S-42 FOSSIL FUEL DIVESTMENT

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Testimony before:

House Committee on Government Operations and Military Affairs

April 11, 2024



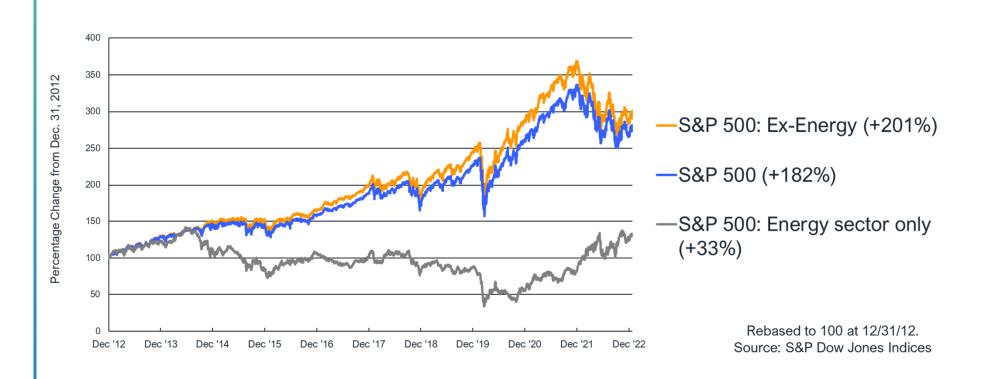
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Third Act

- 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



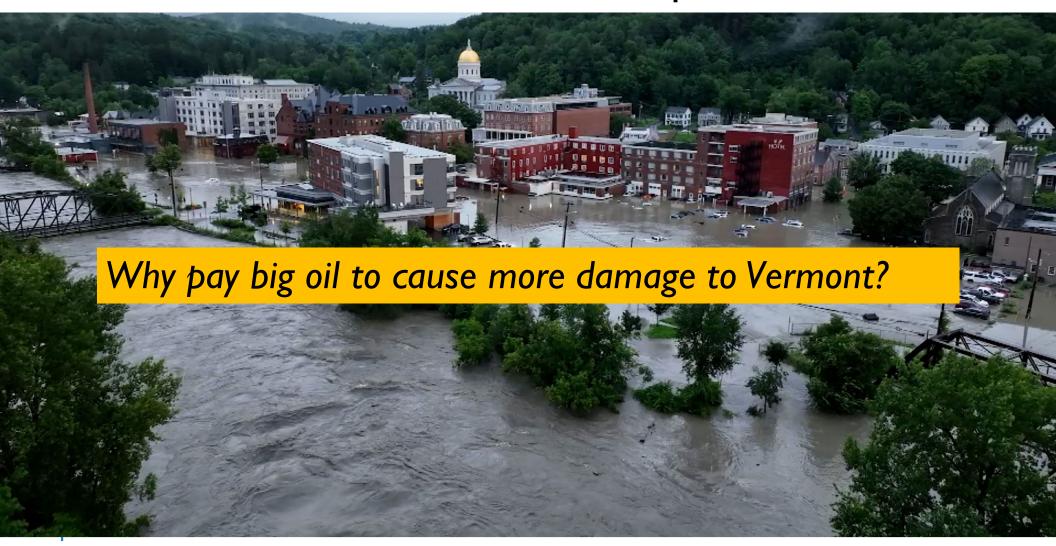
BlackRock and Meketa studies: Divestment does not harm ROI

- 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



3. Divestment Dovetails with the Superfund Bill



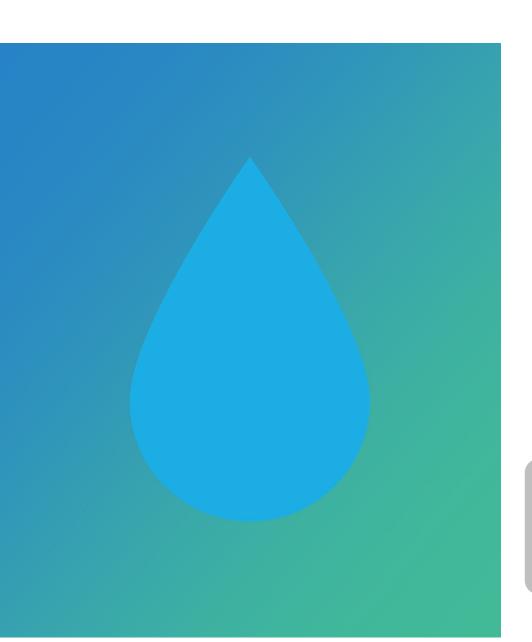
We Support Both Divestment and Decarbonization

- 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 netzero 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 antidivestment 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