Engineers Australia

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

The Institution of Engineers Australia—or simply the EA – is a large professional organization with over 105,000 members.[2] Its creation dates to 1919, with the organization being granted a Royal Charter by King George the Sixth in 1938.[3]

Statement of purpose and values

The EA summarises its main goals on its website as follows:[4]

'Why we exist
Our purpose is to advance the science and practice of engineering for the benefit of the community. Engineers Australia shapes the future of Australia – creating happy, healthy, prosperous and sustainable communities.

Three areas of influence: six strategic shifts
Our strategy sets Engineers Australia up to deliver on our purpose by creating six shifts across three areas of influence: the profession, the membership and the organization.

1. *Future ready: the engineering profession and Engineers Australia will be positioned for the future of work*
2. *Impactful leadership: trusted voice of the profession impacting public policy for the benefit of the community*
3. *Chartered aspired: current and future engineering professionals will aspire to be Chartered*
4. *Membership valued: membership of Engineers Australia is valued by the profession*
5. *Easy to do business: services are streamlined to deliver simply, efficiently and effectively*
6. *High performing: volunteers and employees feel valued and appreciated'*

Investments

According to its annual financial report, in June 2021 the EA held A$16.3m of investments in financial assets.[5]

Investment policy

We were unable to find an investment policy online but there was, however, reference to one in the early portion of their 2019 financial report:

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[1] https://www.sgr.org.uk/publications/irresponsible-science
[2] https://www.engineersaustralia.org.au/sites/default/files/resource-files/2021-11/engineers-australia-annual-report-2020-21.pdf
[3] https://www.engineersaustralia.org.au/About-Us/Overview/History
[4] https://www.engineersaustralia.org.au/About-Us/Overview/Strategic-Direction
[5] https://projects.propublica.org/nonprofits/organizations/42103657/202013189349308286/full

‘Morgan Stanley was engaged to manage and invest cash, that is surplus to normal operating requirements, in accordance with Engineers Australia Group's Investment Policy Statement. In July 2019, $12,000,000 was transferred to Morgan Stanley for that purpose.’[6]

Transparency

In its latest financial report, the EA discloses that it holds investments of A$16.38m with Morgan Stanley, of which A$14.6m provides funds to Engineers Australia and A$1.74m provides funds for scholarships.[7]

The EA does not disclose which fund(s) these investments are held in so we are unable to determine whether they have opted for funds with Morgan Stanley that exclude investments in fossil fuel companies, such as the Global Balanced Sustainable Fund.[8]

Corporate Patrons

We were unable to find any evidence of financial sponsorship from fossil fuel companies. However, an electricity generation company, Territory Generation, was listed as a partner which generates most of its energy from burning natural gas and diesel.[9] As a government-owned company, Territory Generation will follow the region’s policy to achieve 50% renewable energy generation by 2030 and net zero emissions by 2050.[10]

Education programmes and grants

The EA does not appear to be accepting corporate sponsorship from fossil fuel companies for its education programmes and grants.

Events sponsorship

The EA does not have any events sponsored by fossil fuel corporations.

Environmental policy

The EA has a sustainability policy which encourages sustainable practice. This includes guidelines relating to the use of non-renewable resources, engineering design, and recycling.[11]

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6 https://www.engineersaustralia.org.au/sites/default/files/EA%20Group%20Consolidated%20Financial%20Statements%202018-19.pdf

7 https://www.engineersaustralia.org.au/sites/default/files/resource-files/2021-10/annual-financial-statements-2020-21.pdf

8 https://www.morganstanley.com/im/en-la/intermediary-investor/funds-and-performance/morgan-stanley-investment-funds/multi-asset/global-balanced-sustainable-fund.html

9 https://www.ecnt.org.au/repowernt_energy

10 https://territorygeneration.com.au/about-us/

11 https://www.engineersaustralia.org.au/sites/default/files/2018-11/Sustainability-Policy.pdf

Other relevant information

In its draft "Position on Climate Change" document, the EA highlights a number of its sustainability actions as an organization:

"It purchases renewable energy for its properties wherever possible, as well as certified offsets generated by a non-profit engaged in native reforestation in Australia and New Zealand. Reforested areas are selected based on high confidence of a 100-year lifecycle for the forest, ensuring that fires or human activity do not cause the release of the carbon captured. These offsets account for our estimated carbon footprint from consumption of gas and electricity as well as staff air travel. They are estimated to be equivalent to a majority of our total emissions. Engineers Australia also uses LED lighting throughout its property portfolio to improve energy efficiency, and has installed rooftop solar panels at its Perth facility. In 2021, Engineers Australia will complete a comprehensive calculation of its carbon footprint, to further inform emissions reduction strategies, policies and actions in pursuit of carbon neutrality."[12]

The EA held its inaugural Climate Smart Engineering conference in November 2021 which was headlined by former US Vice President Al Gore.[13]

In its Energy EVP Discussion Paper, "Energy Governance and the Engineering Voice", the EA discusses divestment from fossil fuels, highlighting the positive actions of BHP in offloading its fossil fuel assets. Similarly, the organization indicates that a law that makes the disclosure of climate-related financial information a legal requirement for firms could be a useful reporting mechanism that encourages the necessary transition to clean energy.[14]

SGR comments

SGR acknowledges that the EA has gone to some effort to acknowledge the scientific consensus on climate change along with the need for urgent action across all levels of society.

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

Transparency

The EA has very low public transparency on its company investments, with there being no accessible information available on which Morgan Stanley funds the A$16.3m highlighted in the company's 2021 financial report is held. Without this information or access to a publicly available investment policy, we are unable to determine whether the organization is investing in the manner that EA board director Lucia Cade advocates: "The changing role of engineers must involve being a part of that conversation where investment happens. People who make investment decisions must understand

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12 https://engineersaustralia.org.au/sites/default/files/resource-files/2021-08/supporting-information-draft-position-climate-change.pdf

13 https://www.engineersaustralia.org.au/sites/default/files/resource-files/2021-11/engineers-australia-annual-report-2020-21.pdf

14 https://www.engineersaustralia.org.au/sites/default/files/resource-files/2021-11/discussion-paper-energy-governance-voice.pdf

that the bare minimum will get them so far, but as climate changes they'll be held to a different standard."[15]

Given that many members of the public are deeply concerned about climate change and that those with a background in engineering have a current and future role in adapting to the effects of climate change, any indirect investment via mutual funds by the EA in fossil fuel companies would be concerning to say the least.

By offering financial support to an industry responsible for the worsening of climate change, any investments in fossil fuel companies would therefore be irresponsible and contradict in action the severity of climate change that is outlined extensively in the EA's statements. This potential for green washing is outlined by the organization themselves: "In calling for urgent emissions reduction action, we recognise that we too must decarbonise as rapidly as practicable."[16]

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

- Professional science and engineering organizations 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;

- As the UK Health Alliance on Climate Change puts it, "engaging with companies whose business model relies on fuel extraction is of limited use—only divestment will stop extraction".[17] Worldwide, according to the Alliance, over 1,000 organizations with £7 trillion assets have committed to divesting from fossil fuels and instead investing in climate solutions.[18] Research indicates that divestment reduces the price of fossil fuel shares. According to a team at the University of Waterloo in Canada, "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".[19] 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

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15 https://www.engineersaustralia.org.au/sites/default/files/resource-files/2020-05/EA_ClimateChange_RoundTableReport_FINAL.pdf

16 https://engineersaustralia.org.au/sites/default/files/resource-files/2021-08/supporting-information-draft-position-climate-change.pdf

17 http://ukhealthalliance.org/divestment

18 https://www.divestinvest.org/11-trillion-counting-divestinvest/

19 https://theconversation.com/how-divesting-of-fossil-fuels-could-help-save-the-planet-88147

a measurable impact on the fossil fuel industry." Shell said in 2018 that divestment had become a material risk to its business.[20] 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 for financial reasons.[21] 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.[22] There are also signs that oil companies may struggle to recruit employees with the skills they need.[23]

- 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.[24] 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, such technologies are “expensive, energy intensive, risky, and their deployment at scale is unproven.[25] It is irresponsible to base net zero targets on the assumption that uncertain future technologies will compensate for present day emissions”

For those keen to retain support for the energy sector, there are plenty of companies that are much more progressive than fossil fuel companies 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 [26] and E.ON, have also made major shifts away from fossil-fuel related work.

There is, of course, a narrow window of opportunity to keep global temperature rise below 1.5℃ that warrants a fast transition away from fossil fuel dependency. 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.

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 EA will make this income stream more sustainable as a long-term proposition, as well as minimizing risk to the EA’s reputation.

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[20] https://www.theguardian.com/commentisfree/2019/oct/13/divestment-bank-european-investment-fossil-fuels

[21] https://www.divestinvest.org/church-of-england-fund-drops-remaining-fossil-fuel-investments/

[22] https://www.theguardian.com/business/2021/jan/27/rating-agency-sp-warns-13-oil-and-gas-companies-they

[23] https://www.ft.com/content/3b53f1bd-4625-4733-afb9-af4301257506

[24] https://insideclimatenews.org/news/16072020/oil-gas-climate-pledges-bp-shell-exxon/

[25] https://www.climatechangenews.com/2020/12/11/10-myths-net-zero-targets-carbon-offsetting-busted/

[26] 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.