

S-42

FOSSIL FUEL

DIVESTMENT

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Testimony before:

House Committee on Government
Operations and Military Affairs

April 11, 2024



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Third Act

- ❖ Community of Americans over 60 concerned about climate and democracy
- ❖ Using our life experiences and skills,
 - ❖ we tackle the unfinished work of our lifetimes
 - ❖ to ensure a safe and stable planet for generations to come

We Support the Divestment Bill for 3 Reasons

1. Fossil Fuels are a bad investment



BlackRock and Meketa studies: Divestment does not harm ROI



- Divestment actions by hundreds of funds worldwide have passed the prudence tests required of fiduciaries
- Fossil fuel stocks have been underperforming
- Forward-looking analysis shows they are exposed to significant risks
- “We find the [NYC Retirement] Systems can prudently divest from fossil fuel reserve owners using a variety of approaches.”
(*2020 Meketa Report*, p. 3)

2. Our Pension Funds Should Not Be Investing in the Destruction of Vermont's Environment



Over \$1 billion in damages from 2023

—Gov. Scott

3. Divestment Dovetails with the Superfund Bill

Why pay big oil to cause more damage to Vermont?



We Support Both Divestment and Decarbonization

- **Divestment** focuses on producers
 - Aims to investments so producers do not have capital to drill more wells
- **Decarbonization** focuses on consumers
 - Aims is to reduce emissions in portfolio and real economy to net zero

Why not do both?

Goal of Divestment = Stop the Drilling

- All **drilling must stop** to meet net-zero climate goal (International Energy Agency)
 - “There is no need for investment in new fossil fuel supply in our net-zero pathway” (IEA)
 - “The unwavering policy focus on climate change in the net-zero pathway results in a sharp decline in fossil fuel demand” (IEA)



By 2040, the fossil fuel industry
plans to spend

\$1.5 trillion

on new oil and gas fields

48% of industry expenditures goes
toward this purpose

vs. **1%** on clean energy (*IEA report*)

Divestment is effective

Empirical studies show divestment lowers capital flows to fossil fuel companies.

Fossil Fuel industry paying millions to support anti-divestment legislation.

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Divestment is also low cost

- **Divestment** would require “*no additional staff* and minimal additional time to identify and monitor ongoing exposure to fossil fuel companies.” (Meketa Report p.40)
- **Decarbonization** would require “*greatest additional staff* and external resources.” (Meketa Report p.41)

S.42 amended to address VPIC's concerns

Exemption for private investments

2% de minimis exemption

- Up to 2% can be held in fossil fuel companies
- Allows VPIC to keep its “seat at the table” for shareholder engagement.
- Katie Green VPIC, Senate Gov Ops testimony: “Can do both” divestment and engagement ([3/3/23 1:00pm: at 2:09-2:11](#))
- VPIC's active holdings in fossil fuel companies are under 2%, so no change needed in active holdings.

There are No Negatives to Divestment

- ❖ Fossil fuels are no longer a good investment
- ❖ Divestment defunds drilling of new wells that are incompatible with net-zero goal
- ❖ Amended divestment bill addresses VPIC's concerns
- ❖ It is a low-cost
- ❖ It is compatible with decarbonization
- ❖ It dovetails with Superfund Bill