

Support SB 252: Fossil Fuel Divestment

SUMMARY: SB 252 (Gonzalez, Wiener, and Stern) requires California Public Employees Retirement System (CalPERS) and the California State Teachers Retirement System (CalSTRS) to **refrain from making new investments or renewing existing ones in fossil fuel companies**, as defined, provided these actions are consistent with the funds' fiduciary responsibilities. Existing investments are required to be **eliminated from the funds' portfolios by July 1, 2031**, provided that divestment is consistent with the funds' fiduciary responsibilities—that is, **it will not sacrifice investment performance** in order to achieve goals that do not directly relate to the funds' operations or benefits.

WHY DIVEST?

- **Divestment will help the rapid transition away from fossil fuels that scientists say is absolutely necessary by revoking fossil fuel companies' "social license to operate."** From the South African divestment movement to the recent momentum to divest from Russian oil companies, divestment attracts attention to the harms caused by fossil fuels and attaches **reputational risk** to the lenders that finance its operations—including [risks that are evident to the fossil fuel industry itself](#).
- **The fossil fuel industry perpetuates environmental racism.** Fossil fuel exposure causes asthma, respiratory disease, and cancer— and communities living at the fenceline of fossil fuel operations are disproportionately [low-income households and people of color](#).
- **Fossil fuels are a financially irresponsible investment.** Asset managers overseeing 40 trillion dollars have chosen to shed their industry holdings, including Europe's biggest pension fund, APB. Furthermore, former Bank of England governor Mark Carney [emphasized the financial risk of holding assets that may become "stranded"](#) when we can no longer burn fossil fuels. Risks to the value of fossil fuel assets come from competition with ever-cheaper renewables as well as regulation or litigation preventing fossil fuel usage. Litigation poses additional financial risk when companies are required to pay damages, or [when lawsuits cause share price losses](#), including [multiple pending lawsuits](#) brought by cities and states.

LABOR AND DIVESTMENT

- Decarbonization or divestment will result in a net increase of jobs. **Research shows, employment in California's decarbonizing economy will result in [large job gains](#) according to a report sponsored by 20 California unions.**
- **Labor unions support SB 252**, unions representing over 470,000 Californians including California Faculty Association, AFSCME California, CFT, California Nurses Association, California Community College Independents, Los Angeles College Faculty Guild, Oakland Educators Association, and United Educators of San Francisco.
- The labor unions which have come out in opposition to the bill are almost all associated with the **California Building and Construction Trades Council, which has a [formal agreement with the Western States Petroleum Association](#)** to resist legislation that counter the interests of the fossil fuel industry.

DIVESTMENT IS CONSISTENT WITH THE FUNDS' FIDUCIARY DUTY

- CalPERS and CalSTRS would have generated an additional \$11.9 billion and \$5.5

billion respectively by 2019 had they divested in 2009 according to Corporate Knights. This is the equivalent of [\\$6,072 per CalPERS member](#) and [\\$5,752 per CalSTRS member](#) in 10 years. A recent [Corporate Knights study of the Colorado Public Employees Retirement System](#) shows a lost benefit of \$4,184 per beneficiary between 2012-2022.

- **Academics have found that [divestment has little to no impact on funds' returns](#), and that the [transaction costs of divesting fossil fuels are small](#).**

SHAREHOLDER ENGAGEMENT HAS FAILED

- **Even if engagement magically worked, it requires a more leisurely timetable than is currently available to us.** [The most recent IPCC report](#), issued in April 2022, says that we have only years—not decades—to phase out fossil fuels (specifically, that emissions must be cut almost in half in the next 8 years—now 7 years). As [this academic study](#) points out, the current plans of the fossil fuel industry are totally at odds with this imperative and that the companies studied exhibit “continuing business model dependence on fossil fuels along with insignificant and opaque spending on clean energy.”
- **Green Century fund managers note that [shareholder pressure is unlikely to have satisfactory results](#) when it intends to change a company's core business.** The equipment, knowledge, and highly trained personnel of companies like Chevron and ExxonMobil cannot be easily redirected into, say, the installation of wind turbines; however, their expertise will be required to safely decommission wells, pipelines, rigs, and storage facilities for years to come.
- **CalPERS and CalSTRS' sustainable shareholder engagement record is abysmal.** Execs at CalPERS and CalSTRS claim they're engaging with fossil fuel companies, but we know this is a [proven futile strategy](#). Plus, [they've voted against climate resolutions at all North American banks](#) and financial institutions in 2022.

PRECEDENT FOR SB 252

- **In 2015, the California legislature passed [SB 185—Divestiture of Thermal Coal Companies](#).** SB 252's bill language is modeled after this chaptered bill to ensure the constitutionality of its mandate.
- **Governor Newsom also issued an Executive Order ([EO N-19-19](#))** which called on CalPERS and CalSTRS to “leverage the state's \$700 billion investment portfolio to advance California's climate leadership.”

VISIONS & SOLUTIONS

- **This is about the better future we're building for all Californians:** economic stability; clean air, soil and water; thriving families, and healthy communities.
- This is not only about divesting from fossil-fueled chaos, **this is about investing in climate-safe solutions** like renewable energy, Indigenous ecological leadership, affordable housing, and accessible healthcare and public transit for all.
- **We have the opportunity to build a California where all of us can thrive** – teachers, students, firefighters, union members, fenceline communities, and pensioners.