape Town in early September.
- We also co-hosted, with Just Share and 350 Africa, the Mission-Aligned Investment event that was a prelude to the Financing the Future conference, and focused on the specific responsibilities of philanthropies in the climate crisis.
- At the University of Cape Town, we proposed and passed a second motion for fossil fuel divestment, which was passed handily in voting on 12 December. In proposing this motion, we argued that UCT should aim to lead a coalition of SA universities and philanthropies to seed-fund a fossil-free investment sector in South Africa.

Key activity 1: Climate-proofing SA retirement funds



Climate-Proofing SA retirement funds, Cape Town, 1 August 2019

We held our first-ever ‘Climate-Proofing Retirement Funds’ events in Cape Town and Johannesburg on 31 July and 1 August, focused on asset owners, particularly retirement fund boards. We were honoured to host Fiona Reynolds, CEO of the UN-supported Principles for Responsible Investment, as a keynote speaker at both events. We are grateful to our long-time adviser, Malcolm Gray of Libryo (and former global head of sustainability at Investec Asset Management) for serving as an expert facilitator at both events.

We offered 40 tickets for each event. Our Johannesburg event was 80% sold out, and we had to expand event capacity to meet demand in Cape Town.



UN PRI chief executive Fiona Reynolds addresses our Johannesburg ‘Climate-Proofing Retirement Funds’ event.

The context for these events was the global climate emergency, and the implicit imperatives set by the IPCC SR1.5 report in October last year: that the world must cut carbon emissions by 45% and by 100% by 2050, or risk catastrophic effects for hundreds of millions of people, and ultimately, the possibility of the breakdown of a global environment capable of supporting human civilisation.

Our specific target audience, retirement fund trustees, was fairly well-represented in both Cape Town and Johannesburg, though participants also expressed frustration that trustees are not a lot more engaged and active on these issues.

A key message from both events was that much as trustees may rely on asset managers and asset consultants for advice and guidance on managing these risks, the responsibility for asset allocation and risk management always ultimately lies with trustees.

Speakers also debunked two dangerous myths:

- That trustees are answerable to fund members. (Not true.)
- That it is a duty of trustees to maximise financial returns. (Not true.)

The facts are that:

- Trustees may take advice from asset managers and asset consultants, but the final responsibility for asset allocation does lie with them. As Fiona Reynolds put it, “You can outsource asset management. You can’t outsource your responsibility.”
- Trustees must exercise independent judgment as fiduciaries, with a duty of loyalty to the fund itself.
- Their judgment should be aimed at ensuring the long-term sustainability of the fund and its ability to fully serve its members (which may at times require avoiding high short-term returns if those returns will compromise the long-term sustainability of the fund).

Our full speaker list:

- The PRI’s work on climate: Fiona Reynolds, PRI
- Climate science update (Jhb): Coleen Vogel, Wits
- Climate science update (CT): Luleka Dlamini, UCT
- Climate change and transition risk: Brent Cloete, DNA Economics
- Fiduciary duty and Climate Risk (Jhb): Rose Hunter, Fasken
- Fiduciary duty and Climate Risk (CT): Tracey Davies, Just Share
- Divest Invest and the end of the Carbon Development Paradigm: David Le Page, Fossil Free SA
- The ESG Opportunity: Diaan Janse van Rensburg, Efficient Group

Key activity 2: Financing the Future Global Divest Invest Summit

11 September, 2019 Cape Town, South Africa: Working together over two days at the global ‘Financing the Future Summit’ advocates made several commitments that give real power to the fight against climate change, and build on the momentum of the divestment movement that has already seen 11 trillion US dollars of total assets pledged to divestment from fossil fuels.

Concluding today, Financing the Future brought together over 300 leaders from 44 countries, representing diverse organisations working at the intersection of climate justice and social justice: faith-based institutions, governments, NGOs, foundations, academia, environmental and human rights advocates, social impact investing, healthcare, social enterprise and other values-driven

institutions.

The Summit also released the Cape Town Declaration, drawing a red-line under so-called 'engagement' based approaches to fossil fuel companies for investors.

From the faith sectoral delegation came commitments to drive dramatic pronouncements: a divest-invest fatwa by the Fiqh Council of North America; a commitment from the Hindu America Foundation, the Art of Living Foundation, and GreenFaith, to create an investment index consistent with dharmic values, excluding investments in fossil fuel, deforestation, and industrial animal agriculture sectors; and 22 new Christian divestment commitments reported by the Global Climate Catholic Movement and UK-based Operation Noah.

Key activity 3: Mission-Aligned Investment seminar

This event, on September 9, the afternoon preceding the Financing the Future conference, was very well-attended. It focused on the responsibilities of philanthropies to align their investments with supporting the multi-dimensional long-term interests of their beneficiaries, no matter what sector they might be focusing on. In other words, even foundations without climate and environment as a core focus area should nonetheless ensure that their investments are not contributing to climate destruction. The event was organised principally by Just Share, with support from ourselves and 350 Africa.

Operational overview and assessment

Financial summary 2019

Our work in 2019 was supported by two grants of \$40,000 (for the years July 2018-June 2019, and July 2019-June 2020) from our main US donor.

We also received small individual donations from a handful of community supporters.

We sold tickets at R350 a head for our Climate-Proofing Retirement Funds workshops, and received sponsorship of R25,000 from Futuregrowth, making these events almost entirely self-funded.

Our accountants, Galbraith Rushby, gave us a clean bill of health in their annual financial review for the year ending February 2019.

Mailing list and social media status

Our mailing list has around 800 subscribers, and our combined Facebook pages, around 2,000 followers.

Management committee as at end 2019

We are very grateful to our management committee (our board) for their vital experience and contributions to establishing and supporting the work of Fossil Free SA. This year, we aim to expand our membership arrangements to embrace a range of sectoral organisations with similar ambitions.

Position	Name	Experience
Chair	Mellony Spark	Formerly an astronomer, Mellony is an investment analyst with Matrix Investment Management.
Vice-chair and campaign	David Le Page	David, the co-founder of Fossil Free SA, is an environmental journalist and editor who has worked for the Mail & Guardian,

coordinator		Treatment Action Campaign and served on the board of the Southern African Faith Communities Environment Institute (SAFCEI).
Treasurer	Andrew Park	A psychological counsellor, teacher, educational content developer and climate activist, Andrew has been one of our most active volunteers.
Secretary	Laura Bergh	Laura is a sustainability leadership and social enterprise advisor with a Masters in Sustainability Leadership (Cambridge), and over 20 years corporate and consulting experience. She is the Chief Enabler of the Poverty Stoplight Office (SA).
Member without portfolio	Thando Lukoko	Thando is a community engagement facilitator at Project 90 by 2030.

Areas for development

We have identified the following areas of our work as being in need of development:

In 2019, there was a comparative lack of student engagement from us compared to previous years. This was partly due to reduced engagement from environmental campus societies, and partly due to our own focus being elsewhere. We are optimistic that student engagement in 2020 will rebound and surpass previous levels.

Our accounting systems, originally designed for a shoe-string voluntary operation, are inefficient. In 2020, we aim to upgrade to an accounting package like Sage Pastel to manage our finances.

Despite enquiries to a wide range of funders, we have not yet succeeded in broadening our funding base beyond one core operational funder. This means that we are extremely vulnerable to a possible loss of support from that funder.

Our ambitions have exceeded our funding so that we do not have enough personnel to properly manage both the campaign work and the vital behind-the-scenes administrative work to ensure consistency of reporting, M&E,

We still have not succeeded in fostering the creation of the fossil-free funds that would allow our supporters to actually easily act on what we are urging them to do: divest.

Mentoring, training and diversity: We believe firmly in the importance of diversity, not just as a necessary principle of governance for a South African organisation, but as a way of rooting our work in the country and community we hope to benefit.

Community engagement: In 2020, we hope to expand our community, both by making our membership organisational (and inviting environmental sector organisations to become our members), and by increasing our community outreach activities. Community in this context means, firstly, South Africans with the means and interest to consider divestment, and secondly, staff and students at the universities that we hope to encourage to divest.

Contact details

For more information, resources, news and background, please visit our website at www.fossilfreesa.org.za.

Or contact our FFSA vice-chair and campaign coordinator:

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