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Go greener: Norway to clean up sovereign wealth fund

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Norway's state pension fund is valued at 835 billion euros

Norway said Friday it would bar its state pension fund, the world's biggest sovereign wealth fund, from investing in the worst climate-polluting companies.

In its annual white book on managing the fund, the right-wing government proposed to "introduce a new criterion to exclude companies whose conduct to an unacceptable degree entail greenhouse gas emissions."

The proposal did not mention any companies by name.

The new rule is in line with experts' recommendations in a December report, though its conclusions had left environmentalists and the political opposition disappointed.

They had wanted to see the fund—which is valued at 835 billion euros ($885 billion), fuelled by Norway's state oil revenues—divest all of its holdings in companies linked to fossil fuels.

The experts' report had instead recommended the fund act on a case-by-case basis and that it use its role as a company shareholder to improve corporate practices.

The sovereign wealth fund, which at the end of December controlled 1.3 percent of world market capitalisation, is already bound by strict ethical regulations that bar it from investing in "particularly inhumane" weapons makers, the tobacco industry and companies that are found guilty of violating human rights, causing serious environmental damage, or corruption.

Even before the adoption of this new criterion, and for strictly financial reasons, the fund has in recent years divested its holdings in several dozen companies, including coal and cement producers, whose business models were deemed no longer tenable because of climate change or environmental costs.

The white book also proposed an increase in the share of earmarked "green" investments, calling for between 30 and 60 billion kroner (between $3.7 billion/3.5 billion euros and 7.0 billion euros/$7.4 billion).

The current ceiling is 50 billion kroner.

In addition, a group of experts was appointed to consider diversifying the fund's investments to include infrastructures and increase its share in real estate.

According to current rules, shares must represent 60 percent of the fund's portfolio, bonds 35 percent and real estate five percent.

The fund was created in the early 1990s to help finance the generous welfare state system once the wells run dry.

The new proposals must be approved by parliament, where the government holds a minority.

Several parties have already said they want to push for a more ambitious environmental profile for the fund.