



NEW YORK STATE SENATOR

Liz Krueger

Krueger, Ortiz Announce Fossil Fuel Divestment Act

LIZ KRUEGER July 7, 2015

| ISSUE: **ENVIRONMENT, CLIMATE CHANGE**

New York – State Senator Liz Krueger and Assembly Assistant Speaker Felix W. Ortiz today announced the Fossil Fuel Divestment Act ([S.5873/A.8011](#)), which would require the State Comptroller to divest the Common Retirement Fund (CRF) from fossil fuel holdings by 2020. They were joined in this announcement by Bill McKibben, Peter Yarrow and other advocates. The bill also received the endorsement of several environmental, faith, and community organizations, including 350.org, Natural Resources Defense Council (NRDC), Sierra Club Atlantic Chapter, Citizens Campaign for the Environment, Citizen Action, New York State Council of Churches, and Clearwater, among others. A number of supporters recorded short video messages explaining why they believe divestment is vital. All the videos can be [viewed here](#).

“I’m proud to be the sponsor of a bill that would require the New York State pension fund to divest from fossil fuels by 2020,” said **Senator Krueger**. “It is critical that we send the message that we are no longer going to invest our public funds in activities that do enormous damage to our environment, not just in New York, not just in the United States, but throughout the world. It’s 2015 – we’re already decades behind where we need to be in addressing climate change. Divestment is not a silver bullet, but it is one important step among many, and I urge all of my colleagues to support us in passing this bill and demonstrating that New York

State can be at the cutting edge of the fight to stop catastrophic climate change.”

“Bold action is needed now to mitigate climate change,” said **Assembly Assistant Speaker Ortiz**. “If we miss this opportunity to enact clean energy laws today, our children may face serious consequences. The Fossil Fuel Divestment Act sends a strong message that New York should not invest in companies whose profits depend on damaging our climate. Our investment strategies should mirror the state's public policies. That is why I wholeheartedly sponsor this bill to take the state’s pension fund monies out of the pockets of those who profit from fossil fuels.”

The Fossil Fuel Divestment Act would direct the State Comptroller to divest the CRF from holdings in the **top 200 largest publicly traded fossil fuel companies**, as defined by carbon content in the companies’ proven oil, gas and coal reserves. Divestment from coal companies must be completed within one year, with divestment from all other fossil fuel companies completed by January 1, 2020.

To address concerns about fiduciary responsibility, the bill also contains a “safety valve,” similar to successful divestment bills passed in other states, that would permit the Comptroller to cease divestment if he or she can convincingly demonstrate that the fund has lost significant value as a direct result of fossil fuel divestment. Such a loss of value is highly unlikely, however, as **several studies** have shown that fossil-free funds can easily perform as well or better than funds invested in fossil fuels.

Finally, the bill includes a requirement that the Comptroller identify all companies subject to divestment in which the CRF has holdings, and report annually on the progress of divestment from those companies.

Bill McKibben

, author, environmentalist, and co-founder of **350.org**, said:

"I'm so hopeful that New York State is going to seize the chance to really push this energy agenda in a good way. Divestment's not going to stop climate change, but it's one important step along the way. That's because we are in a big hole, and when you're in a hole the first order of business is to stop digging - in this case to stop digging up the 80% of coal, oil and gas reserves that simply have to stay underground if we have any hope of meeting our targets. Engagement with the fossil fuel producers isn't working – they're determined to stick to their business model. So, as with South Africa a generation ago, we need this deeper step of divestment, and we need New York in the lead.

"This is the definition of fiduciary responsibility," **McKibben** continued. "All around the world financial leaders are pointing out that we're sitting atop a carbon bubble that will burst, taking with it great amounts of wealth. More to the point, we're sitting atop a carbon bubble that, if we burn that coal and gas and oil, will wreck the planet that we depend on. By divesting, New York State will join a global movement that includes hundreds upon hundreds of institutions and local governments, but New York will make a particularly big noise when it does. People are watching the Common Retirement Fund because of its size, and because of its prudence and skill over the years. This is an important moment, and as usual, New York is a make or break place."

Musician and activist **Peter Yarrow** of **Peter, Paul & Mary**, said:

"As a grandfather and a long-time activist, today the most crucial movement is the attempt to keep the business interests from steering us to a course that would make it impossible for our grandchildren to have a sustainable, reasonable world. And for that reason it's really important at a local level for New York State, and as a precedent for the whole nation, to support Senator Krueger's bill that would require the divestment of the 200 top fossil fuel companies from the Common Retirement Fund. We cannot have the kind of carbon being

thrown into the air that this investment implies. It's going to lead to massive disruptions in the climate and ultimately to really catastrophic changes. I urge you to join in this effort - it's as critical as anything I've been involved in. This is where the rubber meets the road."

Climate change is a real and serious threat to the health, welfare and prosperity of all New Yorkers. The consensus of the international scientific community is that climate change will lead to rising sea levels, increasingly intense storm events and droughts, as well as threats to global water and food supplies and loss of critical biodiversity, threatening lives, livelihoods and social integrity. Divesting the New York State Common Retirement Fund from all investments in fossil fuels, as mandated by the Fossil Fuel Divestment Act, is one important step among many necessary to mitigate climate change.

The [2009 Copenhagen Accords](#) stated that an increase in global average temperature of more than 2° C would lead to an unsafe risk of irreversible climate change. In order to stay below 2° C, there is a limit to the amount of carbon emissions that can be released globally through the burning of fossil fuels - [886 Gigatons](#) between the years 2000 and 2050. 321 Gt were burned from 2000 to 2010, leaving a remaining carbon budget of approximately 565 Gt. Currently proven fossil fuel reserves belonging to private and public companies total an overwhelming 2,795 Gt of potential emissions, not including as-yet undiscovered reserves that fossil fuel companies spend [billions of dollars each year](#) to find. This means that in order to avoid causing catastrophic climate change, at least 80% of all current proven coal reserves, half of gas reserves and one third of oil reserves [must stay in the ground](#).

The State Common Retirement Fund, with an estimated value of over \$180 billion, invests at least \$5.12 billion of public pension money in companies that mine, drill and produce fossil fuels. The CRF is one of the largest and most visible institutional investors in the world. By divesting from fossil fuels, the CRF will send a message that it is unacceptable for any

institution to profit from activities that threaten the future of society, and will begin the process of delegitimizing a business model that, while financially profitable in the short run, is socially and morally bankrupt. It is difficult for New York State to commit to the steps necessary to prevent climate change while maintaining a financial interest in companies whose profits depend on the continuation of practices that cause climate change.

The Office of the State Comptroller has made a significant effort to use stockholder engagement to influence the actions of climate-damaging fossil fuel companies. However, these companies have largely ignored entreaties from OSC and other institutional investors, played down the threat posed by climate change, and **scoffed at the possibility** of changing their way of doing business. In the end, the profitability of fossil fuel companies is based solely on their ability to supply far more carbon than the atmosphere can safely absorb, a business plan that is at odds with physical reality, making stockholder engagement a futile endeavor and demonstrating the necessity of divestment.

Divestment is wholly in accord with the state's fiduciary responsibility to protect the value of the pension fund. Numerous business, financial and government leaders worldwide have **warned** that investing in fossil fuel companies undermines the soundness of investment portfolios, including the governor of the Bank of England, Mark Carney; the President of the World Bank, Jim Yong Kim; and former Treasury Secretary Henry Paulson. The growing understanding of climate change and the increasing likelihood of national and international action to reduce fossil fuel use means that companies whose value is based on unburnable carbon reserves risk rapid devaluation as a result of these stranded assets. A prudent fiduciary must also take into account the broader risk of economic and market disruption posed by climate change, the evidence of which has already been seen in the aftermath of Superstorm Sandy and other extreme weather events. As the recently released Mercer report

titled “Investing in a Time of Climate Change” demonstrates, divestment reduces portfolio risk, allows capital to flow to the low-carbon economy, and offers exposure to investments that will benefit from climate change action.

The Fossil Fuel Divestment Act provides a five-year horizon for completion of divestment from all fossil fuels (including coal, oil, and natural gas) in order to maximize flexibility and minimize financial risk. However, divestment from the coal industry in particular is an urgent financial and environmental necessity, and it is therefore specially mandated to occur within one year. The CRF has already lost over \$100 million through coal investments in the past three years at a time of generally strong market growth, and those investments are not likely to recover. Coal is one of the dirtiest, most carbon intensive sources of energy, emitting more carbon dioxide per unit of energy produced than oil or gas. Recent analyses have found that over 80% of worldwide coal reserves, including 90% of US reserves, must stay in the ground in order to stay below the 2° C limit.

In divesting from fossil fuels, New York would take a leading role in a global movement that includes more than 160 institutions and local governments, including The New School, and Stanford and Syracuse Universities; the cities of Seattle, San Francisco, Portland, Minneapolis, and Ithaca; the World Council of Churches, and the United Methodist Church USA; Guardian Media Group and the Rockefeller Brothers Fund; and the sovereign wealth fund of Norway.

Richard Schrader, New York Political and Legislative Director of **NRDC**, said:

"Our addiction to fossil fuels is damaging the health of people and our planet. This bill lays out a smart and prudent divestment strategy for the state that can put financial pressure on the fossil fuel industry and help slow the path toward irrevocable climate destruction."

Adrienne Esposito, Executive Director for **Citizens Campaign for the Environment**, said:

“Divesting from fossil fuels is an investment in protecting New York. Every dollar invested in dirty fossil fuels perpetuates the disastrous effects that climate change will continue to have on New York. New York City and Long Island are at ground zero for experiencing the devastating human, environmental and economic impacts caused by climate change. Profiting from damaging our planet and perpetuating more Super Storms is simply wrong. We need to use all the strategies available to us to fight climate change and allow for New York and our nation to transition to cleaner, safer energy choices. CCE commends Senator Krueger and Assemblyman Ortiz for their leadership in taking this important step.”

Peter Gross, Executive Director of **Hudson River Sloop Clearwater**, said:

“Clearwater’s focus is on protecting the Hudson River and its watershed, one of New York’s most beautiful and precious assets. Corporations that profit from the extraction, delivery and consumption of fossil fuels represent an immense threat to the health of the Hudson for many reasons - from the very real possibility of disastrous local fuel spills to the global degradation of climate, leading to damages from rising waters and storm surges and the destruction of the Hudson’s unique biosystems. New York State should not be in the business of validating those activities by investing in fossil-fuel-based corporations. Good public policy demands, instead, investment in companies building a future with clean, green energy.”

Robert Ciesielski, Energy Committee Chair, **Sierra Club Atlantic Chapter**, said:

“The NYS Atlantic Chapter of the Sierra Club strongly supports Senator Liz Krueger’s Bill S.5873 which calls for the divestment of State pension funds from the stocks of the largest 200 fossil fuel companies. Last year, the Chapter adopted a resolution calling for complete divestment by the State pension funds within five years. Recent studies show that fossil

fuel-free stock portfolios have larger financial returns than those which include those equities. We also recommend that each divested dollar be invested in renewable energy or energy efficiency. With significant climate change evident, the moral necessity of immediately ending fossil fuel usage to protect our future generations has become clear."

Bob Cohen, Policy Director for **Citizen Action of New York**, said:

"Climate change is a fundamental challenge facing our state, our country, and the world. New York has the opportunity to take the lead in finding solutions, but the first step is to stop contributing to the problem. Divestment sends a message that the age of fossil fuels is over, and the Common Retirement Fund will no longer mortgage our future for short-term gains. Citizen Action supports the Fossil Fuel Divestment Act and the efforts of Senator Krueger and Assembly Member Ortiz. It's time for New Yorkers to stake a claim to the fossil-free future."

Bevis Longstreth, former Commissioner of the **Securities and Exchange Commission** (SEC) under President Ronald Reagan, said:

"I support this bill compelling divestment of fossil fuel companies. If there were any company engaged in the sale of fossil fuel that was acting responsibly in light of the urgent need to achieve zero carbon emissions, I would support exempting that company from the mandate to divest but, alas, there isn't even one to be found. Responsible behavior would involve the cessation of exploration and a demonstrable lobbying effort to encourage governments to limit carbon emissions. There is no evidence of such behavior among big coal, oil and gas. Therefore, divestment is an appropriate step for all responsible investors to take."

Rev. Dr. Paula Gravelle, Executive Director of the **New York State Council of Churches**, said:

"The New York State Council of Churches supports the Fossil Fuel Divestment Act because we recognize that climate change is a serious threat to the health of the citizens and the environment of New York State. It is unacceptable, if not immoral, for any institution to profit from activities that threaten the future of our society by harming the creation entrusted to us by God. As people of faith, we believe that we are entrusted by God to be good stewards of the planet, which requires that the resources of the land, air and water be managed responsibly and sustainably, without destroying or despoiling God's creation. We have a moral obligation to prevent harm to our fellow human beings, including future generations who will inherit our Earth. We know that divestment alone will not stop climate change, but it is one important step among many."

Former NYS Deputy Comptroller Tom Sanzillo said:

"I support Senator Krueger's bill that would require the State Comptroller to follow a prudent plan to divest from fossil fuels. Right now the State Comptroller should divest from all stocks in the coal industry. The coal industry has already lost the State of New York millions, and is losing money every day. The bill also gives the comptroller a little more time to study the oil and gas industry and to divest from it, and that is only correct. The failure to follow the outline of this bill is a failure to protect the benefits and beneficiaries of the state pension fund and state tax payers, and I am both a state tax payer and a beneficiary of the state pension fund."

Jannette Barth, Ph.D, Managing Director and Economist at Pepacton Institute LLC, said:

"We all must stop investing in fossil fuels if we are going to encourage a transition to renewable energy. And we must transition to renewable energy in order to prevent the huge economic costs caused by climate change. Senator Krueger's NYS Divestment Bill is a step in the right direction."

Eric Weltman, Senior Organizer with **Food & Water Watch**, said:

"A state can't be taken seriously as a leader in the global clean energy movement if it is invested in the coal, oil and gas companies polluting the Earth and causing climate change. It's time for New York State to be a real climate leader and divest from fossil fuels once and for all."

Lisa DiCaprio, Coordinator, **350NYC** pension divestment campaign, said:

"Fossil fuel divestment is an ethical and financial imperative because two-thirds of fossil fuel reserves must remain in the ground if we are to stay below 2 degrees Celsius of global warming since the Industrial Revolution. The Fossil Fuel Divestment Act will protect the New York State Common Retirement Fund from the inevitable devaluation that will result from stranded assets - fossil fuel reserves that cannot be extracted and burned as a result of various forms of carbon pollution constraints, such as the new EPA carbon rules, energy conservation and efficiency, the increasing competitiveness of renewable energy, and an international global agreement on greenhouse gas emissions."

Stacey Smith, MDiv, Co-founder of **Fossil Free & Green NY** Divestment Campaign, said:

"No one is safe from climate disruption. Nature is tremendously arbitrary and powerful. Heat waves, droughts, fires, cyclones, floods... Across the earth, children and youth face a precarious present and future. They live with increasing hardship and scarcity, with uncertainty and fear. As a mother and therapist, I join with thousands of other NY residents, urging Comptroller DiNapoli and the state legislature to divest now. Stop funding any more destruction and suffering. Invest our public monies in beneficial planetary solutions. We cannot tolerate one more child being washed away in this growing storm. The time to act is now."

Mark Dunlea, a member of the **350NYC** steering committee and Chair of the **Green Education and Legal Fund** said:

"We applaud Sen. Krueger and Assemblymember Ortiz for taking critical leadership to protect New York residents from the threats posed by climate change and to build a fossil-fuel-free future. The State pension fund should not be invested in companies that contribute to catastrophic climate change that has already inflicted tens of billions of dollars' worth of damage in NYS, starting with Hurricane Sandy. The State has a fiduciary responsibility to protect the retirement funds of public workers from risky investments. Investors are increasingly voicing their concerns about the fossil fuel industry's long term financial viability."

Organizations Supporting the Fossil Fuel Divestment Act:

350.org

NRDC

Sierra Club Atlantic Chapter

Citizens Campaign for the Environment

Clearwater

Food & Water Watch

Citizen Action of NY

350NYC

NYS Council of Churches

Catskill Citizens for Safe Energy

Catskill Mountainkeeper

Citizens Environmental Coalition of NY

Fossil Free & Green NY

Green Education and Legal Fund

Greenfaith

Healthcare Without Harm

Jews Against Fracking

NY Interfaith Power & Lights

People for Animal Rights

Plan to Save the Planet, Albany

Renewable Energy Long Island

Rochester People's Climate Coalition

Syracuse Cultural Workers

Syracuse Peace Council

###