Energy Institute

Update on financial links with fossil fuels and arms corporations, March 2022

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 and investments

The Energy Institute appears to some extent to have introduced an ethical investment policy since the time of the *Irresponsible Science?* report. On the 'About us' page of its website dated January 2020, the Institute says that:

"A total of around £3.5 million of our reserves are held in the mixed portfolio Sarasin Endowment Fund. Sarasin's Climate Pledge presses investee companies to align with the Paris Agreement goals. While this does not preclude investment in oil and gas, companies are tracked in relation to their statements, ambitions and progress and investment decisions based on that. The fund does not invest in producers of tobacco, weapon systems and civilian firearms, nor in companies with more than 5% of revenues related to adult entertainment and 10% of revenues related to gambling, armaments or alcohol products and services. Our investment policy is reviewed annually."[2]

In its annual report for 2020[3], the Energy Institute says that its investment policies are to employ an active investment management strategy; and to hold funds required for the day-to-day running of the Energy Institute in interest-paying bank deposit accounts. There is no mention of the policies excluding any categories of company from investment.

In its annual report for 2020, the Energy Institute reported[4] total investments of £3,781,000 at 31st December 2020, held in the Alpha Common Investment Fund. It appears that the Alpha Common Investment Fund is now known as Sarasin Endowments Fund and the top ten holdings at 31st July 2021 did not include any fossil fuel companies.[5]

The Sarasin and Partners Guide to Ethical Restrictions[6] indicates that the Sarasin Endowments Fund does not exclude investment in thermal coal or tar sands.

Under unlisted investments, the Institute details that it "has a one third equity interest, represented by 1,000 fully paid ordinary shares of £1, in Petroleum Geology Conferences Limited, which was established in 1999". We note that in early 2020 the Geological Society agreed to liquidate Petroleum Geology Conferences, its joint venture with the Energy Institute and the Petroleum Exploration Society of Great Britain; the dissolution is due to conclude in mid-2021.[7]

Transparency

---

1 https://www.sgr.org.uk/publications/irresponsible-science
2 https://www.energyinst.org/about
3 https://www.energyinst.org/__data/assets/pdf_file/0007/830653/2020-EI-Accounts-final-signed.pdf
4 https://www.energyinst.org/__data/assets/pdf_file/0007/830653/2020-EI-Accounts-final-signed.pdf p12
5 https://sarasinandpartners.com/wp-content/uploads/2020/11/factsheet-sarasin-endowments-fund-a-inc_gb00byzjnb12RB.pdf
6 https://sarasinandpartners.com/wp-content/uploads/2020/05/Guide-to-Ethical-Restrictions-2020.pdf
7 https://www.geolsoc.org.uk/~/media/shared/documents/society/Annual%20Reports/2020/2020%20Annual%20Financial%20Statement%20final%20version.pdf?la=en

SGR was unable to ascertain which fossil fuel companies the Sarasin Endowments Fund invests in. Through the top ten holdings it was able to ascertain where 18.6% of the investments are held; none of this 18.6% was in fossil fuel companies.

At the time of the *Irresponsible Science?* report, SGR was able to obtain data[8] on approximately 16% of the Energy Institute's investments, through the top 10 holdings information. Of that 16%, approximately 29% was invested in companies which were part of the fossil fuel industry and none was invested in the arms industry. However, it was difficult to draw conclusions about whether this level was representative of all the investments held in the arms sector, as these corporations tend to be smaller than those in other key sectors, such as energy, finance or communications, and hence do not appear so frequently in lists of 'top' assets.

It is clear that the Energy Institute does not now hold any investments in arms companies. It is impossible to tell, however, which fossil fuel companies the Energy Institute invests in. The transparency of the Institute's individual holdings has risen slightly, from 16% to 19%, due to a change in the top ten holdings. Of these known investments the amount invested in companies that are part of the fossil fuel industry has fallen from 29% at the time of the *Irresponsible Science?* report to zero, again due to a change in the top ten holdings.

In January 2020, the Charity Commission launched an investigation into factors holding charities back from responsible investments. With regards to transparency, the regulator said[9] that "People place increasing value on transparency, which research shows is a key driver of public trust in charities[10]." 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[11].

Corporate Patrons and Members

Patrons involved in the oil and gas industry

The Energy Institute offers sponsorship, partnership and advertising opportunities.[12] A number of fossil fuel companies, including Aramco, BP, Chevron, ExxonMobil, Shell and Total, are listed as company members or technical partners of the Energy Institute.[13]

Patrons involved in the arms industry

The UK's Ministry of Defence and Defence Infrastructure Organization are company members of the Energy Institute.

Education programmes

The Energy Institute no longer appears to produce materials for schools. As stated in the *Irresponsible Science?* report:

---

[8] https://www.sgr.org.uk/sites/default/files/2019-10/5-Energy_Institute.pdf

[9] https://charitycommission.blog.gov.uk/2020/01/15/how-do-charities-approach-investing-in-line-with-their-purpose-and-values-we-want-to-know-and-we-want-to-help/

[10] https://www.gov.uk/government/news/regulator-publishes-new-research-into-factors-the-public-associate-with-trustworthy-charities

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

[12] https://www.energyinst.org/advertising

[13] https://www.energyinst.org/industry/company-membership/directory

"In 2017, the Energy Institute was promoting via its website education materials for schools produced by its 'industry partners' – BP, ExxonMobil, Shell, E.ON, SSE, EDF and Siemens – together with its own set of resources called Discover Petroleum for 8 to 16- year-olds. The latter project involved ExxonMobil and ChevronTexaco and was hosted on the Association of Science Education's School Science website… the institute does not yet seem to have produced new teaching materials for school-age children – for example, on climate change and energy."

This still appears to be the case – the Energy Institute does not offer teaching materials to schools on climate change.

Events sponsorship

The Energy Institute has several recent events sponsored by fossil fuel companies. The EI Live Middle East HSE Forum[14] and the EI Live Middle East Sustainability Forum[15] both in November 2021, had Bapco (Bahrain Petroleum Company) as host partner.

February 2022 saw the first International Energy Week, the successor to International Petroleum Week. Sponsors[16] included fossil fuel companies BP, TotalEnergies, Energean and Neptune Energy, the International Association of Oil and Gas Producers and oilfield services providers Baker Hughes and Petrofac. Petrofac pleaded guilty in October 2021 to seven offences of failing to prevent bribery over a period of six years[17]. The bribes were worth £32 million and helped the company secure contracts in the oil and gas industry. For International Petroleum Week in 2021, many fossil fuel companies were sponsors or partners including Aramco, BP, Energean, Lundin Energy, Shell, Total and Vitol.

Environmental policy

Since the time of the *Irresponsible Science*? report, the Energy Institute has introduced an energy and environmental policy[18]. This states, among other things, that the EI aims to "set up a science-based target and a strategy for tackling its greenhouse gas emissions in line with the UK's 2050 net zero target" and to "maintain a good level of detail and transparency of reporting on energy consumption patterns and carbon emissions". The Institute reported on its 2020 progress in January 2021[19] and has switched its head office contract to 100% renewable electricity.

Other relevant information

Shell hearts and minds toolkit

As it states in its 2020 annual report, the Energy Institute "sells the Hearts and Minds toolkit on behalf of Shell Exploration and Production Ltd and any surplus is held for future investment in the development of the toolkit and related Human Factors projects".

In June 2021, the Energy Institute signed up to the Professional Bodies Climate Action Charter.[20]

---

[14] https://www.energyinst.org/whats-on/search/events-and-training?meta_eventId=62110C
[15] https://www.energyinst.org/whats-on/search/events-and-training?meta_eventId=62112D
[16] https://www.ieweek.co.uk/sponsors
[17] https://www.sfo.gov.uk/cases/petrofac/
[18] https://www.energyinst.org/__data/assets/pdf_file/0007/723067/EI-Energy-and-Environmental-Policy-Final-signed-and-dated.pdf
[19] https://www.energyinst.org/__data/assets/pdf_file/0006/815712/2020-Progress-Report.pdf
[20] https://www.edie.net/news/7/New-net-zero-networks-launched-for-lawyers-and-professional-institutions/

In June 2021 former UK Energy Minister Charles Hendry and Octopus Energy CEO Greg Jackson joined the institute's governing Council.[21] At the time of the *Irresponsible Science*? report, SGR estimated that nearly half the governing council had strong links to the fossil fuel industry whilst about a quarter either worked in renewable energy companies or as academics in the area. In March 2022 SGR estimates that six of the 13 council members have current or past links to fossil fuel companies whilst seven of the 13 council members have a current active involvement in renewable energy research or practice. So around half the council still has links to the fossil fuel industry but the proportion involved in renewable energy has approximately doubled.

The Energy Institute has signed the Pledge to Net Zero[22] and so has committed to:

1. Set and commit to deliver a greenhouse gas target in line with either a 1.5°C (encouraged) or well below 2°C climate change scenario – covering buildings and travel as a minimum.
2. Publicly report greenhouse gas emissions and progress against this target each year.
3. Publish one piece of research/thought-leadership each year on practical steps to delivering an economy in line with climate science and in support of net zero carbon. Alternatively, signatories may choose to provide mentoring and support for smaller signatory companies in setting targets, reporting and meeting the requirements of the pledge.

The Energy Institute has also signed up to the SME Climate Commitment[23], which is recognised by the United Nations Race to Zero campaign.

The Energy Institute Code of Professional Conduct[24] says that Institute members "recognise the importance of their professional activities for the quality of life and the benefit of society as a whole. They accept a personal obligation to act ethically and with integrity in the public interest and to maintain and improve their competence". Members must also " have due regard for the need to protect the environment and to provide energy services in a way that is safe and sustainable".

SGR comments

SGR acknowledges that the Energy Institute does not invest in arms companies, has introduced, and acted on, an environmental policy, has signed the Pledge to Net Zero and Professional Bodies Climate Action Charter, and has shifted the make-up of its governing council towards members with links to the renewables industry although ties to the fossil fuel industry still remain.

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

Transparency

SGR was unable to ascertain how many or which fossil fuel companies the Sarasin Endowments Fund invests in, or what proportion of total investments is held in fossil fuels.

Investment policy

---

21 https://www.energyinst.org/exploring-energy/resources/news-centre/media-releases/energy-institute-council-signals-change

22 https://www.pledgetonetzero.org/

23 https://smeclimatehub.org/sme-climate-commitment/

24 https://www.energyinst.org/__data/assets/pdf_file/0005/850532/The-EI-Code-of-Professional-Conduct-January-2018.pdf

There was a discrepancy between the investment policy stated in the annual report, which mentions only financial goals, and the wording about investments on the Institute's website, which mentions areas that the Institute does not hold investments in, including arms but not fossil fuels, and an annual review of the investment policy. SGR would like to see the Energy Institute adopt a formal, long-standing investment policy that excludes investments in arms and any type of fossil fuels (see next section for SGR's views on financial links to fossil fuel companies).

Financial links to corporations

The Energy Institute is likely to have investments in fossil fuel companies, potentially including those active in the most carbon-intensive fuels such as thermal coal and tar sands, through the Sarasin Endowments Fund.

The Energy Institute also has confirmed financial links with the following companies in the fossil fuel sector in the form of accepting company membership fees and/or sponsorship for events:

- Aramco
- Bapco
- BP
- Chevron
- Energean
- ExxonMobil
- Lundin Energy
- Neptune Energy
- Shell
- TotalEnergies
- Vitol

According to the Transition Pathway Initiative[25], the long-term ambitions of these and many other fossil fuel companies do not currently align with a pathway that would limit global warming to 1.5°C or below. (Please see the SGR document Data on Fossil Fuel companies for further details[26].) The goal of the UN's 2015 Paris Agreement is "to limit global warming to well below 2, preferably to 1.5° Celsius, compared to pre-industrial levels"[27].

Until fossil fuel companies have set targets to limit their emissions by 2050 in line with a 1.5°C limit to warming, we are urging thought leaders such as the Energy Institute to divest from these companies and so keep up the pressure on them.

Although the Energy Institute does not invest in arms companies and its investment manager "presses investee companies to align with the Paris Agreement goals", the Institute has not committed to an ethical investment policy that excludes investment in arms in the future, or in fossil fuels either now or in the future. Since the release of *Irresponsible Science?*, several of the Energy Institute's peers – academic bodies, learned societies and professional institutions in other subject areas – mentioned in the report have tightened up their policies on fossil fuels. For example, the

[25]https://www.transitionpathwayinitiative.org/
[26] https://www.sgr.org.uk/sites/default/files/2021-03/Data_on_fossil_fuel_companies.pdf
[27] https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement

Royal Meteorological Society no longer invests in any form of fossil fuels while the Geological Society introduced investment policies that exclude the most carbon-emitting fossil fuels – thermal coal and tar sands, and the Institute of Materials, Minerals and Mining does not currently hold investments in the most carbon-emitting fossil fuels.

As a signatory of the Pledge to Net Zero, the Energy Institute is in a strong position to set an example to others by expanding its pledge to "commit to deliver a greenhouse gas target in line with either a 1.5°C (encouraged) or well below 2°C climate change scenario" to include its investment portfolio, company memberships and acceptance of sponsorship for events. This would also align the Institute with its own Code of Professional Conduct for members to "have due regard for the need to protect the environment".

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 also exclude investment in arms companies. In the university landscape, Harvard University, US[28], and the University of Aberdeen[29], UK, are just two of the latest institutions to divest from fossil fuels. So far over 90 universities in the UK have committed to divest from fossil fuels in some form.[30]

More generally, SGR has concerns about investments in and financial ties to fossil fuel companies by professional science and engineering organisations such as the Energy Institute for these reasons:

- Such 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 a year that the UK continues to hold the presidency for the COP26 climate negotiations;

- As the UK Health Alliance on Climate Change[31] 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 [32]. Research indicates that divestment reduces the price of fossil fuel shares. According to a team at the University of Waterloo in Canada[33], "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[34]. The fraction is even smaller

[28] https://www.theguardian.com/environment/2021/sep/10/harvard-university-divest-endowment-fossil-fuels
[29] https://www.abdn.ac.uk/about/strategy-and-governance/fossil-fuel-divestment.php
[30] https://peopleandplanet.org/fossil-free-victories
[31] ukhealthalliance.org/divestment
[32] https://www.divestinvest.org/11-trillion-counting-divestinvest/
[33] https://theconversation.com/how-divesting-of-fossil-fuels-could-help-save-the-planet-88147
[34] https://www.banktrack.org/download/unburnable_carbon/unburnablecarbonfullrev2.pdf

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[35]. In 2020 fund manager CCLA, which invests on behalf of charities including Church of England dioceses and the Institute of Physics, dropped its investments in oil giants Shell and Total[36] 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[37];

- 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[38]. 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[39], 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.

Recently, a team from the University of Augsburg, Germany, found that when equity mutual funds decarbonize by selling climate-damaging shares, the resulting "decarbonization selling pressure" pushes the price of these stocks downwards. What's more, when divested firms experience a stock price decline, they reduce their carbon emissions more than non-divested firms do. The research is the first empirical evidence on the effectiveness of divestment. "Overall, our findings support the divestment movement's hope that a critical mass of investors is able to reduce carbon emissions," write the researchers in their paper in the *Journal of Banking and Finance*[40].

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

---

[35] https://www.theguardian.com/commentisfree/2019/oct/13/divestment-bank-european-investment-fossil-fuels
[36] https://www.divestinvest.org/church-of-england-fund-drops-remaining-fossil-fuel-investments/
[37] 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
[38] https://insideclimatenews.org/news/16072020/oil-gas-climate-pledges-bp-shell-exxon/
[39] https://www.climatechangenews.com/2020/12/11/10-myths-net-zero-targets-carbon-offsetting-busted/
[40] Rohleder, Martin and Wilkens, Marco and Zink, Jonas, The Effects of Mutual Fund Decarbonization on Stock Prices and Carbon Emissions, *Journal of Banking and Finance*, Volume 134, January 2022, 106352, http://dx.doi.org/10.2139/ssrn.3612630 See also author explainer at https://www.youtube.com/watch?v=dorMMn2BBn4

focused on renewable energy. Similarly, some large German engineering companies, such as Siemens 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 those in the energy sector, investment in green chemistry would promote the use of alternative renewable feedstocks, and investment in energy conservation measures would reduce the energy demand.

SGR is also concerned that the Energy Institute is accepting sponsorship for International Energy Week 2022 from Petrofac, a firm linked to bribery. This would appear to be at odds with the Energy Institute's self-stated role as providing good practice when it calls itself "the chartered membership body for professionals working globally across the energy sector, the EI provides the skills, knowledge and good practice needed to protect the environment during operations and to advance the global energy transition required by the climate emergency".[41]

SGR 10/03/2022

[41] https://www.energyinst.org/about