



DivestUSS

Your ref

Our ref

Date

DKB/JMR

25 November 2025

Dear DivestUSS

Thank you for sharing your recent petition asking USS to divest from fossil fuel companies and the banks that fund oil, gas and coal.

I wanted to start by reiterating that we believe climate change is a significant financial risk – one that’s increasingly reshaping the way we look at our investments and their long-term returns – and that a low carbon world will likely be a more financially stable world. That is why we have set an ambition for our investments to be net zero by 2050, if not before.

I’m pleased with the progress we’re making towards this ambition – **the emissions intensity of our portfolio has declined by 51% between 2019 and 2024**, putting us ahead of our interim target (you can read more about this in our latest [TCFD report](#)). But despite our progress, we remain deeply concerned. Real-world emissions continue to rise while those of our own portfolio are falling. Much more needs to be done, and quickly, to slow down or reverse the rise in global temperatures and we all have a part to play – pension funds, investors, and governments alike.

I would like to point you to a new paper we published very recently, [The Policy Challenges of the Energy Transition](#), with support from Transition Risk Exeter (Trex), which **calls for collaborative investor action and bold policy frameworks to accelerate the energy transition and protect long-term financial stability**. The paper warns that climate change poses systemic risks to financial markets and pension funds, which could threaten the returns needed to pay pensions for decades to come. That’s why it makes the case for stronger action from governments, improved management of climate risks and opportunities from asset owners, and a more collaborative approach to managing these challenges.

As the paper demonstrates, there are limits to what asset owners can achieve alone. Global government ambitions are not keeping pace with global heating and short-term politics is trumping long term decision-making. We believe the UK and other governments can and should take stronger action by adopting a comprehensive policy programme to support each stage of the transition, and this is where our advocacy work is focused. You can read more about our asks of governments in the paper, and we are working hard to engage with the UK Government on the relevant policy asks.

On divestment, we recognise that many who are concerned about climate change believe that divestment, particularly of fossil fuel companies, is the best way to reach net zero. However, we strongly believe that engagement is the most effective way of driving positive, long-term, real-world change.

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We do not believe that divestment makes a difference to the actual carbon emitted to the atmosphere and therefore simply divesting from the companies that might be vulnerable to a fast transition isn't a panacea. We believe that selling high-emission assets to another investor will not reduce real-world emissions and so we engage with these companies to support and encourage sector-specific transition strategies. An example of another investor moving in without the same agenda can be seen when activist US hedge fund Elliott took a stake in BP earlier this year. It was widely reported that this could result in a strategic shift that refocuses on oil and minimises low-carbon investments¹.

However, our position remains that we may still use divestment as a last-resort tool if it becomes clear that a particular sector or company **can't** or **won't** transition. If, following our active engagement, it becomes clear that a sector or company still can't or won't transition to net zero, we may then consider divesting on financial grounds. But where a sector, or company, evidences that it **can** make the transition, and is committed to doing so, we will support it.

While we continue to engage actively with our investments to undertake effective stewardship on climate-related issues, engagement isn't all we are doing. We are taking further action by:

- Conducting bespoke climate scenario analysis, a vital tool to assess the financial risks associated with different future climate outcomes.
- Enhancing the resilience of our portfolio to a range of macroeconomic futures by embedding this climate scenario analysis into our strategic asset allocation.
- Advocating for stronger government frameworks, as outlined in the paper I introduced above, that accelerate the climate transition, unlock clean technology innovation, and incentivise a low carbon future.

We also back businesses that act as catalysts for change (either through their products or the services that they offer), as well as those businesses that will replace high-carbon competitors. We have invested around £2bn in renewables and clean energy, and we are always on the lookout for more opportunities. Some recent examples of investments this year include providing financing for a battery energy storage system in the UK and a company that delivers low-carbon energy infrastructure and technologies for homes.

I wanted to briefly touch on member surveys as I know this is a point that you raised. We survey our members to understand them and their views on a wide variety of topics, including investment matters, but also views about service, understanding, and experience. We ask questions about investment so that we can offer members appropriate investment options where they have a choice (such as in defined contribution). But these survey results, which show a broad range of views, are not suitable to influence our defined benefit or defined contribution default investment strategies, which must be driven by financial factors.

Survey results are important components of our approach to the DC fund range offered, where there is more scope for members to choose to invest in a manner that more closely reflects their ethical and religious beliefs.

I wanted to finish by saying that USS is a long-term, responsible investor with a legal duty to invest in the best financial interests of our members and beneficiaries, so we can pay pensions long into the future. We believe that when a company is run effectively and appropriately manages its environmental and social risks, like climate change, investment risk can be reduced over time and returns may be positively impacted. Ultimately, a move away from fossil fuels must be a transition not a cliff edge: recognising that fossil fuels

¹ <https://www.netzeroinvestor.net/news-and-views/what-does-elliotts-stake-in-bp-mean-for-the-oil-giants-renewables-business>

have a role to play in the near term to keep the lights on, but for most sectors fossil fuels won't be there in the long term.

As the recently published paper mentioned above outlines, we are urging Government to double-down on its commitment, and act in all sectors to accelerate the growth of the zero-emission economy. It is this action that we believe can help to bring about change.

We would be grateful if you could share our response to your petition with all its signatories, so they can see how we are tackling the important issue of climate risk and the actions we are taking.

Kind regards

Yours sincerely

Dame Kate Barker
Chair, USSL Trustee Board