

To: The Vermont House Committee on Government Operations and Military Affairs
From: Third Act Vermont

We, the undersigned organizations, are in strong support of the amended [Fossil Fuel Divestment Bill, S.42](#) that was passed by the Vermont Senate on a vote of 22-8 in March 2023 and is currently being considered by the House. The bill is designed to protect the value of the pension funds by requiring the Vermont Pension Investment Commission (VPIC) to create a plan for divestment from risky fossil fuel investments.

The Divestment Bill would require VPIC to prepare a financially sound plan for divesting the state employee pension funds it manages from fossil fuel companies, and to implement that plan over the next seven years. The bill sets a goal of divesting from private investments by 2040 if this can be done in a way that is financially prudent, with exemptions for *de minimis* investments in fossil fuel companies (defined as less than 2% of VPIC's holdings) and private investments. Treasurer Mike Pieciak, who serves as one of VPIC's commissioners, has been involved in negotiating amendments to the bill and testified in support of the amended version. We are confident VPIC can create a financially sound divestment plan that meets Vermont's prudent investor rule. Studies show divested portfolios have outperformed their benchmarks, and hundreds of funds worldwide have divested in a manner that meets the prudence tests required of fiduciaries. (See [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 do it 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 titled "[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." IEEFA's 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 that it divest from fossil fuels.

Fossil fuels are driving catastrophic climate change and global warming, which disproportionately impacts rural, 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. (See [Vermont is Getting Warmer and Wetter: Climate Change Study](#)). As Vermont acts to decarbonize its heating, transportation and other sectors, it is equally important for it to decarbonize its investments.

Fossil fuels are not the assets of the future, rather they are a liability. Divestment is the smart move for Vermont both environmentally and financially. We are counting on you to support the Fossil Fuel Divestment Bill.

Sincerely,

THIRD ACT VERMONT

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VERMONT PUBLIC INTEREST RESEARCH GROUP (VPIRG)

VERMONT INTERFAITH POWER & LIGHT

VERMONT BUSINESSES FOR SOCIAL RESPONSIBILITY (VBSR)

VERMONT CLIMATE & HEALTH ALLIANCE (VTCHA)

MIGRANT JUSTICE

VERMONT NATURAL RESOURCES COUNCIL (VNRC)

VERMONT CONSERVATION VOTERS (VCV)

SIERRA CLUB - VERMONT CHAPTER

CONSERVATION LAW FOUNDATION (CLF)

AUDUBON VERMONT

