MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

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THE TREASURY

BRIEFING

KiwiSaver Default Provider Review – Procurement and further policy decisions

Date:	25 June 2020	**Priority:**	Medium
Security classification:	**In Confidence**	**Tracking number:**	3735 19-20 (MBIE) T2020/729 (Treasury)

Action sought		
	Action sought	**Deadline**
Hon Grant Robertson Minister of Commerce and Consumer Affairs **Hon Kris Faafoi** Minister of Finance	**Note** the proposed approach to the procurement process. **Agree** for agencies to consult KiwiSaver providers on a preferred option for a definition of the fossil fuel production for excluding from default funds. **Agree** to recommended approaches for a number of other outstanding issues.	10 July 2020

Contact for telephone discussion (if required)			
Name	**Position**	**Telephone**	**1st contact**
Deborah Salter	Principal Policy Advisor, Financial Markets Policy (MBIE)	Privacy of natural persons	
Robbie Taylor	Manager, Financial Markets (Treasury)		
Joseph Shannon	Lead, KiwiSaver Default Provider Review (MBIE)		✓
Susan Ivory	Senior Analyst, Financial Markets (Treasury)		

The following departments/agencies have been consulted (if required)
FMA, Inland Revenue, NZ SuperFund (on fossil fuel advice).

Minister's office to complete:

- ☐ Approved
- ☐ Noted
- ☐ Seen
- ☐ See Minister's Notes
- ☐ Declined
- ☐ Needs change
- ☐ Overtaken by Events
- ☐ Withdrawn

Comments:

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Purpose

This briefing provides an update on the proposed procurement process for selecting new KiwiSaver default providers and advices on the outstanding policy issues including the design of the new fossil fuel production exclusion.

Recommended action

The Ministry of Business, Innovation and Employment and the Treasury recommend that you:

a **Note** the proposed approach to, and timetable for, procurement of new KiwiSaver default providers.

Noted

b **Note** that joint Ministers have agreed to exclude fossil fuel production from the investment mandate for KiwiSaver default funds and that this now requires a specific definition.

Noted

c **Agree** the fossil fuel production exclusion should be limited to equities and not include debt or commodities.

Agree / Disagree

d **Note** the following options for a definition of the fossil fuel production exclusions:

   a. Exclude companies only based on their primary business activity.

   b. Exclude companies only based on whether they control fossil fuel reserves and where those reserves account for at least 15% of revenue.

   c. Exclude companies based on both primary business activity and fossil fuel reserve control with a 15% revenue threshold.

Noted

e **Agree** to consult KiwiSaver providers on a preferred Option 'B' and an alternative Option 'C' through a brief technical consultation

Agree / Disagree

f **Agree** that a balanced fund for the purpose of KiwiSaver default funds be defined as including a range of 45% to 63% growth assets

Agree / Disagree

g **Agree** that the procurement process include a preferred minimum of five default providers, with a higher number appointed if and only if doing so will not reduce value for money

Agree / Disagree

h **Agree** that the evaluation process will include an overall estimated average fee and a similar calculation limited to low balances. The panel would then consider both as part of the value for money evaluation

Agree / Disagree

i **Forward** this briefing to the Minister of Revenue and the Minister of Climate Change

Agree / Disagree

Deborah Salter
Principal Policy Advisor
Financial Markets Policy
Ministry of Business Innovation and Employment

..... / ...... / ......

Hon Kris Faafoi
Minister of Commerce and Consumer Affairs

26 / 6 / 2020

Robbie Taylor
Manager
Financial Markets
Treasury

25... / .06... / 2020.

Hon Grant Robertson
Minister of Finance

..... / ...... / ......

Background

1. As the current terms for KiwiSaver Default Providers end as of 30 November 2021, it is necessary to re-select default providers. Joint Ministers previously agreed to a range of changes to the Government approach to the terms for default KiwiSaver funds and for the approach to selecting providers (ref 2558 19-20 (MBIE), T2020/204 (TSY)).

2. MBIE and the Treasury will run a procurement process to inform our advice on which providers to appoint and under what terms. The remainder of this briefing provides:

   a. an overview of the procurement process

   b. discussion and advice on options for the design of the exclusion of fossil fuel production from default funds

   c. advice on other outstanding issues including the definition of a 'balanced fund,' determining the number of providers, supporting members with low balances and supporting capital market development.

Procurement process

3. We will follow a relatively standard procurement process, with the release of a request for proposals (RFP), evaluation of responses by a panel against defined criteria, development of recommendations and appropriate due diligence. Nevertheless, our specific settings and approach need to:

   a. give effect to the decisions made by Ministers

   b. achieve the greatest value for money for KiwiSaver default members

   c. maintain very high standards for probity.

4. As previously agreed, the evaluation will be based on:

   a. An initial base set of mandatory requirements all providers must meet.

   b. A number of qualitative criteria about the provider and their proposed approach that will be scored by the panel (excludes fees).

   c. An overall value for money evaluation that combines the qualitative criteria with their proposed fees.

5. Officials are developing the qualitative criteria and their weightings, as well as guidance on how the value for money evaluation will be undertaken. This will be provided for your review in a subsequent briefing.

Governance and decision making

6. The evaluation of proposals and initial recommendations will be made by an evaluation panel. The panel will include the following members:

   a. A non-scoring chair intended to guide the evaluation process (this will be a commercial/procurement expert).

   b. A government/regulatory expert.

   c. Two financial consumer experts.

   d. Two investment sector experts.

7. As the panel's role is to provide advice to joint agencies, we do not propose that it be appointed by Ministers.

8. The panel's evaluations and recommendations will be considered by an MBIE-Treasury steering group, which will agree final recommendations for Ministers. This advice will include the proposed providers and terms (such as fees) for that provider.

9. Ministers will be provided with supporting information on the recommended providers and some of the providers that were not recommended. Subject to Ministerial decision, final negotiation on any outstanding contract terms will be completed, including possibly, limited further negotiation on fees or other terms if required.

10. We propose the below timeline for the process. Inland Revenue has indicated these timeframes provide sufficient time for effective implementation or any changes.

Milestones	On or before
Technical consultation with KiwiSaver providers on fossil fuel production exclusion completed	31 July 2020
Briefing to Ministers confirming final fossil fuel production exclusion policy, evaluation criteria and any outstanding issues	13 August 2020
Release of RFP	18 September 2020
Receipt of proposals from submitters (minimum 12 weeks)	11 December 2020
Advice on recommended providers for Ministers finalised	4 March 2021
Ministerial decision	30 March 2021
Final negotiation and announcement	30 April 2021
New providers in place	1 December 2021

Fossil Fuel Production exclusions

11. Joint Ministers have agreed to exclude fossil fuel production from the investment mandate for KiwiSaver default funds. A specific definition is needed for providers to be able to consistently implement this direction.

12. We recommend that, subject to joint Ministers' agreement to a preferred definition, this be tested with providers. This would be limited to KiwiSaver providers and would not be a consultation on the substance of the policy. We would ask only if the definition as articulated creates any practical challenges for providers and what changes could be made to address those challenges that would not materially impact the policy.

13. As this would be a closed, technical consultation, we do not consider that it would require Cabinet consideration.

14. Our understanding is that Ministers are seeking to significantly reduce investment that supports fossil fuel production while wanting to avoid limiting investment options for default members more than necessary and avoiding higher costs to default members

15. To give effect to that direction, we have focused on a definition that:

    a. *excludes companies that would* generally be considered 'fossil fuel production companies'

b. *avoids excluding companies that would not* generally be considered 'fossil fuel production companies' such as refining or distribution companies

c. avoids any practical issues that could impact on default funds' access to diverse, low-cost investment opportunities.

16. On that basis we recommend consulting on:

    a. a preferred option: excluding equity investment in companies that own fossil fuel reserves and where at least 15% of revenue is derived from those reserves

    b. an alternative option: excluding on both ownership of fossil fuel reserves and primary business activity.

17. Detail on the rationale for this approach is provided below.

Limiting exclusion to equities

18. We recommend that exclusions be limited to equity investments (primarily stocks).

19. We also considered exclusions based on debt and commodities. We recommend that debt investments not be included in the fossil fuel production exclusions. Excluding debt from fossil fuel production companies would be more complex and costly than excluding equities. A particular concern is the very limited number of bond funds that exclude fossil fuel production companies.

20. We also do not propose to exclude investment in ownership of fossil fuel commodities as this sits outside the scope of fossil fuel production, and could create practical challenges.

Components of an equity exclusion

21. Having regard to common industry practice, there are two possible definitions on which we could exclude investments:

    a. Equity investments in companies with **reserves of coal, oil or gas**.

    b. Equity investments in companies with a **primary business activity** in certain sub-sectors associated with fossil fuel production

22. These exclusions would apply to both businesses invested in directly by KiwiSaver default funds, and businesses invested in indirectly by default funds through investment in index funds and other third-party managed funds.

Exclusion based on fossil fuel reserves

23. Internationally nearly all funds that seek to 'exclude fossil fuels' exclude companies with ownership of fossil fuel reserves. This is because fossil fuel reserves represent a necessary part of fossil fuel production, ownership is easy to identify, and reserves represent the most significant potential 'stranded asset.'

Revenue threshold

24. Within an exclusion based on fossil fuel reserves, there is an option is to a have minimum threshold of revenue that must come from a company's fossil fuel reserves for that company to be excluded. This avoids excluding companies which have fossil fuel reserves, but would not generally be considered fossil fuel production companies such as diverse conglomerates, energy companies with modest fossil fuel holdings and steel companies that may control some coal reserves.

25. Unfortunately, while this approach provides more flexibility, the necessary information is not universally available and depends on individual companies reporting practices. It is not a feature of index funds.

26. We recommend, in principle, that if an exclusion on fossil fuel reserves is part of the preferred option for consultation, it include a revenue threshold of at least 15% of revenue.[1] Feedback on practicality and impact from consultation would inform a final recommendation.

Exclusion based on primary business activity

27. Focusing on businesses' primary business activity appears to align closely with the focus on 'fossil fuel production' agreed by Ministers and publicly announced. We would propose to define this as companies with its primary business activity in:

    a. exploration, drilling, and production of oil and gas

    b. supply of equipment and services to oil fields and offshore platforms

    c. integrated oil and gas companies

    d. exploration for or mining of coal.

28. Classification would use the major industry classification standards used by the finance industry, so should be straightforward to implement.

Options and evaluation

29. With those two components of an exclusion, one based on primary business activity and the other on fossil fuel reserves, we have three options for an overall definition:

    a. Exclude companies only based on primary business activity

    b. Exclude companies only based on fossil fuel reserves where those reserves account for at least 15% of revenue

    c. Exclude companies based on both primary business activity and fossil fuel reserve control with a 15% revenue threshold.

30. Annex 1 provides a table showing which types of companies would be excluded under each option.

Do the options exclude companies that would not generally be considered 'fossil fuel production companies'?

31. Option A (primary business activity) would fail to exclude companies with significant mining operations if the majority of those operations were non-fossil fuels. This would mean, for example, KiwiSaver managers could invest in companies like BHP Billiton (one of the world's leading coal miners) as the majority of its revenue comes from industrial metals mining.

32. Option B (fossil fuel reserves) would fail to exclude companies that primarily undertake fossil fuel extraction as a service such as Halliburton or Schlumbeger. These are clearly fossil fuel production companies even if they don't own the fuels themselves.

[1] ACC recently announced that it would no longer invest in companies that derived at least 30% of their revenue from thermal coal production, which they consider balances their ambition to reduce carbon intensity with other consideration. We consider that the lower proposed 15% threshold is appropriate in light of Ministers direction to exclude fossil fuel production; a direction beyond what ACC is undertaking at this time.

33. Option C (both) would capture nearly all companies we consider to be within the intent of the policy. Some companies with material production activities would still be allowed, but these will in most cases not meet the standard of being a ‘fossil fuel production company.’

Do the options avoid excluding companies that would not generally be considered ‘fossil fuel production companies’?

34. None of the three options are likely to exclude companies that could not reasonably be considered ‘fossil fuel production companies.’ The proposed 15% revenue threshold for fossil fuel reserve ownership will avoid companies with minor holdings being captured or additional costs that would be needed to prevent inadvertent investment in companies with minor reserves.

Do the options avoid practical issues that could impact on default funds access to diverse, low-cost investment opportunities?

35. Information on the primary business activity and fossil fuel reserve ownership are easily available to KiwiSaver managers. They should not have difficulty discerning which companies fall into the exclusions. The potential risk is in alignment with index funds. Option B (fossil fuel reserves) would likely create no challenges here as there are a large number of index funds that exclude investments on the basis of fossil fuel ownership.

36. In contrast relatively few index funds exclude companies based on primary business activity (as do Options A and C). However, this appears to be changing. For example, several Vanguard funds (including those currently invested in by some KiwiSaver funds) exclude companies on this basis.

37. Nevertheless, in the short term, this could limit the range of third-party funds KiwiSaver Default funds could buy into, unless separate ‘KiwiSaver compliant’ versions can be created for KiwiSaver funds. We understand this is possible in some cases, but would typically add costs.

38. Although information on fossil fuel reserve ownership is widely available, information about the revenue derived from fossil fuel ownership may not always be as readily available. However, when in doubt providers could simply not take advantage of the additional flexibility the 15% revenue threshold would provide.

Recommendation

39. We see all three of these options as viable. Neither represents a large difference in the scope of the exclusion or its cost. Officials consider all options fall within the scope of limiting the exclusion to ‘fossil fuel production’.

40. Our understanding is that Ministers are seeking to significantly reduce investment that supports fossil fuel production while wanting to avoid limiting investment options for default members more than necessary and avoiding higher costs to default members. We consider that Option B (excluding on the basis of fossil fuel reserve ownership) most closely achieves the intent of the policy followed by Option C.

41. Although Option C would capture a greater number of companies considered ‘fossil fuel producers’ the additional companies excluded over Option B would be small, and likely not justify the additional complexity and potential lost access to index funds. However, this warrants testing.

42. On that basis, we recommend that Ministers agree for agencies to consult KiwiSaver providers on a preferred option of ‘B’ and an alternative option ‘C’. As part of this we will test the proposed definition of the business activity of “fossil fuel production” set out in paragraph 27.

Impact on New Zealand companies

43. There appears to be only one New Zealand publicly listed company that would be affected by these definitions. New Zealand Oil and Gas would be excluded under all three options.

44. Notably Genesis Energy, the only NZX 50 company with ownership of fossil fuel reserves (though its joint venture in the Kupe gas and oil field) would not be captured as revenues from its Kupe interest have consistently been below 10% of overall revenues. We consider this consistent with the intent of the policy. However, if we ultimately advance option ‘B’ or ‘C’ without a revenue threshold based on feedback from the consultation, Genesis would be excluded.

45. Some privately held New Zealand companies would be subject to the exclusions but it is unlikely these would be invested in by default providers regardless.

Other outstanding issues

Defining a ‘balanced fund’

46. Ministers agreed that KiwiSaver default funds will have a balanced investment mandate. The guidance from the Financial Markets Authority (FMA) states that a balanced fund option would have a moderate proportion invested in growth assets (equities and property) of 35-63%. A somewhat narrower range is advisable to provide greater consistency across default funds. We will need to describe the specific requirements in the RFP.

47. Research into 21 balanced funds[2] indicates that providers target investments between 50-65% of the fund in growth assets. The average target investment mix was 57% invested in growth assets. Information from the Commission for Financial Capability indicates the average actual allocation across all balanced funds to growth assets is currently 52%. For comparison, the Australian default superannuation options are required to invest in MySuper products, which results in a balanced fund investment for most default members. These balanced funds have an investment mix of around 70% in growth assets and 30% in income assets.

48. In general those saving for retirement will be better suited to a higher level of growth assets than those saving to buy a first home. Those saving for first homes tend to be relatively highly engaged, and are thus less likely to be a default member. We are also developing member engagement requirements targeted at potential first home buyers to help them make the right fund choice. Because of this, we have prioritised the interests of those saving for retirement in our advice.

49. We recommend a limit range of 45% to 63% growth assets for a balanced fund, with the proviso that a KiwiSaver default provider can temporarily be in breach of either limit if caused by sudden market volatility. The provider would not have to sell or buy equity assets during such market volatility to return to investing within the range, should the provider be of the opinion that this would result in adverse impacts for investors.

50. The recommended range will accommodate the current investment practices of the vast majority of balanced fund providers. Starting the range at 45%, rather than 35%, will mean that providers continue to target more growth assets, as providers are unlikely to target the bottom of the range.

[2] Excluding restricted and closed schemes.

Number of providers

51. Ministers agreed to have neither an unlimited number of providers nor to drastically reduce the number of providers. This may be a sufficient basis for developing the procurement materials, but it would leave the panel, the steering group and Ministers with little guidance on how to determine an appropriate number of providers. It would also likely lead to providers relying on the experience of the 2014 review - in which nearly all qualified applicants were successful despite significant differences in fees - to set their expectations.

52. Provided we manage risk by not having excessively few providers, we consider that an approach designed to appoint fewer providers will provide better value for money for KiwiSaver default members though this process. This is because:

    a. selecting fewer providers means we will be able to select only the strongest proposals, rather than a weaker overall mix. This should ensure greater consistency as all default members will receive the best value (rather than some being randomly assigned to lower value for money providers, as is arguably the case today)

    b. by signalling that it will be a more competitive process and one with a greater potential payoff, we can likely incentivize providers to put up stronger proposals in the first place. If providers expect a similar process to the 2014 it may be difficult to reduce fees as Ministers intend.

53. We have developed an option that can help decision makers determine a number of providers in a non-arbitrary way, while still providing the guidance that will help drive value for money. We propose that the RFP indicates:

    a. a minimum number that we intend to appoint. This would be the minimum figure that Ministers consider is preferable to manage risk and provide competition

    b. that we will appoint more than that figure, if, but only if, doing so does not materially reduce overall value for money

    c. if going below the preferred minimum can significantly improve value for money, this may be done.

54. With this approach we ensure that we focus on value for money for default members without establishing a hard arbitrary cut off. If, for example, we establish a minimum of five providers, but the top six proposals provide roughly equivalent value for money, we would appoint six.

55. We anticipate this approach would most likely lead to an appointment at, or close to, the minimum preferred. However, the possibility of a large number of providers remains, if a large number offer similar value for money, or this can be secured through further negotiation.

56. Such an approach would likely lead to a larger number current providers losing their default status. This may raise concerns from incumbent providers who will lose what they perceive to be “their” existing default members when those members are allocated to successful providers. However, we consider that this is outweighed by the benefits to members of being allocated to providers offering them better value for money. IR has advised that their systems can accommodate the reallocation a larger number of existing default members.

57. If Ministers accepted this proposal, our preferred minimum would be five providers. This was the number of providers prior to 2014 and we see no material risk associated with appointing five.

Supporting members with low balances

58. To inform the value for money evaluation of proposals, and in light of the different fee models available, we will ‘translate’ each submitter’s fees structure into a single estimated ‘average fee’. This will be done by taking a weighted average of what fees would be paid under different balance sizes, based as closely as practical on the distribution of balances among default members.

59. Ministers sought to encourage providers to offer lower (or no) fees for members with low balances, while leaving providers some flexibility around their pricing structures. The two options we identified for doing so are to:

    a. ‘overweight’ low balance sizes in our calculation of estimated average fees and have the panel consider this single figure. This would require determining how strongly to overweight low balances

    b. present the panel with both an overall estimated average fee and a similar calculation for low balances. The panel would then consider both as part of the value for money calculation. The RFP would reflect that the overall cost is the primary focus in considering fees, but additional value for low balance members is also a factor.

60. We recommend option ‘b’ as this does not require an arbitrary extra weighting for low balances to be decided and allows the panel and ultimately Ministers to distinctly consider the overall cost and the cost for low balance members.

61. We will determine what constitutes a low balance once we have better information of balance size distribution (which we will be requesting from current default providers) but anticipate it will be defined as somewhere between $4,000 and $7,000. We will confirm this in the subsequent briefing.

Capital Markets

62. Ministers have agreed to use the procurement process to encourage providers to come up with initiatives to support the development of New Zealand’s capital markets. We propose that providers will be asked to give an explanation of how their proposal will enhance New Zealand’s capital markets. However, their explanation will not be given a weighting in the procurement process.

Other matters

63. There are also a number of substantial issues where we consider Ministers have provided sufficient direction to set requirements. However, please indicate if you would prefer to receive advice on these matters, otherwise we will provide you with the final requirements once determined for your information. They are:

    a. Member engagement requirements – You have agreed to include member engagement requirements as part of the terms and conditions of the appointment for default providers. We are working to design those requirements in a way that drives member engagement, enables FMA to take action to remedy clear breaches, while providing flexibility for providers and avoiding significant increased costs.

    b. ESG requirements – You have agreed to require that default providers maintain a responsible investment policy, and commit to assessing environmental, social and governance issues in making investment decisions. We are working to determine the details of these requirements, but anticipate they will be reasonably high level and provide room for different approaches by providers.

Next steps

64. Subject to your decision we will undertake a brief technical consultation with providers on the fossil fuel production exclusion definition as soon as practical.

65. We will provide you with a further briefing by 13 August that will seek your final decision on the fossil fuel production exclusion definition, evaluation criteria, and any outstanding issues that require Ministerial consideration.

66. We recommend that you forward this briefing, and future briefings on this issue, to the Minister of Revenue, given Inland Revenue's role in implementing any changes. You may also wish to forward to the Minister for Climate Change.

Annexes

Annex 1: Comparison with the New Zealand Super Fund approach to fossil fuels

Annex 2: Companies excluded under fossil fuel production exclusion options

Annex 1: Comparison with the NZSF approach to fossil fuels

1. In 2016 the Guardians of New Zealand Superannuation commenced the implementation of a climate change investment strategy for the New Zealand Superannuation Fund (NZSF).

2. In implementing this strategy the Guardians set out to achieve two targets by 2020:
    a. Reduce the carbon emissions intensity of the NZSF by 20%, relative to the NZSF's original Reference Portfolio; and
    b. Reduce the carbon reserves of the NZSF by 40%, relative to the NZSF's original passive Reference Portfolio.

3. As at 30 June 2019, both of those targets had been achieved, as confirmed by a carbon footprint report assured by KPMG. The Guardians will announce new emissions and reserves targets for the NZSF in its 2020/21 Annual Report.

4. The major contributor to achieving these reductions has been the Guardians' application of a bespoke methodology for removing stocks from the NZSF equity portfolio, targeting equities with high carbon emissions intensity or exposure to reserves, without regard to sector. Under this broad "low-carbon" approach, as well as capturing oil, gas and coal companies, some utility, marine, construction materials and financial services companies are removed from the NZSF. NZSF retains some companies that independent benchmarking identifies as being in the top quartile of their sector in engaging with climate change and therefore better prepared for a low-carbon transition. Debt and private market assets are not included; the Guardians proactively address climate change investment risk in these segments of the NZSF through other strategies.

5. Whereas in keeping with its legislated requirement to invest in a way that the NZSF considers consistent with best-practice portfolio management for a broadly diversified institutional fund, the Guardians' climate change investment strategy is more comprehensive, flexible and complex than that proposed here and leaves more room for discretion (as is common practice for comparable institutional investors seeking to manage climate risk).

6. Both we and the Guardians agree that it would not be practical nor sensible to apply the Guardians' strategy to default KiwiSaver funds as a minimum standard. Likewise, the approach we propose for default providers would not be fit for purpose for the NZSF.

7. We note that the Guardians' sector-agnostic climate change investment strategy leaves it with the discretion to retain some companies that own fossil fuel reserves. These companies would be captured under our proposed approach, consistent with what we understand Ministers' ambitions to be. On the other hand, the NZSF approach goes further than ours in excluding companies with high emissions that do not own reserves, including through burning fossil fuels, such as coal utilities. We nevertheless anticipate that there would be significant overlap between the companies the NZSF has divested from and those that would be excluded under our approach.

Annex 2: Companies excluded under fossil fuel production exclusion options

Types of companies excluded under all options	Companies with a primary business activity in fossil fuel production, who control reserves such as: • ExxonMobil • New Zealand Oil and Gas • Peabody Energy • Gazprom
Additional types of companies excluded under option A (only primary business activity)	Companies that don't control reserves but have a primary business activity in fossil fuel production such as: • Schulmberger • Halliburton
Additional types of companies excluded under option B (only based on reserves with 15% revenue threshold)	Diversified mining companies where only a minority of activity is fossil fuel mining but which may still have extensive coal mining operations (e.g. BHP Billiton)
Companies excluded under option C (both)	All of the above
Types of companies not excluded under any option	a. Oil refining companies (e.g. NZ Refining Company). b. Wholesale gas/oil pipeline companies (e.g. KinderMorgan). c. Companies that are primarily utilities (e.g. Vector or Meridian) or retail (Z Energy). d. Companies with major oil and coal production service arms, but where this is still a minority of overall activity (e.g. General Electric, Siemens). e. Conglomerates where a minority fossil fuel production that control fossil fuels (e.g. Berkshire Hathaway). f. Energy companies where a minority of revenue comes from fossil fuel production but who control fossil fuel reserves (e.g. Genesis Energy). g. Industrial firms that control fossil fuel reserves for a specific industrial purpose, primarily steel production (e.g. ArcelorMittal).