Memorandum of Support

S.2126-A (Krueger)/A.1536-A (Ortiz)

Title: Relates to limitations on investments of public pension funds.

Purpose: To protect the invested funds of New York State while simultaneously combating climate change.

Statement of Support: Climate change is hurting New York. In only the past few years the state has been pounded by superstorms, deluged with floods and scorched with record heat due to the advancing effects of a warming planet. Beyond the growing frequency and intensity of severe weather events, New Yorkers will be facing the economic and social costs of dying oceans, agricultural blight, rapid changes to ecosystems and rising sea levels if we do not work together to significantly reduce carbon emissions. Maintaining the status quo of fossil fuel energy production will unquestionably lead to a self-created catastrophe. S.2126-A/A.1536-A, the Fossil Fuel Divestment Act, requires the New York State Comptroller to create a list of all coal, oil and gas producers in which the Common Retirement Fund, currently worth about $180 billion, has invested- and divest from those holdings within 5 years. New York has already largely divested from coal companies, but the new law would prohibit reinvestment.

As of January 2020, approximately 12 trillion U.S. dollars in assets held in pension funds and endowments had been divested from fossil fuels globally, up from 52 billion U.S. dollars in 2014. Fossil fuel divestment is part of a global campaign to keep fossil fuels in the ground, encourage investment in renewable energy, and the transition to a new, green economy. In 2011, the Carbon Tracker Initiative developed data showing that we must keep two-thirds of fossil fuel reserves in the ground to remain below an increase of 2 degrees Celsius (3.6 degrees Fahrenheit) of average global temperature since the Industrial Revolution. The Sierra Club advocates that we should at least prevent any increase higher than 1.5 degrees Celsius, which is the aspirational goal of the December 2015 Paris Agreement.

But in order to reach these goals there needs to be a shift in how we view the true worth of fossil fuel companies and the value of coal, oil and gas resources that remain in the ground. Most companies have acknowledged internally, though not to their shareholders, that based upon projections of mandatory shifts to renewable energy, energy efficiency and carbon emissions reductions, a significant percentage of the existing reserves of coal, oil and gas will never be extracted. It is estimated that $1 trillion in oil reserves and $300 billion in natural gas reserves will become ‘stranded assets’ globally and need to be written off.

The worth of fossil fuel companies is directly related to the extent of their reserves. With the growing awareness of these projected “stranded assets,” we could soon be seeing the massive devaluation of fossil fuel stocks, which could add a new variant to the cyclical volatility in generally declining fossil fuel prices. Divestment may not only be a moral imperative, but an economic one as well. In April, 2020, for a short time, the price per barrel for oil actually was selling in negative dollars, reflecting the severe oversupply and under-demand of domestic supplies.
The global oil industry now struggles to generate a profit under the $60/barrel price, a level unlikely to be reached with any reliability in the future, in consideration of the growth of renewable energy sources.

The risk to all fossil fuel investments will only increase with global actions to curb greenhouse gases, including the implementation of Climate and Community Protection Act here in New York. This nation leading law will see a carbon free grid by 2040 and an 85% reduction in overall GHG emissions by 2050. Implementation will require a fully electrified transportation sector, 100% renewable energy procurement and carbon neutral buildings — all requiring the rapid phase out of fossil fuel use. Each step towards these goals represents a puncture in the carbon bubble — slowly letting the air out of the inflated value of fossil fuels.

Investors worldwide must choose which side they’re on. According to a 2012 International Energy Agency (IEA) report, a trillion dollars must be invested annually and globally in green infrastructure and technologies if we are to effectively combat climate change. In 2018, NYC announced that the Comptroller would divest the New York City Board of Education Retirement System (BERS) and New York City Teachers’ Retirement System (TRS) from fossil fuel investments and committing to reinvesting, in whole or in part, in green infrastructure and renewable forms of energy. New York State as a whole should follow suit.

We call on the New York State Legislature to support the Fossil Fuel Divestment Act as an ethical and financial imperative for the long-term survival of New York’s economy and environment.

Sierra Club Atlantic Chapter Strongly Urges your support of S.2126-A/A.1536-A