

BHP Group PLC

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UK's largest pension fund to exit BHP Billiton in coming days as it starts fossil fuel divestment

Decarbonisation campaigners can celebrate a 'landmark win' as the UK's biggest pension fund, National Employment Savings Trust (Nest), has reportedly started divesting positions in fossil fuels.

The fund has 9mln members and it will cease investments in companies involved in coal mining, oil sands and arctic drilling.

Somewhat controversially NEST is a public corporation, part of the Department for Work and Pensions, and the ESG-focussed divestment plan goes against recent comments from Guy Opperman, the government minister for pensions. Opperman has spoken against divestment campaigning on multiple occasions, recently calling the strategy as counterproductive.

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Setting aside the ESG factors, for a moment, such a move poses challenges for both natural resource companies and fund managers.

For example, BHP Billiton Plc (LON:BHP) is one of the biggest companies in the FTSE 100, by market value, and it is among few blue-chip companies in London deemed to still have a secure dividend yet it has coal mining operations.

NEST has said it will now need to exit its holding in BHP by August 3, and, added that it will also aim to reduce holdings in even traditional oil companies.

The fund intends to divert its capital into investments in renewable energy infrastructure.

It is already tough to gather a sufficient number of quality secure investments, particularly for income, amidst the pandemic and its fallout.

At the same time, company executives - with assets in under-pressure industries - are likely to be moved to reassemble their operations, but amid carbon divestment landing a commercially attractive sale will be increasingly challenging.

BHP is the obvious case in point. Credit Suisse in a recent downgrade noted that the ESG angle is "starting to play out" and mulled what asset sales could do for the company.

Credit Suisse analyst Carsten Riek, in a note earlier this month, noted that should BHP sell its Hunter Valley thermal coal assets, in a rumoured US\$1.5-1.8bn deal, the miner's emissions metric could fall by 5%, and a further divestment of its 33% stake in the Cerrejon open pit coal mine (the company is said to be exploring deal options) could see emissions drop by 12% in total.

Price: 1613.4

Market Cap: £81.6 billion

1 Year Share Price Graph



Share Information

Code: BHP

Listing: LSE

52 week High Low
1932 939.8

Sector: Mining

Website: www.bhp.com

Company Synopsis:

BHP Group PLC Billiton is a global leader in the resources industry. Formed from a merger between BHP and Billiton, the company is a leader in the extraction and sales of most natural resources, and is particularly strong in Iron Ore, Coking and Thermal Coal, Copper, Zinc, Oil & Gas, Diamonds and most materials key to the production of steel.

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"However, to make a difference for investors and to justify a re-rating BHP may be required to re-think its metallurgical coal and petroleum business. Such as step could reduce the carbon footprint by >52%," the analyst added.

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