

# Towards net zero

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John Ellerman Foundation's organisational aim is "To advance the wellbeing of people society and the natural world". In common with most charitable foundations, we set out to achieve our aim mostly through our grantmaking activities. However, we have started to think about how our aim should be applied across all of our activities, and particularly how to ensure that our own environmental impact can sit comfortably alongside our environmental grantmaking. This simple idea can all too easily slip into increasingly complex self-analysis. I was concerned we might be heading in that direction until the developing focus on a 'Net Zero' approach offered me the clarity and consistency I had been looking for and may well provide a robust framework to support our future thinking in this critical area.

The environment currently faces many crises, with climate change foremost amongst these. The combination of COP26 in Glasgow and our 50<sup>th</sup> anniversary year presents an opportunity for self-reflection on our role in addressing climate change and our responsibility for our contribution to the problem. The science is clear enough. Our world is warming; that warming is down to human activity; and unless we can constrain the level of warming the future cost of adaptation will be enormous and potentially too much for society to cope with, whether this cost is measured in hard cash terms or in terms of the wellbeing of people society and the natural world. The moral position is equally clear: the root causes of the problem are the consumption rates of current generations of a relatively small and fortunate fraction of humanity, while the costs will otherwise be borne by future generations and will disproportionately affect those experiencing the most disadvantage already. So doing our bit to mitigate climate change is fundamentally aligned to our organisational aim. For this reason (amongst others) we have started to look harder at what "our bit" might be.

When I joined the Foundation, it seemed obvious that, given our environmental focus, we should seek to minimise our own direct carbon emissions. While, in practice, Covid-19 has probably done more to deliver on this than any of our actual internal policies, the easy wins for a small office-based organisation were:

- i) Power consumption: We switched to a 100% renewable electricity provider, and in order to avoid the potential accusation of "greenwashing" we picked Good Energy as they avoid biomass fuelled power sources.
- ii) Travel: Our staff and trustees used to cover some ground with in-person visits to potential grantees. So, we developed a travel policy that asked for public transport use foremost, and to avoid so far as possible any use of private cars or air travel.
- iii) Public statements: We made our decision to sign up to the [Funder Commitment on Climate Change](#) in December 2019 to document our aspirations and to provide a framework for holding ourselves to account.

But these actions seem rather trivial in the context of global climate change. The elephant in the room is clearly our investment portfolio, since it seems likely that emissions attributable to our investments will dwarf those arising from our direct activities. We have taken Environmental, Social and Governance (ESG) matters into consideration for some time in managing our portfolio, and yet we still find that we have fossil fuel extraction amongst our investments. In part this is because we have delegated the day to day management of our funds to professional managers, and we try to avoid being a back-seat driver.

To get a better understanding of our contribution to the problem, we began by asking the simple question, or so we hoped, of our fund managers, namely “What is our carbon footprint?” We received a number of different, often incompatible answers with different methodologies, different units and different time frames, with some adopting a carbon intensity approach (TCO<sub>2e</sub> per unit of revenue or capital invested) rather than actually telling us how much carbon our portfolio is responsible for. In other words, we couldn’t get a simple answer. Nevertheless, we asked the same question a year later to see whether at least the direction of travel was favourable, and the results were inconclusive. We made a conscious decision to shift some of our investments into a climate change focused fund, only to find that the carbon footprint of that fund was significantly larger per unit invested than any of our other investments (which makes sense once you recognise that the transition to a post-carbon future requires investment today in carbon-intensive manufacture of generators and grid infrastructure etc, but which makes a nonsense of the original carbon footprint question).

It was this conundrum that sparked a more interesting realisation. It’s the endgame that matters, and the route to get there matters because it affects the time and scale of that endgame. The Paris Agreement has set a target in terms of temperature rise (“...preferably 1.5 degrees Celsius...”), and notes that to achieve this, we should be aiming for “...a climate neutral world by mid-century.” So “Net Zero 2050” is that destination, and every nation and every actor within every nation needs to get on board. If we start to work backwards from that for ourselves and insist that everyone we engage with does the same, we do our bit to get ourselves and our stakeholders there, and on time.

We are still figuring out what being ‘Net Zero’ means to us, and there are plenty of internal discussions to come and much work to do to get there, but some of the ideas that I have been sharing with my colleagues and the Board include:

- reviewing our Investment Policy to ensure that it articulates our Net Zero strategy
- asking that our investments should have their own Net Zero strategy
- asking our fund managers to scrutinise the Net Zero strategies of the investments they choose to make on our behalf, to satisfy themselves that they are credible and to monitor progress over time to achieve them
- asking our suppliers (including our fund managers) to develop Net Zero strategies that are credible and to demonstrate progress over time to achieve them
- researching ways to assist our grantees to develop and maintain their own Net Zero strategies.

We are delighted to have started down this road by adding our signature to the [COP26 Declaration of asset owner climate expectations of asset management](#) launched in Glasgow today. Doing our bit really matters to us, and we are motivated to do all that we can – even while we grapple with what exactly doing our bit means.