Written Testimony of
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New York State Senate Committee Hearing on Fossil Fuel Divestment Act

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I am honored to be asked to provide testimony for today's hearing on the Fossil Fuel Divestment Act. I commend the work of the committee on the pressing matter of divesting workers' retirement funds from financially risky and polluting industries that have put our very survival at peril. I will offer short remarks about the ethical, financial and fiduciary reasons why all investors should divest their assets immediately from fossil fuels and invest in climate solutions. I will also provide information, data and a compelling case study of how divesting from fossil fuels provided strong financial returns, with consistent and strong outperformance.

I serve as the Executive Director of the Wallace Global Fund, a non-partisan charitable foundation, working on issues of environmental sustainability, democracy, corporate accountability and women's rights and empowerment in the United States and globally. Our work over the past 20 years clearly exposed the urgency and dangers of climate change. Catastrophic weather events, drought, food system collapse, and mass migration unleashed devastation upon our community partners, often the poorest and most vulnerable populations around the world who had the *least responsibility* for causing this force destroying their lives and communities.

It was clear that we needed to *dramatically* expand our grants to non-profits fighting climate change, this issue impacted all of our other priorities. But it was also clear that we could no longer be complicit in driving climate change by investing our endowment in fossil fuel companies. These companies were not only driving the problem, but spending tens of millions to deny the settled science, deceive the public about the known impacts of burning their products, lobbying government for inaction, and donating massive sums to candidates on both sides of the aisle. *We accepted responsibility that if we were invested in fossil fuels, we owned climate change*. In 2009, we began divesting our assets from fossil fuel companies and investing in climate solutions. We have been fully divested from fossil fuels since 2012 and are currently 16% invested in climate solutions- from large scale renewables, energy efficiency, clean tech, energy access and just transition.

We also began supporting the non-profits involved in the fossil fuel divestment movement and organized philanthropy as a sector of the movement, calling on our peers to divest and invest as a matter of serving the public good. We now have over 200 foundations that have committed to 'divest-invest'. Many prominent NY institutions have joined our ranks, including several foundations that are associated with the Rockefeller family, whose donor made his wealth in fossil fuels.

It is the power of the ethical arguments that initially drove our foundation to divest and to support the growing movement. We understood that all investors, but particularly those that serve the public good and invest the retirement accounts of workers, have a unique obligation to divest. It is simply not acceptable *to attempt* to profit at the expense of the planet and our own species. (The question of *whether* you will actually profit is one we will return to later.) Today, as young people rise up all over the world striking, protesting, demanding that we act with greater urgency, it is impossible to justify continued investment that *grows* an industry, precisely when it *should be winding down*. When the world faces the tightest deadline to achieve a radical energy transition, we must act according to the science and commensurate with the scale of the problem. And we must use all the tools in our toolbox, including our investments, to enact rapid change. We have an ethical obligation to act.

The financial case is equally compelling. Institutions that were part of the first wave of fossil fuel divestment helped build the market for fossil free products and create portfolios that provide a financial track record of how divestment impacts the bottom line. With a good seven years of fossil free investing under our belt, we have a strong case to make for outsized performance. Every year our foundation beat its benchmarks by approximately 2%, with nearly 22% percent returns in 2017 alone, generating so much additional capital we pushed it right back into our grant-making for 2018. Getting out of coal before coal tanked and oil before oil tanked, allowed us to *enhance our mission* of charitable giving. Today, the fossil energy sector is delivering the lowest returns, at the level of treasuries. Why should we trade off our moral and ethical authority to underperform financially?

Additionally, we know that the projected future of this industry puts returns in greater peril in the coming decade. Carbon Tracker estimates that fossil fuel demand will likely peak around 2023[1]. Many governments are acting aggressively to meet and exceed the commitments they made at the UNFCCC or 'Paris Climate Conference'. The industry already has vast reserves that cannot be burned if we are to achieve that agreement and keep warming well below set targets, yet the companies continue to invest in exploration of new reserves and expansion of their infrastructure. Surely this is a wasting of company funds? Finally, those same companies are the target of legal actions from all over the world seeking damages for impact on infrastructure and health, including from NYC itself. *The data on poor returns, peak fossil fuels, and stranded asset risk, coupled with the filing of lawsuits have put investors on notice- your holdings are at risk.* Holding fossil fuels imperils your returns and your workers' pensions. Fiduciaries have been warned.

And the NYSCRF is no exception. It has been estimated by Corporate Knights that the Fund would be $22 million richer had it begun its divestment journey in 2009, at the time our

[1] https://www.carbontracker.org/reports/2020-vision-why-you-should-see-the-fossil-fuel-peak-coming/

foundation began its unwinding of fossil stocks[2]. Who will be accountable if the portfolio continues to underperform financially, when warnings are surfaced like those in today's hearing?

Some institutional investors have maintained that they are staying invested to engage the companies to take robust action on climate change. It is clear that the day for engagement is passed. Unless the world's largest fossil fuel companies immediately tender business plans that would keep the world at 1.5° Celsius warming, based on their share of the carbon budget, with clear benchmarks and absolutely no new capital expenditures for additional reserves, then they cannot be seen as anything but rogue actors on the world stage- endangering the very survival of all life support systems. Their failure to provide these plans to date, their continued millions spent lobbying against government action and *against divestment*, and their actions fighting the very ability to offer such resolutions in the first place would leave only the most naïve or compromised still arguing that they can change the practices of these companies in time.

They are not winding down or transitioning to become renewable energy companies. According to Influence Map, climate-related spending constitutes over a quarter of the oil majors expenses on lobbying and branding, the total of which includes the marketing of their fuel and chemical products. However, company disclosures show low carbon investments will comprise only about 3% of the oil major's expected investments, with the rest of their combined annual capital expenditures ($115Bn for 2019) focused on fossil fuel related businesses[3]. Any climate-related actions they are taking are clearly not commensurate with the urgent timeline imposed by the science. It is utterly foolhardy to believe this industry is willing to change or can change in time. Let us instead focus shareholder engagement work to decarbonize all other industries to reduce use of energy and transition to safe and more effective operations.

I also urge you to think about how you can invest to speed the new energy economy, in ways that benefit all. Those that invest in climate solutions are capturing the upside of an exploding industry creating more jobs today than the fossil sector. Pension funds have a unique opportunity to prudently invest in an industry that is driving massive job creation and industrial expansion that is beneficial to the economy and our future.

Today over 1000 investors, with assets under management of over $8.5 Trillion have publicly committed to divest from some fossil fuels[4]. Many other investors have quietly done the same. It is no longer risky to divest from fossil fuels. Data exists, track records created, and momentum built. New York state can join with countries like Ireland, the Norwegian Sovereign Wealth Fund, cities like NYC and London, taking action and protecting assets. But it is reckless

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[2] https://www.corporateknights.com/channels/climate-and-carbon/divestment-made-ny-pension-fund-22b-richer-15386364/

[3] https://influencemap.org/report/How-Big-Oil-Continues-to-Oppose-the-Paris-Agreement-38212275958aa21196dae3b76220bddc

[4] https://www.divestinvest.org/

to not divest, to not protect assets when warned and to squander moral capital to act on the biggest threat to human existence yet witnessed.

Thank you for inviting me to speak. Our foundation and our many partners in the divestment movement stand poised to assist you further with data, case studies and expert analysis. In short, divestment is the best strategy to use for managing your financial risks and fiduciary obligations. Alongside investing in the new energy economy, it is also the best choice for workers and your bottom line.