Oil-rich Norway may divest from fossil fuels

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A Greenpeace activist in a polar bear costume protests outside Norwegian company Statoil's office in Moscow on April 25, 2013 against its plans to drill in the Arctic

Oil-rich Norway said Friday in an ironic twist that it would consider pulling its enormous state oil fund out of overseas investments in fossil fuels.

Norway, where oil revenue accounts for nearly a quarter of the economy, has the world's largest sovereign wealth fund, which has invested the nation's oil wealth in a range of stocks, bonds and other vehicles—including major oil and gas companies.

An independent panel of experts will report back to parliament in 2015 on the likely consequences of the fund—which is worth almost $840 billion (610 billion euros)—divesting from coal, oil and gas businesses, the rightwing ruling coalition said Friday.

It was not clear whether any pull-out would affect all fossil fuel extraction companies, or whether it would also include power companies.

"It is important to look at this issue from every angle before going ahead with changes," said Svein Flaatten, finance spokesman for the conservative party.

Norway's Government Pension Fund, as it is officially known, owns about 1.3 percent of global market capitalisation.

Its top 10 stock holdings include almost 29 billion kroner ($4.8 billion, 3.5 billion euros) in Anglo-Dutch multinational Shell, 22.1 billion kroner in BG and 20.2 billion kroner in BP.

The world's largest natural gas platform Aasgard-B being towed on April 17, 2000 from Kvaerner Rosenberg Shipyard near Stavanger on the first stage of its journey to its North Sea destination

Despite its misleading name, the fund is in fact intended to shore up the Scandinavian nation's welfare state into the future.

In December the opposition Labour Party first sparked a debate on the fund going greener when it proposed selling off its investments in "dirty" coal-based energy.

Several financial experts have claimed that the "oil fund", as it is commonly called, is doubly exposed to investment risks.

A price drop in the fossil fuel sector would mean less state money poured into the fund and also lower returns on the stock market, as oil and gas account for 8.4 percent of the fund's stock holdings.

A large proportion of state revenue in Norway is derived from oil and gas production, and the state also owns a coal mining operation on the Arctic Svalbard archipelago.