The Geological Society

Update on financial links with fossil fuel and arms corporations, Feb 2021

This document provides an update on information gathered for the report, *Irresponsible Science?: How the fossil fuel and arms industries finance professional engineering and science organisations*[1], published by Scientists for Global Responsibility (SGR) in October 2019. Information sourced from the society's publicly available documents is provided first, followed by commentary by SGR.

Investment policy

The Geological Society updated its responsible investment policy[2] in September 2020. This now excludes "companies that are involved in the production of illegal/indiscriminate weaponry or ... that derive material revenue from socially harmful activities e.g. gambling, adult entertainment or the manufacture of arms or alcohol" and "companies deriving material revenue from coal and/or high emissions oil, as detailed below, except where CCS and/or operating practices reduce emissions in line with global norms: A. Coal: thermal (but not metallurgical) coal production and/or utilisation in power generation; B. High emissions oil extraction: production of tar sands/steam assisted crude production/crude from upgraded bitumen" except "where relevant mitigating factors are recognized".

Investments

At 31st December 2019, the Society disclosed four individual holdings with a market valuation of £150,000 or greater[3], as per the FRS102 requirement[4].

These holdings were:

Sarasin Responsible Corporate Bond – I Inc £289,650

> According to page 9 of Sarasin and Partners' Ethical Restrictions[5], the Sarasin Responsible Corporate Bond excludes arms but does not appear to exclude tar sands or thermal coal so would not now meet the Geological Society's investment policy. This holding was reported at 31st December 2019, however, whereas the Society introduced its investment policy in September 2020.

Mayfair Capital Property Income Trust Charities £177,011

> Excludes investments in properties connected to manufacture or sale of arms but has no policy on fossil fuels

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[1] https://www.sgr.org.uk/publications/irresponsible-science

[2] https://www.geolsoc.org.uk/About/policies/ethical-investment

[3] https://www.geolsoc.org.uk/~/media/shared/documents/society/Annual%20Reports/GSL%202019%20Report%20and%20Financial%20Statement.pdf?la=en

[4] The Financial Reporting Council's Financial Reporting Standard 102 is "designed to apply to the general purpose financial statements and financial reporting of entities including those that are not constituted as companies and those that are not profit-oriented" https://www.frc.org.uk/accountants/accounting-and-reporting-policy/uk-accounting-standards/standards-in-issue/frs-102-the-financial-reporting-standard-applicabl

[5] https://sarasinandpartners.com/wp-content/uploads/2020/05/Guide-to-Ethical-Restrictions-2020.pdf

The Charities Property Fund £427,674

> Excludes investments in properties connected to manufacture or sale of arms but has no policy on fossil fuels

Alpes 2008 £169,369

> Information on this fund's investment policy is not easily accessible via the web

The Society's responsible investment policy, when accessed in February 2021, stated that its portfolio favours "those fossil fuel companies seeking to reduce their carbon footprint and in the vanguard of strategic and operational change towards meeting Paris Accord goals" and that in Q1 2020 the Society held energy sector investments in Shell, Total and NextEra. All of these companies have major holdings in fossil fuels, although NextEra claims to be the "world's largest producer of solar and wind energy".

Transparency

The Society's named holdings at 31st December 2019 totalled £774,054, some 11.5% of the Society's £6,530,135 in listed and traded investments.

In *Irresponsible Science* we assessed the 2015 accounts. On 31st December of that year the Society had named equities totalling £2,505,000, named bonds totalling £726,000 and £1,010,000 in named property funds, from a total investment in tradable assets of nearly £5.4 m. So well over 75% of the Society's investments were in named holdings.

Corporate Patrons

Patrons involved in the oil and gas industry

BP and Halliburton are platinum sponsors; Dana Petroleum, Rio Tinto, Schlumberger, Total and Blue Water Energy are gold sponsors; Cairn, SRK Consulting, Neptune Energy and Equinor are silver sponsors; and 15 of the 23 bronze sponsors, including Anglo American, Sasol and CNOOC, are linked to the oil and gas industry[6]. Only one sponsor in the highest three sponsorship tiers was not linked to the oil and gas industry -- Radioactive Waste Services.

Patrons involved in the arms industry

The Geological Society does not appear to have any patrons involved in the arms industry

Education programmes

The Geological Society's educational materials on The Rock Cycle are still sponsored by Statoil (now known as Equinor and also a silver-level corporate patron) and the Society's educational materials on Plate Tectonics are sponsored by Centrica.

The Society is currently offering sponsorship opportunities for its National Schools Geology Challenge and 'Geology in a box' kits for schools[7].

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[6] https://www.geolsoc.org.uk/currentpatrons

[7] https://www.geolsoc.org.uk/About/Support-Us/Companies

Environmental policy

The Society still does not appear to have an environmental policy.

Other relevant information

In 2021 the Society's focus for its science programme is the Energy and Materials Transition whilst 2022 will be Year of Sustainability.

The Society agreed in early 2020 to liquidate Petroleum Geology Conferences, its joint venture with the Energy Institute and the Petroleum Exploration Society of Great Britain.

In late 2020 the society released the "Geological Society of London Scientific Statement: what the geological record tells us about our present and future climate" in the Journal of the Geological Society.[8]

The Geological Society broadened the remit of its Petroleum Group and renamed it the Energy Group in recognition that it is time to "take a proactive role in the wider energy transition"[9].

The policy briefing note[10] from the Geological Society's Responsible Investing in Natural Resources conference in 2019 says that "Initiatives such as the Transition Pathway Initiative and the Global Tailings Review have the potential to establish performance benchmarks and improve transparency, facilitating responsible investing and driving up standards."

The Geological Society is tweeting under the #Geo4NetZero hashtag and has produced materials on the role of geoscience skills and research in decarbonisation[11].

SGR comments

SGR acknowledges the recent improvements to The Geological Society's responsible investment policy, which now includes restrictions on some arms companies and those involved in high carbon fossil fuels, such as coal and tar sands. We also acknowledge the broadening of the remit of the Society's Petroleum Group in recognition that it is time to take a proactive role in the wider energy transition.

SGR also recognises that The Geological Society now appears not to have financial ties to the arms industry.

SGR has continuing concerns, however, on the following aspects.

Transparency

The Society's apparent more than 6-fold drop in transparency - from naming the bonds held for more than 75% of its investments in 2015 to disclosing just over 10% of its holdings in 2019 - is especially disappointing.

Its ten-year strategy states that the Society "strives to be impartial, authoritative, trustworthy and transparent", so we would expect much greater openness and accountability in this area. Last

[8] https://jgs.lyellcollection.org/content/178/1/jgs2020-239
[9] https://www.geolsoc.org.uk/energygroup
[10]https://www.geolsoc.org.uk/~/media/shared/documents/policy/Statements/responsible%20investing%20draft%20graphics%20v35.pdf?la=en
[11] https://www.geolsoc.org.uk/decarbonisation

January, the Charity Commission launched an investigation into factors holding charities back from responsible investments. With regards to transparency, the regulator said that “People place increasing value on transparency, which research shows is a key driver of public trust in charities.” Others believe that an increased demand for “transparency, accountability and information about the impact of investments on society” arose after the financial crash of 2008.[12]

Financial links to corporations

The Geological Society has financial links with the following companies in the fossil fuel sector:

Sponsorship (education, corporate)

- BP
- Halliburton
- Dana Petroleum
- Rio Tinto
- Schlumberger
- Blue Water Energy
- Cairn
- RPS
- SRK Consulting
- Neptune Energy
- Equinor
- Anglo American
- C&C Reservoirs
- CGG
- CNOOC
- ERC Equipoise
- Getech
- Ikon Science
- INEOS Upstream
- PGS Exploration
- Premier Oil
- Reabold Resources
- Sasol
- Siccar Point Energy
- Total
- Tullow Oil
- Wood Mackenzie
- Infrastructure Analytics
- Centrica

Investment

- Shell
- Total
- NextEra

[12] https://www.cazenovecapital.com/sysglobalassets/wmmediaassets/uk/charities/documents/reports/intentionalinvestingreportpdf.pdf

According to the Transition Pathway Initiative, which The Geological Society has itself endorsed as having potential to facilitate responsible investing[13], the long-term ambitions of many of these companies do not align with a pathway that would limit global warming to 2°C or below. (Please see the SGR document *Data on fossil fuel companies* for further details[14].) The goal of the UN's 2015 Paris Agreement is "to limit global warming to well below 2, preferably to 1.5 degrees Celsius, compared to pre-industrial levels"[15]. There is also evidence that some of the companies with financial ties to The Geological Society hold reserves of tar sands, a fuel in which the Geological Society has said it wouldn't invest. And Anglo American is a major producer of thermal coal, one of the most carbon-emitting forms of fossil fuel.

What's more, many of these companies have not committed to meeting the rigorous criteria set by the Science Based Targets Initiative[16] for emissions reductions, which numerous other leading corporations have signed up to. Until fossil fuel companies meet the criteria of the Science Based Targets initiative and have set targets to limit their emissions by 2050 in line with a 1.5 or 2℃ limit to warming, we are urging thought leaders such as The Geological Society to divest from these companies and so keep up the pressure on them.

In addition, there are concerns about Rio Tinto's wider environmental and corporate performance, including claims of severe environmental damage, the destruction of geological heritage, and an investigation by the UK's Serious Fraud Office regarding allegations of corruption. Please see the SGR document *Data on fossil fuel companies* for further details[17].

As a result, Rio Tinto appears to be an unsuitable sponsor for the Society, which states in its 10-year strategy[18] that "we promote social and environmental sustainability, responsibility and stewardship" and "all that we do is underpinned by scientific excellence, professional and ethical integrity, and quality of service". The Society also has an aim to "promote professional excellence and ethical standards in the work of Earth scientists, for the public good" and its Geological Curators Group has "documenting and conserving geological sites" as one of its aims. It appears that Rio Tinto would not be eligible for investment by The Geological Society as the society's Responsible Investment Policy summary says that "In the extractive sector, the policy prioritises investment in well-managed, responsible companies…" and some may interpret the Rio Tinto activities above as out of line with these criteria. What's more, the full policy states that "Relative to accepted international standards, clear/persistent breaches of environmental and social norms of behaviour, unethical business practices, persistent illegality and/or a failed governance structure" would be grounds for exclusion from investment.

SGR has concerns about investments in and financial ties to fossil fuel companies by professional science and engineering organisations for these reasons:

- Professional science and engineering organisations have considerable influence with politicians and the public and it's crucial that they put in place robust science-based targets and plans that are compatible with the goals of the Paris Agreement - and end lobbying behaviour that could undermine it - particularly in the year that the UK is hosting the next round of the COP climate negotiations;

[13] https://www.geolsoc.org.uk/~/media/shared/documents/policy/Statements/responsible%20investing%20draft%20graphics%20v35.pdf?la=en
[14] https://www.sgr.org.uk/sites/default/files/2021-06/Data_on_fossil_fuel_companies.pdf
[15] https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement
[16] https://sciencebasedtargets.org/
[17] https://www.sgr.org.uk/sites/default/files/2021-06/Data_on_fossil_fuel_companies.pdf
[18] https://www.geolsoc.org.uk/strategy

- As the UK Health Alliance on Climate Change[19] puts it, “engaging with companies whose business model relies on fuel extraction is of limited use—only divestment will stop extraction”. Worldwide, according to the Alliance, over 1,000 organisations with £7 trillion assets have committed to divesting from fossil fuels and instead investing in climate solutions[20]. Research indicates that divestment reduces the price of fossil fuel shares. According to a team at the University of Waterloo in Canada[21], "lower share prices increase the costs of capital for the fossil fuel industry, which in turn decreases their ability to explore new resources and exploit proven resources". The greater the likelihood of these fossil fuel resources staying in the ground, the more likely we are to meet the international climate change targets agreed under the Paris Agreement in order to prevent potentially catastrophic climate change;

- In order to keep to the below 2℃ target, only one-fifth of known fossil fuel reserves can be burned, putting these assets at risk of becoming stranded. The fraction is even smaller when considering how to meet the 1.5℃ target. According to the UK Health Alliance on Climate Change, fossil fuels are an increasingly risky investment and fossil fuel free indexes equalled or outperformed unsustainable alternatives for 5-10 years. "Divestment announcements by prominent investors signal financial risks to the market, which in turn depress share prices," say the University of Waterloo researchers. "Therefore, divestment announcements can have a measurable impact on the fossil fuel industry." Shell said in 2018 that divestment had become a material risk to its business[22]. In 2020 fund manager CCLA, which invests on behalf of charities including Church of England dioceses, dropped its investments in oil giants Shell and Total[23] for financial reasons. On January 27th 2021, ratings agency S&P warned 13 oil and gas companies, including Royal Dutch Shell and Total, that it is considering downgrading their credit ratings. The agency has increased its risk rating for the oil and gas sector as a whole from “intermediate” to “moderately high” because of the move away from fossil fuels, poor profitability and volatile prices, according to news reports[24];

- Many fossil fuel companies are relying on carbon capture technology and nature-based solutions being deployed at a huge scale to offset their planned emissions[25]. Heavy reliance on the global scale deployment of carbon capture and storage technologies is misplaced given the lack of progress in this area for the last 20 years. According to an international group of 41 scientists and academics[26], such technologies are “expensive, energy intensive, risky, and their deployment at scale is unproven. It is irresponsible to base net zero targets on the assumption that uncertain future technologies will compensate for present day emissions”;

- Use of fossil fuel sponsors for educational materials is likely to alienate young people and present them with difficult ethical choices, particularly given the high participation in the Youth Strike 4 Climate movement.

[19] ukhealthalliance.org/divestment
[20] https://www.divestinvest.org/11-trillion-counting-divestinvest/
[21] https://theconversation.com/how-divesting-of-fossil-fuels-could-help-save-the-planet-88147
[22] https://www.theguardian.com/commentisfree/2019/oct/13/divestment-bank-european-investment-fossil-fuels
[23] https://www.divestinvest.org/church-of-england-fund-drops-remaining-fossil-fuel-investments/
[24] https://www.theguardian.com/business/2021/jan/27/rating-agency-sp-warns-13-oil-and-gas-companies-they-risk-downgrades-as-renewables-pick-up-steam?CMP=Share_iOSApp_Other
[25] https://insideclimatenews.org/news/16072020/oil-gas-climate-pledges-bp-shell-exxon/
[26] https://www.climatechangenews.com/2020/12/11/10-myths-net-zero-targets-carbon-offsetting-busted/

For those keen to retain support for the energy sector, there are plenty of companies that are much more progressive than Shell and Total in which to invest. For example, Orsted (formerly DONG, Danish Oil and Natural Gas) has shifted from being a fossil fuel dominated company to one heavily focused on renewable energy. Similarly, some large German engineering companies, such as Siemens and E.ON[27], have also made major shifts away from fossil-fuel related work.

We note that The Geological Society Responsible Investment Policy says that "Until there is appreciable demand destruction in migrating to a low carbon society, investment is required to maintain oil and gas production to meet demand for energy and feedstock for plastics, pharmaceuticals, fertilisers, etc." We view this as complacent, bearing in mind the narrow window of opportunity to keep global temperature rise below 1.5℃. We think that investment in the renewable energy and energy storage sectors would meet demand for energy more cost-effectively and more sustainably whilst continuing to provide jobs for geologists, investment in green chemistry would promote the use of alternative renewable feedstocks, and investment in energy conservation measures would reduce the energy demand in any case.

As with the long-term financial risk associated with investing in fossil fuels, we propose that divesting fossil fuel firms as corporate patrons for The Geological Society will make this income stream more sustainable as a long-term proposition, as well as minimizing risk to the Society's reputation.

The British Psychological Society, Royal College of Physicians, British Medical Association, the Royal College of General Practitioners, the Faculty of Public Health, the Royal College of Emergency Medicine and the Royal College of Paediatrics and Child Health have all now fully divested from fossil fuels, are in the process of doing so, or have committed to do so. The British Medical Association took the lead, beginning its journey back in 2014. All these organisations, like The Geological Society, also exclude investment in arms companies.

[27] Siemens has committed to the 1.5℃ target under the SBTi and E.ON's carbon emissions are aligned with the below 2℃ pathway according to TPI.