Fossil-free churches

A case study

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Innovation:	Divestment
Intervention:	**Fossil fuel divestment by faith-based actors in the UK, Belgium and Sweden**
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Methodology:	14 interviews, participant observation at 3 workshops, observed 2 debates on divestment
Case Study Overview	
Sector(s):	Finance
Value Chain Stage(s):	Finance
Type of Intervention:	Social
Date & Duration:	Innovation start date: 2012. Intervention: Church of Sweden first large church to divest in 2014, The Belgian Bishop Federation decided to divest in 2017, and the Church of England and Scotland expanded their divestment strategies in 2018.
Location:	Divestment started in the US. Location of all institutions who have committed to divest is online on gofossilfree.org
Initiating Actors:	350.org, committed individuals within churches.
Actor Constellation:	Churches and faith-based organisations (e.g. Church of England, Church of Sweden, Belgian Bishops Congress, Church of Scotland). Within these organisations key actors are a mix of sustainability-focused actors, and the Churches' investment bodies. Faith-based campaign organisations (e.g. Operation Noah, Green Faith, Ecokerk) Other environmental campaign organisations (e.g. Go Fossil Free Sweden) Financial sector/institutional investment intermediaries (e.g. PRI, TPI, ClimateAction100+) Asset managers (implementation/intermediary)
Short Description of Intervention:	The financial sector has an important role to play in financing the move to a zero-carbon economy by shifting investment from high-carbon to low-carbon industries and innovations. In this case study I look at the different approaches institutional investors – in particular faith-based actors (i.e. churches) – take in addressing climate change through their investment practices, outlining the differences between a moral and risk-based approach and the resultant different implications for investment practices and the potential for the REINVENT sectors to be either positively or negatively affected. The total investments held by churches are relatively small. However, churches have long been at the forefront of screening out particular investments that they deem at odds with their beliefs. They are also currently at the forefront of divestment campaigns, and their actions may serve as an indication of where others will follow. Faith-based actors currently adopt a mix of two approaches: some favour divestment (withdrawal of investment from high-carbon companies) while others favour to engage with these companies instead in an attempt to encourage them to align with the Paris Agreement targets. Divestment has largely adopted a sector-based approach, focussing on upstream fossil fuel companies. Therefore, the impact on REINVENT sectors has been minimal. Furthermore, based on the interviews it seems unlikely divestment will spread further down the value chain, with all interviewees favouring engagement over divestment from downstream companies. However, approaches that focus on the alignment of investments with a 2-degree scenario might be a means to move past current approaches which focus on excluding upstream fossil fuel companies, and also affect other high-carbon companies including those in the REINVENT sectors.
Research Theme Summaries	
1. Innovation History & Dynamics:	Faith-based actors have a history of ethical investment that dates back to the 19th century. When campaigns to divest from fossil fuels began in the mid-2000s it was thus not surprising these actors were among the first to become involved, as they had both the moral mandate and the implementation tools to do so. Currently, faith-based actors make up almost 30% of all institutions that have committed to divest. There is limited evidence whether divestment can be a 'proven technology' in realising carbon reductions: while the immediate financial impact might be small, it may help to destabilise the assumption that high-carbon investments are safe and profitable. Key barriers to divestment as a strategy

	(especially for REINVENT) are the challenges in distinguishing “bad“ from “good“ companies, either for divestment or low-carbon reinvestment purposes.
2. Governance Arrangements & Agents of Change:	The divestment debate has been driven by (1) a history of ethical investment; (2) increased recognition of the financial risks associated with fossil fuel investment, and (3) growing calls for climate action by faith leaders. We distinguish between 2 main approaches/discourse coalitions, which represent different governance arrangements. The first is ‘divestment as moral obligation’, a more activist approach grounded in contestation, which connects churches to (secular) NGOs and movements such as GoFossilFree. The second is ‘divestment as risk mitigation’, which has emerged from the financial sector itself, and is an approach grounded in collaboration/engagement, primarily through transnational ethical investment initiatives such as ClimateAction100+, and Principles for Responsible Investment. Sometimes this division plays out within single institutions, where environmentally-minded employees or clergy may call for divestment, but churches’ investment bodies favour an engagement approach. We also see some churches adopting a mix of approaches, e.g. divest from the ‘worst’ sectors (coal, tar sands), while engaging with oil, gas and other high-carbon companies.
3. Transformative Capacities:	Churches’ investment bodies generally hire external fund managers to manage their investments. As relatively small investors, they sometimes rely on what investment products others offer, and making changes to investments (such as divestment from certain sectors) requires a coordination of multiple actors down the ’investment chain‘. To make decarbonisation legible churches (uniquely) refer to theology to underpin the need for climate action. Their moral standing is also said to give them additional leverage and influence in society, enabling them to legitimise divestment as an ethical investment approach. To make low-carbon qualities distinct, the intervention largely relies on the adaptation of a sectoral approach to distinguish between high- and low-carbon sectors, which largely neglects the REINVENT sectors (either as sites of high-carbon practices or low-carbon alternatives), as these are seen as either too complex to define as high-/low-carbon, or deemed not to be ‘at the root of the problem’.
4. Assessment & Evaluation:	In terms of those who have decided to divest from fossil fuels, there appears little evidence what difference this has made to the carbon content of their portfolios. Transnational initiatives which focus on the alignment of companies’ or investment portfolios’ emissions are especially valuable in developing the tools that can help assess whether progress towards alignment with a 2-degree scenario is made. Various initiatives are currently trialling methodologies to do so. Current limitations include the accuracy of the data provided by companies, and that the data disclosed is currently often too limited to enable investors to assess how companies are performing against a 2-degree scenario.
5. Uptake & Consequences:	Divestment is becoming increasingly mainstream, with a growing number of mainstream financial institutions also committing to divest from (some) fossil fuels, while others are participating in a growing number of transnational investors’ initiatives that seek to encourage companies to align their activities with a 2-degree scenario. The latter can also shift the focus from a small number of ‘green/low-carbon’ products or ‘sin/high-carbon stocks’ to a more comprehensive analysis of entire investment portfolios and the role they can play in addressing climate change. The focus on climate change has, however, come to overshadow other environmental and social considerations (e.g. gender diversity, human rights) in churches‘ investment decisions. Others feel that opening up the debate around climate finance encourages more investors to take non-financial criteria into account when making financial decisions, which may have a positive knock on effect on other social and environmental dimensions, for example through the growth in ethical investment products. However, again, it appears too early to tell what the effect might be.
Conclusion & Outlook	
Key Learnings:	*Unique features of this case:* The use of moral arguments (often grounded in theology) to argue the need for climate action among investors. The governance structure of churches means that its clergy and members have a reasonable amount of influence over how churches’ money (endowments, pensions) is invested. Churches are at the forefront of trialling both divestment and engagement strategies with high-carbon companies/sectors. *Key insights from this case regarding …* *Overall decarbonisation:* Direct decarbonisation is difficult to measure. While news articles indicate the pressure from divestment begins to be felt in the coal industry, the impact on

	REINVENT sectors is currently minimal. *Drivers:* The importance/effectiveness of the moral argument for climate action; having a history of ethical investment and thus often already having the right tools to take climate change into consideration in investment decisions. *Barriers:* complexity of investment chain, coupled with small size of church investments, can make it difficult to realign different actors along investment chain; many in churches prefer 'orderly' over 'radical' change. *Instruments to overcome them:* Transnational initiatives that connect different investors and other financial actors to coordinate action. Instruments to assess 2-degree alignment are seen as grounded in science rather than 'radical' activism. *Role of policy:* Divestment campaigns and actions focus primarily on financial actors not policy makers. However, its framing of fossil fuel/high-carbon investments as 'risky' is grounded in the idea that policy makers will bring in stricter regulation for high-carbon sectors, especially post-Paris. *Lessons for future innovations:* Too early to tell the success of different approaches (divestment, engagement), and therefore difficult to indicate lessons for future innovations in this sphere. However, to enact change in REINVENT sectors, divestment/low-carbon investment needs to move beyond upstream fossil fuels and implement tools that recognise high-carbon assets (and low-carbon alternatives) in a diversity of sectors.
Open Questions & Further Research Requirements:	Assessing an investment portfolio's alignment with a 2-degree scenario offers the opportunity to assess and evaluate the climate impact of all investments. However, such approaches are only in their infancy and the quality of data provision will need to be improved before such approaches can be applied widely and accurately. It would be worth following up in a few years' to assess their impact on reducing the carbon footprint of the companies / investors' portfolios involved. More detail is also needed on companies' responses to the withdrawal of investments as a result of divestment campaigns.

For Europe to achieve its long-term climate objectives, carbon-intensive industries have to reduce their emissions.

REINVENT focuses on plastics, steel, paper and meat & dairy – industrial sectors that are key to our daily lives, but where low-carbon transitions are still relatively unexplored.

To gain a broader understanding of the possibilities of transition, entire value chains of the industries are studied. This includes non-technical factors such as supply chains, financing, trade, and social and economic impacts. Together with forward-looking industry leaders and policy-makers, we explore potentials and capabilities for making transitions in these resource-intensive industries.

PARTICIPANTS & FUNDING

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