

## **Third Act Vermont Position Paper in Support of Vermont Divestment Bill**

### **Background:**

[Third Act Vermont](#) supports the Fossil Fuel Divestment bill introduced in the Senate by Sen. Kesha Ram Hinsdale ([S-42](#)) and in the House by Rep. Gabrielle Stebbins ([H-197](#)). This bill would require the Vermont Pension Investment Commission (VPIC) to prepare a plan for divesting the state employee pension funds from fossil fuel companies and to implement the plan over the next seven years. The bill is very similar to legislation [Maine passed in 2021](#).

Third Act Vermont supports this bill because divestment from fossil fuels is crucial both to protect the pension funds and to protect the environment.

### **Protect the Pension Funds:**

The divestment bill is designed to protect the value of the pension funds by requiring VPIC create a plan for divestment "in accordance with sound investment criteria and consistent with fiduciary obligations." This means VPIC's plan must be designed to avoid de-valuing the pension funds. We know VPIC can create such a plan because divested portfolios have either matched or out-performed their benchmarks, and hundreds of funds worldwide have divested in a manner that meets the prudence tests required of fiduciaries, as reported in [Major Investment Advisors Blackrock and Meketa Provide Fiduciary Path Through the Energy Transition](#) by the Institute for Energy Economics and Financial Analysis (IEEFA). If they can do it, VPIC can too.

Fossil fuels are a bad investment because the fossil fuel industry has lost its financial rationale. Clean energy sources such as wind and solar are now less expensive than fossil fuels, and market forces favor these sustainable alternatives. As explained in a recent report, "[Two Economies Collide: Competition, Conflict, & the Financial Case for Fossil Fuel Divestment](#)" from IEEFA, "Divestment is a defensive tool employed to protect investors from the loss of value - losses as certain as climate change's global reach." Economic data plainly predict a decline in fossil fuel assets over the long term. "Weak economic performance and an unstable future for fossil fuels have made it clear that divestment can be achieved without financial harm to any individual investment fund." The fiduciary obligation of VPIC to maximize the value of the pensions it manages requires it divest from fossil fuels.

### **Protect the Environment:**

Fossil fuels are driving catastrophic climate change and global warming, which [disproportionately impacts](#) rural and marginalized, disenfranchised and disinvested communities, especially youth and senior citizens. Climate change is also creating [a critical public health problem](#), making many existing diseases and conditions worse and helping pests and pathogens spread into new regions. [Research from Harvard University](#) recently found that one in five deaths worldwide are due to the burning of fossil fuels, resulting in huge costs to our health care system. The world needs to shift as rapidly as possible away from fossil fuels to clean energy such as wind and solar. Shifting investment dollars away from fossil fuels to clean energy is an important step in making this change. *Vermont pensions should not be invested in industries that are harming Vermonters by furthering global warming.*

For both financial and environmental reasons, Vermont should enact the Fossil Fuel Divestment bill.