

## **Uneven divestment and investment must be taken seriously: insights from Europe and North America**

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Just divestment from fossil fuel-dominated energy systems must be incorporated within governance programs for a just transition. However, doing so requires taking the geographies of this project seriously, including potential tensions and pinch points emerging within prominent strategies.

### *Divestment from fossil energy has gained traction as risk mitigation and accumulation strategy*

Divestment has become a growing concern for players and places at the centre of the global economy, particularly in urban and national centres of finance like London and the United Kingdom. For example, major corporations and financial institutions, powerful central banks like the Bank of England and other financial system regulators like the Financial Stability Board (FSB) at the national and international level. Emerging management initiatives targeting and propelled by these actors are exemplified by narratives of large-scale and systemic threat like a ‘carbon bubble’ (popularized by initiatives like Carbon Tracker), the threat of rapid and uncontrolled ‘stranding’ and devaluation of fossil energy assets sufficient to destabilize the global economy (Knuth, 2017; Carbon Tracker, 2021). Related concepts like ‘transition risk’, including fossil fuel producers’ legal liability for climate impacts, bring these mitigation-side risks into the frame for corporations and investors. Strategies include regimes of institutional and central bank ‘stress-testing’ (Langley and Morris, 2020), and particularly risk disclosure initiatives like the Task Force for Climate-Related Financial Disclosures (TCFD). While the effectiveness of voluntary management and privatised self-

governance have been questioned (Christophers, 2017; 2019), these initiatives are an important route to redirect global investment and push internal transformation of fossil energy producers and heavy-industrial consumers. Effectively, the core of this management vision is for markets and financial experts to direct large-scale investment away from climate 'bads'—now framed in terms of players' risks as well as more altruistic 'impact investing' commitments (Cohen and Rosenman, 2020) or profitable opportunities in 'clean' or 'low-carbon' sectors (e.g., Knuth, 2018; Bridge et al., 2020). Financially, this means new opportunities in green bond markets and other lending to renewables projects (Baker, 2021), as well as new strategies in direct investor ownership of renewable energy infrastructures or other low-carbon technologies (e.g., Bozuwa et al., 2021).

*Divestment strategies have prioritised the continuity of economic power*

However, even if it succeeds, this set of strategies for managing fossil fuel divestment favours particular scales, kinds of cities, players and populations. They prioritize stability and continuity in the global economic system over the uneven costs of transition to particular places and populations and equate that stability with the economic health of powerful economic players: large corporations; 'too big to fail' financial institutions; powerful governments, economies and cities—particularly financial centres. In prioritizing the health and stability of elite actors, this conception of energy transition presents justice dilemmas in a global economic system that has grown even more unequal in terms of wealth disparity since the late 2000s financial crisis. These justice concerns are exacerbated if new state resources are enlisted in support of these divestment strategies, for example in new accelerated depreciation allowances for fossil fuel assets and infrastructures (Stokes, 2020) or limited versions of nationalisation that prioritize continuity in shareholder returns over justice outcomes (still more so if production tax subsidies for fossil fuels – still on the books in the United States and in legacy forms in the United Kingdom – are not eliminated). More concerning still are places and populations exposed to acute costs of transition, and without the power to displace the pain of transition onto others. This governance dilemma in just energy transitions takes on several important facets in cities, in both unjust experience and the ability of that grievance to fuel oppositional politics.

*Divestment that prioritises economic continuity may reproduce uneven social costs of deindustrialisation in cities*

Discourses on right-wing populism and the 'Revolt of the Rustbelts' in the 2010s testify to the enduring pain—and political significance—of urban-regional deindustrialization and disinvestment (Hazeldine, 2017; McQuarrie, 2017; MacLeod and Jones, 2018). These experiences matter in both Northern cities in regions like the Northern United Kingdom, US

Snowbelt, and Germany's Ruhr Valley and in a growing array of 'premature' Southern urban cases of deindustrialisation (Rodrik, 2016; Pike, 2020; Schindler et al., 2020). Many relevant industries are, or will be implicated, in fossil energy legacies—from fossil energy-producing regions to urban regions producing automobiles, petrochemical centres, aviation and military centres, steel and other historically fossil energy-dependent heavy industries. It is all too easy to imagine 'successful' divestment movements and even transformations of fossil incumbents that prioritise easier 'greenfield' or already-successful urban-regional sites for new green investments, particular ones tied to narratives of innovation (the 'next Silicon Valley/ies' of low-carbon economies) (Knuth, 2018). This version of a low-carbon transition would once again sacrifice some cities and regions in the name of the general economic good and favour certain cities and regions at the expense of others.

*The racialised regional impacts of fossil energy call for affirmative reinvestment*

It is easy to connect regionalised and classed pain with right-wing populist grievance. It is an inescapable feature of fossil fuel wind-down politics in the United States, aligned in overt ways with white supremacy in Trump-era mobilisations. However, narratives centring white-majority cities in 'flyover' regions (e.g., in Pennsylvania or West Virginia coal country) as the primary victims of Washington, Wall Street-or California-led transitions miss the broader geographies of US fossil fuel production and consumption. Fossil energy costs have been borne strongly by Black-majority cities, Black and Latino neighbourhoods, and regional urban corridors like Cancer Alley in the US Gulf Coast (Watts, 2012; Bullard, 2018; Bozuwa et al., 2021; Donaghy and Jiang, 2021). Many are also disproportionately exposed and vulnerable to climate change impacts and made less able to afford local mitigation and adaptation infrastructures by the economic and fiscal legacies of past disinvestment. Programs to turn away from fossil fuels must simultaneously consider which places will bear the costs of fossil fuel transition as a new round of disinvestment and another form of environmental justice and racism. These injustices are increasingly emphasised in mobilisations such as the Movement for Black Lives program for a Red, Black, and Green New Deal (Movement for Black Lives (M4BL), 2021; M4BL and Gulf Coast Center for Law & Policy, 2021) and California urban activism around the injustices of urban and racialised inequality-blind policies like state-level cap-and-trade schemes (e.g., Pastor et al, 2013). Across the cases discussed here, there is a strong case to link divestment from fossil energy to affirmative reinvestment that is nationally resourced and geographically accountable in its planning and disbursement: reinvestment as a strategy for economically and racially just energy transition and a response to the increasingly politicised regional legacies of past injustice.

### *Investment in low-carbon energy can generate its own urban exclusions*

A crucial reality of low-carbon energy systems, including new and retrofitted systems in cities, is the ‘mainstreaming’ of key clean energy technologies, particularly solar photovoltaic, onshore wind, and increasingly offshore wind for coastal cities (the latter even in the United States, which has lagged Europe) (Harrison, 2020; Baker, 2021). However, it is necessary to note the ongoing and constitutive exclusions in what kinds of clean energy projects and sites have undergone this mainstreaming process and seen important inflows of investment: smaller-scale projects and ‘riskier’ cities and countries (as well as less mainstream technologies) continue to pay more for energy investment and may not be able to secure investment at all (Baker, 2021; Aronoff, 2021; Bozuwa et al., 2021). These exclusions are evident worldwide. Neither are these exclusions limited to rural areas. Large clean energy projects serving wealthy urban populations will be favoured in the current system, as will increasingly ‘competitive’ transmission investments in deregulated contexts such as US regions and investments in supporting infrastructures like grid-scale energy storage (Bozuwa et al., 2021).

### *Investment and ownership present interrelated challenges for procedural justice, and are spurring new movement organising*

Concentration in energy investment and concentration in ownership of key clean energy assets are interrelated issues for just transitions (e.g., Baker, 2021). Large clean energy projects and developers are more easily able to secure capital. Following decades of deregulation in the Anglo-American context – via Structural Adjustment programs in other countries – and through other frontiers of neoliberalization, owners of clean energy infrastructure are increasingly concentrated among a transnationally set of private investor-owned utilities (Harrison, 2020; Bozuwa et al. 2021). This concentration in private utility energy ownership has already emerged as an important justice issue. In the US context, it has spurred important urban-regional activism such as (but certainly not limited to) mobilizations against Pacific Gas & Electric (PG&E) in California—particularly after the utility’s role in regional wildfires, subsequent bankruptcy and state bailout—and against Consolidated Edison (ConEd) and private Energy Service Companies (ESCOs) in New York City, as environmental and consumer justice groups have organised against racially targeted and exploitive treatment of urban consumers, including extortionate pricing and shut-offs (Bozuwa et al., 2021). Existing charges of private utilities made increasingly large, unaccountable, and exploitative by deregulation stand to become more serious if a clean energy transition is managed in many urban contexts through an increasingly monopolistic energy system. In this context, new organizations for public power offer governance alternatives worth exploring—for example, recent New York City Democratic Socialist (NYC-

DSA) legislation in New York State (Bozuwa et al. 2021; NYC-DSA Ecosocialist Working Group, 2021) and national progressive campaigning as part of broader Green New Deal mobilizations (Aronoff et al. 2019; M4BL, 2021).

### *Recommendations*

- Develop concrete and suitably resourced plans to protect communities in processes of divestment for climate risk management.
- Advance multi-sided, geographically sensitive planning on these community-level ‘transition risks’, sensitive to existing regional histories of deindustrialisation as well as particular claims on reparative racial justice being advanced by frontline environmental justice communities.
- Connect regulated processes of governmentally mandated climate-related risk disclosure and divestment to affirmative policies of *reinvestment* in and for frontline communities, including viable public and community ownership options for clean energy technologies.
- Regulate private sector divestment initiatives to require similar planned ‘exit strategies’ and reinvestment commitments for affected communities.