



Aligning Council Money With Council Values

A Guide To Ensuring Council Money Isn't Funding Climate Change





**Councillor Jenny Dowell - Mayor
Lismore City Council**

As the Mayor of Lismore City Council, I'm serious about the wellbeing of my community. Ours is a community full of people passionate about having a healthy economy and a healthy environment. It's also a community that understands the impact of the fossil fuel industry.

Lismore is on the frontline of the fight against the coal seam gas industry. The unconventional gas industry wants to make a quick dollar at the expense of waterways and farmland. Our community have shown the industry the door time and time again, but they have the power and influence to keep coming back.

Moving council money away from financial institutions that support the fossil fuel industry is a practical and sensible way for councils to ensure we are doing everything we can to leave this industry behind.



**Daniel Kagoy - Deputy Mayor
Leichhardt Municipal Council**

As the Deputy Mayor of Leichhardt Municipal Council, I've worked with other councillors and the community to help Leichhardt become a leader in sustainability and climate action.

Climate change is affecting local governments in Australia right now. Rising sea levels are having an impact on coastal real estate. More frequent and more severe cyclones are taking a toll on recovery budgets. Dry bushland creates tinderbox conditions for destructive and costly bush fires.

By moving our council's money away from the fossil fuel industry, we send a message that it's time to transition away from this dangerous industry. I would encourage all councillors to read this guide and join the growing movement of local governments aligning council money with council values.



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WELCOME

This is a guide about aligning council money with council values.

Across Australia, local governments have been leading the way on mitigating dangerous climate change. Programs to encourage more solar power, energy efficiency, and revegetation are just some of the programs made commonplace by local government leadership.

For many councils this isn't a choice – this is just common sense. Climate change will have a direct impact on our Australian communities. Rising sea levels will have an impact on coastal real estate. More frequent and more severe cyclones are already taking a toll on recovery budgets. Dry bushland creates dangerous conditions for destructive and costly bush fires.

In combination with their existing work, this is why Australian councils are also beginning to leverage their financial power:

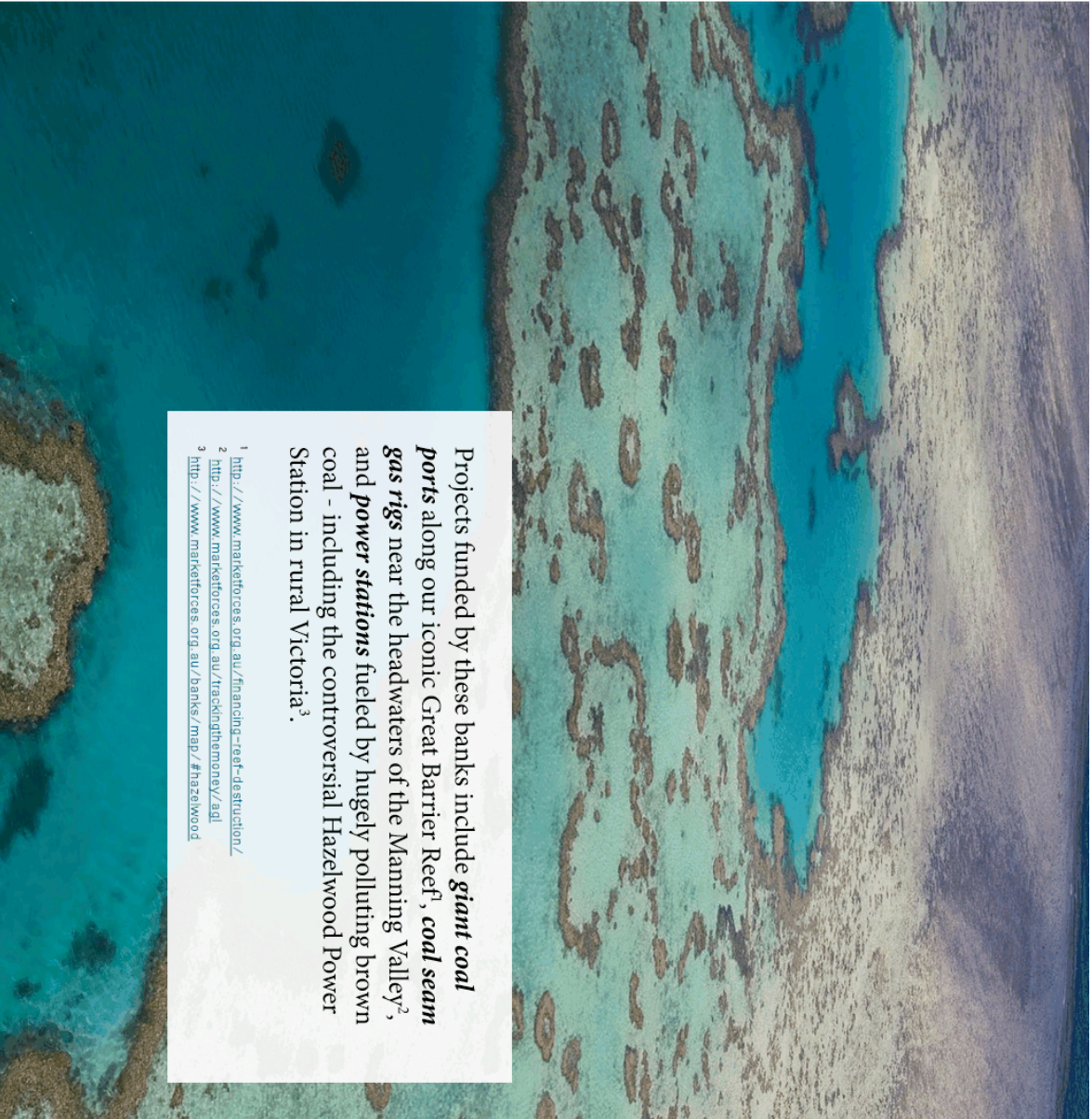
To reshape the funding practices of the financial institutions responsible for funding climate change.

Most Australian councils cannot invest in shares, meaning they have no investments directly in climate contributing fossil fuel companies. However, most councils have exposure to fossil fuels via their term deposit with the big Australian banks – who are financing billions of dollars worth of coal and gas projects across the country.

Councils are significant customers for these banks, and together local government leadership can begin to influence the funding practices of these banks with three simple steps outlined in this guide. This isn't a novel idea – local governments are already joining this growing movement across Australia.

Councils that have taken these steps include Goomalling in Western Australia's wheatbelt, Moreland in inner north Melbourne, Leichhardt on the edge of the Sydney harbour, and Lismore in New South Wales' dairy farmland.

Continue reading to learn more about how your council can join this growing movement and ensure that Australian banks are shaping a safe climate future for Australian communities.



Projects funded by these banks include *giant coal ports* along our iconic Great Barrier Reef¹, *coal seam gas rigs* near the headwaters of the Manning Valley², and *power stations* fueled by hugely polluting brown coal - including the controversial Hazelwood Power Station in rural Victoria³.

¹ <http://www.marketforces.org.au/financing-reef-destruction/>

² <http://www.marketforces.org.au/trackingthemoney/aql>

³ <http://www.marketforces.org.au/banks/map/#hazelwood>



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THIS IS A MOVEMENT TALKING ISN'T ENOUGH

Almost 7 in 10 Australians agree they would choose a bank or superannuation fund that doesn't invest in fossil fuels over one that does.

Fossil Fuel Free Report, Loneragan Research, May 2014

Over the past 18 months, the process of moving money away from banks that fund fossil fuels has built serious momentum in Australia. This is because Australians are disappointed that the same banks they have their home loans and credit cards with, are also funding fossil fuel projects.

In fact, a survey by Loneragan Research found that 67% of Australia's (almost 7 in 10) would prefer to move their banking services away from financial institutions that fund fossil fuel projects.⁴

Thousands of Australians have already moved their money away from these fossil fuel funding banks and many more are joining all the time. Together they are having an impact. Councils, along with churches and universities, are playing a pivotal role in this movement.

For years, there have been attempts to engage with fossil fuel funding banks in an effort to influence their funding practices through the power of conversation. The outcome of this engagement process is self evident – these banks continue to fund fossil fuels.

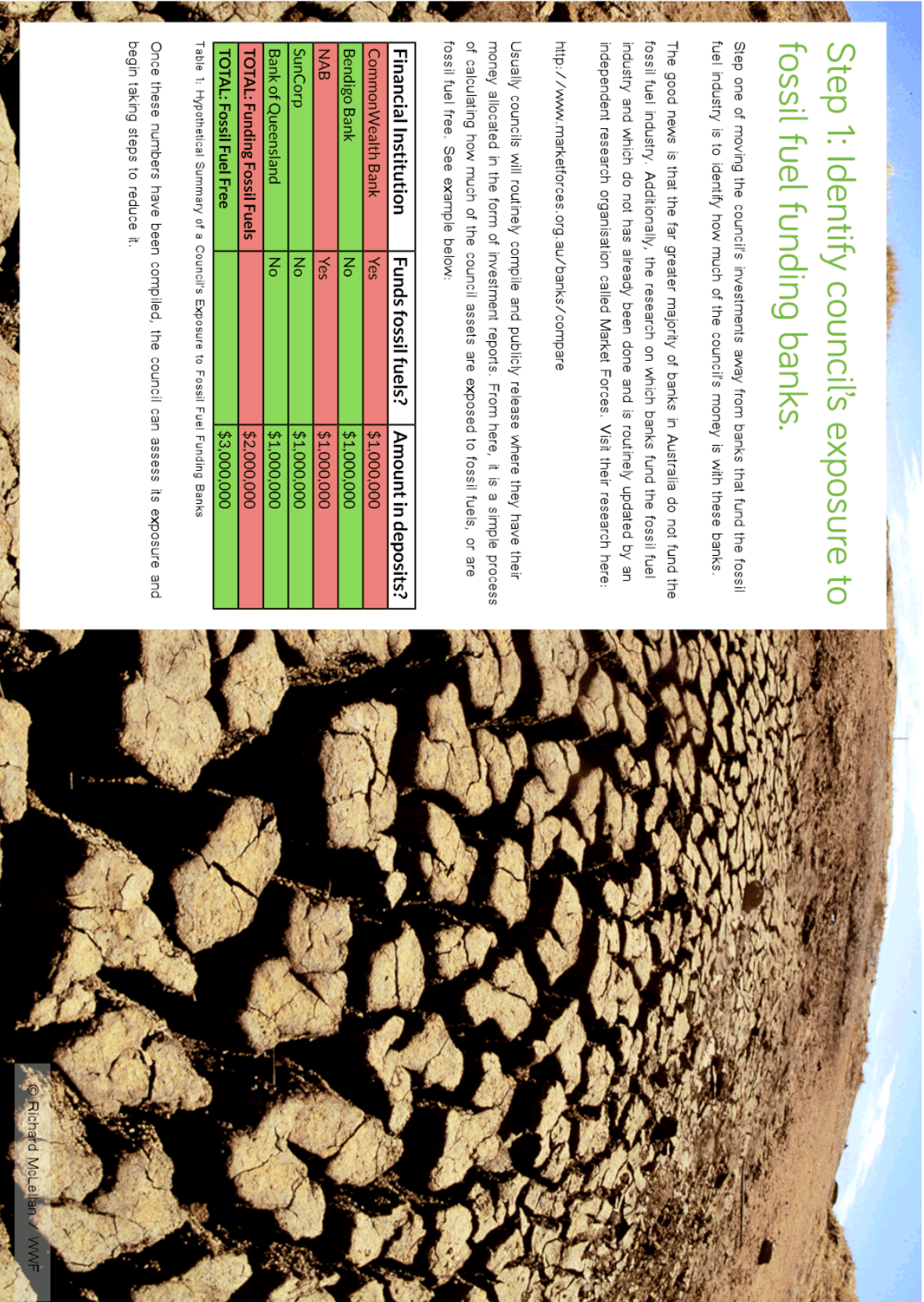
In fact, recent statements from multiple experts highlight that engagement with fossil fuel companies is ineffective.^{5, 6} If we want to prompt genuine action, it will require talking to these banks in a language they understand – their bottomline. Without the risk that banks will lose customers and profits, engagement will never cut through.

Collectively, councils represent a lucrative customer base for the big Australian banks. When councils move their money, banks will begin sitting up straight and reshaping their funding practices.

⁴ http://3510.org.au/wp-content/uploads/2014/07/FINAL_REPORT_30.05.14.pdf

⁵ <http://www.theguardian.com/environment/2015/jan/15/engagement-with-oil-companies-climate-change-what-works-reading-environmentalist>

⁶ <http://www.triplepundit.com/2015/01/talk-hand-engagement-fossil-fuel-companies-offers-little-promise>



Step 1: Identify councils exposure to fossil fuel funding banks.

Step one of moving the council's investments away from banks that fund the fossil fuel industry is to identify how much of the council's money is with these banks.

The good news is that the far greater majority of banks in Australia do not fund the fossil fuel industry. Additionally, the research on which banks fund the fossil fuel industry and which do not has already been done and is routinely updated by an independent research organisation called Market Forces. Visit their research here:

<http://www.marketforces.org.au/banks/compare>

Usually councils will routinely compile and publicly release where they have their money allocated in the form of investment reports. From here, it is a simple process of calculating how much of the council assets are exposed to fossil fuels, or are fossil fuel free. See example below:

Financial Institution	Funds fossil fuels?	Amount in deposits?
Commonwealth Bank	Yes	\$1,000,000
Bendigo Bank	No	\$1,000,000
NAB	Yes	\$1,000,000
SunCorp	No	\$1,000,000
Bank of Queensland	No	\$1,000,000
TOTAL: Funding Fossil Fuels		\$2,000,000
TOTAL: Fossil Fuel Free		\$3,000,000

Table 1: Hypothetical Summary of a Council's Exposure to Fossil Fuel Funding Banks

Once these numbers have been compiled, the council can assess its exposure and begin taking steps to reduce it.

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Step 2: Pass a Motion to Move Away from Fossil Fuels.

It is likely that once the council has compiled the numbers outlined in the step one, they will find they have significant exposure to banks that fund the fossil fuel industry. From here, there are two main approaches for the council to address this and align its money with its values.

Preference Fossil Free Banks and Financial Institutions

Different financial institutions have different credit ratings. This is based on a multitude of factors. Based on these credit ratings, councils have certain restrictions around how much they can have invested in term deposits with different credit-rated institutions.

Hence, a strategy where the council can preference fossil free banks and financial institutions within their credit rating restrictions can be preferable. Lismore City Council in NSW has a motion which uses this strategy that reads as follows:

That Council:

1. Give preference to financial institutions that do not invest in or finance the fossil fuel industry where:
 - a. the investment is compliant with Council's investment policy; and
 - b. the investment rate of interest is favourable to Council relative to other similar investments that may be on offer to Council at the time of investment.
2. Provide a 6 monthly report to Council on the state of its divestment from fossil fuels.

Screen out Fossil Fuel Funding Banks

Other councils have taken a more clear cut approach to excluding fossil fuel funding banks. Many fossil free banks and financial institutions have good credit ratings, which means that most councils can screen out fossil fuel funding banks and stay within the bounds of their credit rating restrictions.

Here's an example motion that lead to Leichhardt Municipal Council passing a motion that will screen out fossil fuel funding banks over the course of three years:

That Council:

1. Agree to divest its term investment portfolio from all fossil fuel aligned financial institutions
2. Agree that as Council's current term investments expire with fossil fuel aligned financial institutions that these funds are re-invested only with non-fossil fuel aligned financial institutions
3. Note that with this change in policy, it is envisaged that Council's term investment portfolio will be fully divested from fossil fuel aligned financial institutions within a period of around 3 years.
4. Note that this policy applies only to Council's term investment portfolio and not to transaction banking services.
5. Request that Council Officers prepare a report within 12 months on the financial, environmental and other factors arising from this change in investment strategy.

Once either of these motions has been passed, it's time to go public!

Step 3: Release a statement and receive thanks!

George Berkeley gave us the famous saying that goes "If a tree falls in a forest and no one is around to hear it, does it make a sound?". The same applies to a council leveraging their financial power. It's important that people hear about the fossil fuel free motion passing.

It's important for the fossil fuel funding banks to know about the motion passing. As they watch the amount of money they have from local governments begin to shrink, they will want to know why. Letting them know about the motion passing will encourage them to move away from fossil fuels.

It's also important for the public to know about the motion passing. Action on climate change has become incredibly polarising. Allowing the public to know about yet another step the council has taken to mitigate climate change impacts will help advance the public debate constructively.



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Once your motion has passed, put together a media release and get the word out there! As this is part of a broad movement of councils and institutions leaving the fossil fuel industry behind, many Australian journalists are covering stories about councils going fossil free in a positive light.

Finally, let 350.org Australia know about your motion passing. They are supporting individuals and institutions to move their investments out of the fossil fuel sector and can help you to secure positive coverage about your action. Get in touch with 350.org Australia by emailing info@350.org.au.

An alternative to going public?

In some cases, the decision to move the council's money away from fossil fuel funding bank may cause controversy. In these circumstances, the council may prefer not to push the story out to the media. Whilst this is not ideal, this can still have a huge impact.

The impact in this circumstance involves getting in touch with the fossil fuel funding banks that the council is moving away from and outlining the council's reasons for moving. This could be as simple as an email to customer support. For further advice on how to do this, get in touch with 350.org Australia by emailing info@350.org.au.

And so concludes the three steps for your council to go fossil free! **Congratulations - you have successfully aligned council money with council values!**

Want to do more?

This guide helps councils to leverage their financial power to shape a safe climate future for Australian communities. Earlier we talked about how simply engaging with banks is not enough and that moving money away from these banks is a language they understand – their bottomline.

However, once the money has been shifted, engaging with the banks can become important again. The fossil fuel funding banks will likely see a story about you leaving them behind in the media. This is a great first step and for many councils this will be enough.

But more can be done. Here is a selection of possible next steps:

- The mayor could send a personal letter to the fossil fuel funding banks, asking them to reconsider their investment practices.
- Several councils could band together and write an op-ed for the media about why moving away from fossil fuel funding banks is so important.
- Make your motion an agenda item at the next local government conference.

If you would like help with any of these steps or further ideas, simply contact 350.org Australia by emailing info@350.org.au.

