



Pension fund investors warn of climate failure if government fails to plan for a just transition to net zero.

New report by all-party parliamentary group calls for UK-wide Just Transition Commission

In advance of COP26, the All-Party Parliamentary Group for Local Authority Pension Funds is calling for responsible investment in a just transition to net zero. The Group's new report shows that many big investors, such as local authority pension funds, are concerned about the government's blind spot on a just transition.

The report calls on government to make a firm and comprehensive commitment to a just transition to net zero and to set up a UK-wide Just Transition Commission. This would bring stakeholders together and outline how investment in a just transition to net zero can be delivered.

The report is based on a nine-month inquiry by the All-Party Group, led by Clive Betts MP, into 'Responsible investment in a just transition'. The report stresses the urgent need for climate action, but highlights the economic and financial risks if the shift to net zero fails to take account of the uneven impacts on workers, communities, consumers, and supply chains.

The report shows that pension fund investors are worried that an unjust, unplanned transition to net zero could lead to an avoidable and unnecessary opposition to the much-needed climate action. The report warns that failing to account for the social and employment effects risks undermining the UK's commitment to net zero and threatens investor efforts to minimise the financial risks associated with climate change.

The inquiry, which heard from investors, industry, academics, community groups and trade unions, found there were not only significant risks but also timely opportunities to invest in a just transition and create new green jobs. However, investors told the inquiry they needed much greater certainty and a clearer plan from government.

The APPG, supported by Local Authority Pension Fund Forum, highlighted the role that investors can play. This includes setting expectations of company



boards and engaging with them to ensure decarbonisation plans consider the implications for workers, communities, consumers, and supply chains.

The inquiry found that investors need to give due weight to just transition risks and opportunities in their investment decisions. While there are opportunities to invest directly the inquiry heard that investors should consider establishing just transition funds to overcome investment issues around scale. Meanwhile national and local government could identify investment opportunities and provide gap funding to maximise the social co-benefits of the transition.

Clive Betts MP, Chair of the APPG for Local Authority Pension Funds said:

“Major industrial changes are rapidly coming down the track. To avoid repeating the mistakes of the 1980s which left workers and communities behind, government urgently needs to be planning for an orderly and just transition to net zero.”

Cllr Doug McMurdo, chair of the Local Authority Pension Fund Forum said:

“We risk not having a transition to net zero if it is not just. As responsible long-term investors we have to ensure our work to achieve net zero actively support a just transition, in every way. However, we cannot do it alone. The scale of challenge and potential opportunities will require sustained commitment across society and from government.”

Professor Nick Robins, LSE Grantham Research Institute said:

“Building the net zero economy brings significant opportunities in terms of more and better jobs and revitalised communities. But it also poses risks for vulnerable sectors, regions and households. To address this challenge, we need ambitious just transition strategies from government, business and civil society, and this report shows clearly why supporting this is in the strategic interests of institutional investors such as pension funds.”

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The All-Party Parliamentary Group for Local Authority Pension Funds: *The All-Party Group was established to discuss the issues and concerns of local authority pension funds. The chair is Clive Betts MP and the Vice Chairs are: Baroness Altmann, Lord Kerslake, Lord Goddard. The Secretary is David Simmonds MP.*

About the inquiry and report: *The inquiry into a 'Responsible Investment for a just transition', established in January 2021 under the guidance of the APPG members, set out to understand how investors could help achieve a just transition and what support might be needed from central government. A copy of the report 'Ensuring responsible investment for a just transition to net zero' is attached to the press release. The report is being launched at 2pm on 20th October.*

Local Authority Pension Fund Forum: *The APPG is supported by the Local Authority Pension Fund Forum (LAPFF). LAPFF is a voluntary association of 84 public sector pension funds and seven pool companies based in the UK with combined assets of over £300 billion. It exists to 'promote the long-term investment interests of local authority pension funds, and to maximise their influence as shareholders to promote corporate responsibility and high standards of corporate governance amongst the companies in which they invest.' PIRC is the Research and Engagement partner to the Forum @lapfforum <https://lapfforum.org/>.*

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