



## Decision to exclude Kosmos Energy Ltd and Cairn Energy Plc December 2016

Kosmos Energy Ltd (Kosmos) is a US company that prospects for oil and gas in Europe, Africa and South America.<sup>1</sup> Through a joint venture with Cairn Energy Plc (Cairn), Kosmos holds a licence issued by the Moroccan authorities to search for oil off the coast of Western Sahara.<sup>2</sup> Kosmos is the operator and holds 55 per cent of the shares.<sup>3</sup> Cairn holds 20 per cent<sup>4</sup> and the Moroccan government holds the remaining 25 per cent through the Office National des Hydrocarbures et des Mines (ONHYM).<sup>5</sup> Cairn is based in Scotland and prospects for oil and gas in Europe and Africa.<sup>6</sup>

In 2015, Kosmos undertook test drilling in the licence area.<sup>7</sup> The company found hydrocarbons, but not in commercially viable quantities.<sup>8</sup> At the time of writing this decision, Kosmos had not found commercial oil or gas deposits off the coast of Western Sahara.

On 28 June 2016, Norges Bank announced that the companies had been excluded from investment by the Government Pension Fund Global (GPF) in line with the Council on Ethics' recommendation. KLP and the KLP Funds have not invested in the companies.

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<sup>1</sup> Kosmos Energy, *Kosmos Company Profile Sheet*. URL:

[http://www.kosmosenergy.com/pdfs/company\\_profiles/Profile\\_English.pdf](http://www.kosmosenergy.com/pdfs/company_profiles/Profile_English.pdf) (last visited 26 July 2016).

<sup>2</sup> Kosmos Energy, *Operations: Western Sahara – Oil and Gas Exploration*. URL:

<http://www.kosmosenergy.com/operations-western-sahara.php> (last visited 26 July 2016).

<sup>3</sup> Ibid.

<sup>4</sup> Cairn's shares are held via the wholly owned subsidiary, Capricorn Exploration and Development Company Limited. Cairn Energy, *News: Cap Boujdour Update* (2 March 2015). URL: <http://www.cairnenergy.com/index.asp?pageid=27&newsid=468> (last visited 26 July 2016).

<sup>5</sup> Ibid.

<sup>6</sup> Cairn, *Operation*. URL: <http://www.cairnenergy.com/index.asp?pageid=14> (last visited 26 July 2016).

<sup>7</sup> Kosmos Energy, *News Release: Kosmos Energy Provides Update on 2015 Exploration Drilling Program* (2 March 2015). URL:

<http://investors.kosmosenergy.com/phoenix.zhtml?c=238878&p=irol-newsArticle&ID=2021320> (last visited 26 July 2016).

<sup>8</sup> Ibid.



Due to their activities in Western Sahara, both have been included on KLP Kapitalforvaltning's internal freeze list since September 2015.<sup>9</sup>

## Council on Ethics' recommendation

The Council on Ethics gives the following grounds for its recommendation:

*The Council recommends the exclusion of the companies Kosmos Energy Ltd and Cairn Energy Plc from the Government Pension Fund Global (GPF) due to an unacceptable risk of the companies contributing to serious violations of fundamental ethical norms through their hydrocarbon exploration offshore Western Sahara.<sup>10</sup>*

A detailed description of the case can be found in the Council on Ethics' recommendation.<sup>11</sup>

## KLP's guidelines and assessment

KLP and the KLP Funds have previously excluded Total S.A,<sup>12</sup> Glencore<sup>13</sup> and San Leon Energy<sup>14</sup> for the same activities as those in which Kosmos and Cairn are engaged. The rationale given in the Council on Ethics' recommendation is in line with KLP's guidelines, and we see no reason to diverge from their conclusion.

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<sup>9</sup> KLP Kapitalforvaltning maintains an internal freeze list that includes companies that KLP and the KLP funds are not currently invested in, but which are subject to serious allegations likely to lead to exclusion. The list is designed to prevent KLP from investing in these companies without undertaking sufficient analysis first.

<sup>10</sup> Council on Ethics (8 February 2016), *Recommendation to exclude Kosmos Energy Ltd and Cairn Energy Plc from the Government Pension Fund Global (GPF)*, p. 1. URL: <http://etikkradet.no/files/2016/06/Tilr%C3%A5dning-Kosmos-og-Cairn.pdf>.

<sup>11</sup> Ibid.

<sup>12</sup> KLP (1 June 2013), *Decision to exclude Total from investment*. URL: [https://www.klp.no/polopoly\\_fs/1.23052.1370258706!/menu/standard/file/Total\\_beslutning030613.pdf](https://www.klp.no/polopoly_fs/1.23052.1370258706!/menu/standard/file/Total_beslutning030613.pdf).

<sup>13</sup> KLP (8 December 2015), *Decision to exclude Glencore plc from investment*. URL: [https://www.klp.no/polopoly\\_fs/1.32494.1450153563!/menu/standard/file/Glencore%20beslutning%20om%20uttrekk.pdf](https://www.klp.no/polopoly_fs/1.32494.1450153563!/menu/standard/file/Glencore%20beslutning%20om%20uttrekk.pdf).

<sup>14</sup> KLP (21 June 2016), *Decision to exclude San Leon Energy Plc*. URL: [https://www.klp.no/polopoly\\_fs/1.34183.1466491213!/menu/standard/file/Beslutning%20om%20utelukkelse%20av%20San%20Leon%20Energy.pdf](https://www.klp.no/polopoly_fs/1.34183.1466491213!/menu/standard/file/Beslutning%20om%20utelukkelse%20av%20San%20Leon%20Energy.pdf).



### **KLP's decision**

It is recommended that Kosmos Energy Ltd and Cairn Energy Plc be excluded from investment by KLP and the KLP Funds as of December 2016.