

**3. DIVESTMENT FROM FOSSIL FUELS AND INCREASE IN SUSTAINABLE ASSETS
DÉSINVESTISSEMENT DANS LES COMBUSTIBLES FOSSILES AU PROFIT D'ACTIFS DURABLES**

COMMITTEE RECOMMENDATIONS

That Council approve:

1. That the Chief Financial Officer and/or Manager, Treasury, be directed to report back to FEDC at the end Q2 in 2021 with a summary of barriers to achieving Prudent Investor Status, how they are addressing those barriers, and a summary of actions taken to date; and,
2. That, should Council approve a direction to implement prudent investor standards for the City of Ottawa, staff evaluate the prudence of divesting of fossil fuels as input to the development of the Investment Strategy that will need to be approved by Council. The scope of this review will include an assessment of the following:
 - a) no new purchases of stocks or mutual funds with coal, oil, and gas companies, specifically excluding any new investment in the 200 largest publicly traded fossil fuel corporations; and
 - b) Sell off all fossil fuel holdings from these same companies over the next five years.

RECOMMANDATIONS DU COMITÉ

Que le Conseil approuve :

1. que l'on demande à la cheffe des finances et/ou au gestionnaire, Trésorerie de rendre compte au CFDE, à la fin du deuxième trimestre de 2021, des principaux obstacles à l'obtention du statut d'investisseur prudent, des moyens pour les surmonter et des

mesures prises jusqu'à maintenant;

2. **que, si le Conseil approuve la demande d'établir des normes relatives au statut d'investisseur prudent pour la Ville d'Ottawa, le personnel évalue la prudence de désinvestir dans les combustibles fossiles afin d'orienter la stratégie d'Ottawa qui sera soumise au Conseil pour approbation. La portée de l'examen comprendra l'évaluation des mesures suivantes :**
 - a) **la renonciation à tout nouvel achat d'actions ou de parts dans des fonds communs de placement dans le secteur du charbon, du pétrole et du gaz naturel, et en particulier à tout nouvel investissement dans les 200 plus grandes sociétés cotées en bourse du secteur des combustibles fossiles; et**
 - b) **la vente de tous les titres que détient la Ville dans ces grandes sociétés d'ici cinq ans.**

DOCUMENTATION/DOCUMENTATION

1. Councillor Menard's Report, dated November 5, 2020, (ACS2020-OCC-ENV-0008)

Rapport du conseiller Menard, daté le 5 novembre 2020, (ACS2020-OCC-ENV-0008)

**Report to
Rapport au :**

**Standing Committee on Environmental Protection, Water and Waste Management
Comité permanent de la protection de l'environnement, de l'eau et de la gestion
des déchets**

17 November 2020 / 17 novembre 2020

**Finance and Economic Development Committee
Comité des finances et du développement économique
1 December 2020 / 1er décembre 2020**

**Submitted on November 5, 2020
Soumis le 5 novembre 2020**

**Submitted by / Soumis par :
Councillor / Conseiller Shawn Menard,
Capital Ward / Quartier Capitale (17)**

**Contact Person
Personne ressource :
Councillor / Conseiller Shawn Menard, Capital Ward / Quartier Capitale (17)
(613) 580-2487 Shawn.Menard@ottawa.ca**

Ward: CITY WIDE / À L'ÉCHELLE DE LA VILLE File Number: ACS2020-OCC-ENV-0008

**SUBJECT: DIVESTMENT FROM FOSSIL FUELS AND INCREASE IN
SUSTAINABLE ASSETS**

**OBJET: DÉSINVESTISSEMENT DANS LES COMBUSTIBLES FOSSILES AU
PROFIT D'ACTIFS DURABLES**

REPORT RECOMMENDATIONS

That the Standing Committee on Environmental Protection, Water and Waste Management recommend that the Finance and Economic Development Committee recommend Council approve:

1. That the Chief Financial Officer and/or Manager, Treasury, be directed to report back to FEDC at the end Q2 in 2021 with a summary of barriers to achieving Prudent Investor Status, how they are addressing those barriers, and a summary of actions taken to date; and,
2. That, should Council approve a direction to implement prudent investor standards for the City of Ottawa, staff evaluate the prudence of divesting of fossil fuels as input to the development of the Investment Strategy that will need to be approved by Council. The scope of this review will include an assessment of the following:
 - a) no new purchases of stocks or mutual funds with coal, oil, and gas companies, specifically excluding any new investment in the 200 largest publicly traded fossil fuel corporations; and
 - b) Sell off all fossil fuel holdings from these same companies over the next five years.

RECOMMANDATIONS DU RAPPORT

Que le Comité permanent de la protection de l'environnement, de l'eau et de la gestion des déchets recommande que le Comité des finances et du développement économique recommande au Conseil d'approuver :

1. que l'on demande à la cheffe des finances et/ou au gestionnaire, Trésorerie de rendre compte au CFDE, à la fin du deuxième trimestre de 2021, des principaux obstacles à l'obtention du statut d'investisseur prudent, des moyens pour les surmonter et des mesures prises jusqu'à maintenant;
2. que, si le Conseil approuve la demande d'établir des normes relatives au statut d'investisseur prudent pour la Ville d'Ottawa, le personnel évalue la prudence de désinvestir dans les combustibles fossiles afin d'orienter la stratégie d'Ottawa qui sera soumise au Conseil pour approbation. La portée de l'examen comprendra l'évaluation des mesures suivantes :
 - a) la renonciation à tout nouvel achat d'actions ou de parts dans des fonds communs de placement dans le secteur du charbon, du pétrole et du gaz naturel, et en particulier à tout nouvel investissement dans les 200 plus grandes sociétés cotées en bourse du secteur des combustibles fossiles; et

- b) la vente de tous les titres que détient la Ville dans ces grandes sociétés d'ici cinq ans.

BACKGROUND

At the 20 October 2020 meeting of the Standing Committee on Environmental Protection, Water and Waste Management (SCEPWWM), Councillor Menard introduced the following Notice of Motion for the Committee's consideration at its meeting of Tuesday, 17 November 2020:

WHEREAS The City of Ottawa has declared a Climate Emergency for the purposes of naming, framing, and deepening our commitment to protecting our economy, our eco systems, and our community from climate change. As part of this commitment, Council has recognized climate change as a strategic priority in the City's strategic plan and accompanying budget directions for the remaining Term of Council.

WHEREAS The divestment movement may be seen as a tool for ethical investing, particularly as downturns in the oil and gas sector during COVID reinforce the need to build back a resilient green economy. Most recently, 12 major cities including New York, London, Berlin, Bristol, Cape Town, Durban, Los Angeles, Milan, New Orleans, Oslo, Pittsburgh, and Vancouver have [signed a declaration](#) through C40 Cities to divest from fossil fuels and increase their sustainable assets.

WHEREAS the City of Ottawa invests in equities in its Endowment Fund, established in 2005 from the refinancing of Hydro Ottawa. As of September 11, 2019, fossil fuel investments represented approximately 7.5 percent (or \$15 million) of the City's approximately \$200 million endowment fund.

WHEREAS the endowment fund has met the overall 6.5% target since its inception in 2005, with the exception of 2018 when the fund earned 4.0 percent interest. [A recent study](#) of socially responsible investing in Europe across seven Morningstar Categories suggest that there is no performance trade-off associated with sustainable funds, and in fact, a majority of sustainable funds have outperformed their traditional peers over multiple time horizons. Internal

investments in City projects could also generate higher savings while aligning with strategic direction of Climate Change Master Plan.

WHEREAS the City of Ottawa maintains that it needs Prudent Investor Status in order to have the investment authority to divest funds in the Endowment without fear of contravening Provincial regulation. In May of 2017, Bill 68, Modernizing Ontario’s Municipal Legislation Act, granted Prudent Investor Status to municipalities who chose to adopt the new standards in accordance with prescribed regulations developed in 2018, and which came into effect in January 2019. The City of Ottawa has been working with other Ontario municipalities, investors, and the Province to make changes to the prescribed regulation to better align with different municipalities’ needs. The Province has committed to establishing a Debt and Investment Committee to address matters such as prudent with Municipalities. This committee is scheduled to begin in Q1 2021.

WHEREAS a motion dealing with the Endowment Fund is within the jurisdiction of the Finance and Economic Development Committee (FEDC). It also overlaps with the stated terms of reference for SCEPWWM: “Ensure co-ordination and consultation with other Standing Committees and departments where responsibilities overlap on issues of environmental protection and on issues relevant to the mandate of more than one Committee.”

THEREFORE BE IT RESOLVED that the Standing Committee on Environmental Protection, Water and Waste Management recommend that Council direct Treasury staff report back to FEDC at the end Q2 in 2021 with a summary of barriers to achieving Prudent Investor Status, how they are addressing those barriers, and a summary of actions taken to date;

And BE IT FURTHER RESOLVED THAT the Standing Committee on Environmental Protection, Water and Waste Management (SCEPWWM) recommend to Finance and Economic Development Committee (FEDC) that once Council approves a direction to implement prudent investor standards for the City of Ottawa that:

- Staff evaluate the prudence of divesting of fossil fuels as input to the development of the Investment Strategy that will need to be approved by Council. The scope of this review will include an assessment of the following:
 - no new purchases of stocks or mutual funds with coal, oil, and gas

companies, specifically excluding any new investment in the 200 largest publicly traded fossil fuel corporations; and

- **Sell off all fossil fuel holdings from these same companies over the next five years.**

DISCUSSION

The above Notice of Motion, introduced by Councillor Menard at the SCEPWWM meeting of Tuesday, 20 October 2020, for consideration at a subsequent meeting, is now before the Committee for its consideration. The wording of the report recommendations may have been amended from that contained in the original Notice of Motion to further clarify directions to staff, as appropriate

RURAL IMPLICATIONS

This report was drafted to transmit the above Notice of Motion to the Committee for its meeting of 17 November 2020. No specific Rural Implications have been identified. Staff will be available at the Committee meeting if clarification is required.

CONSULTATION

This report is administrative in nature; no public consultation was undertaken in the preparation of this report.

COMMENTS BY THE WARD COUNCILLOR(S)

This report is City-wide in nature.

ADVISORY COMMITTEE(S) COMMENTS

This report is administrative in nature; no Advisory Committees were consulted in the preparation of this report.

LEGAL IMPLICATIONS

There are no legal impediments to Committee and Council's approval of the recommendations of this report.

RISK MANAGEMENT IMPLICATIONS

This report was drafted to transmit the above Notice of Motion to the Committee for its meeting of 17 November 2020. No specific Risk Management Implications have been identified. Staff will be available at the Committee meeting if clarification is required.

ASSET MANAGEMENT IMPLICATIONS

This report was drafted to transmit the above Notice of Motion to the Committee for its meeting of 17 November 2020. No specific Asset Management Implications have been identified. Staff will be available at the Committee meeting if clarification is required.

FINANCIAL IMPLICATIONS

Treasury staff are evaluating the suitability of the Prudent Investor Standard framework and continue to monitor the developments and implications of the Divestment of Fossil Fuels as part of the overall investment portfolio strategy. Staff will report back to FEDCO with these developments and any recommendations in 2021.

ACCESSIBILITY IMPACTS

This report was drafted to transmit the above Notice of Motion to the Committee for its meeting of 17 November 2020. No specific Accessibility Impacts have been identified. Staff will be available at the Committee meeting if clarification is required.

TERM OF COUNCIL PRIORITIES

This report was drafted to transmit the above Notice of Motion to the Committee for its meeting of 17 November 2020. No specific Term of Council Strategic Priorities have been identified. Staff will be available at the Committee meeting if clarification is required.

DISPOSITION

Staff will take direction from the Committee, as appropriate.