

Fossil Free NYC: An Introduction

About 350.org

350.org is building a global grassroots movement to solve the climate crisis. Our online campaigns, grassroots organizing, and mass public actions are led from the bottom up by thousands of volunteer organizers in over 188 countries.

350 means climate safety. To preserve our planet, scientists tell us we must reduce the amount of CO₂ in the atmosphere from its current level of 392 parts per million to below 350 ppm. But 350 is more than a number—it's a symbol of where we need to head as a planet.

350NYC, founded in 2010, is a local volunteer-led group affiliated with 350.org. It has been involved with projects such as pulling together a thousands-strong Moving Planet rally at the UN in 2011 pushing for global progress on clean energy, the Don't Frack NY rally in Albany, and coordinated hundreds to bus to Washington DC for the recent Forward on Climate rally on the National Mall.

The Climate Math

We can only burn **565** more gigatons of carbon dioxide and stay below **2°C of warming** — anything more than that risks catastrophe for life on earth. Fossil fuel corporations now have **2,795 gigatons** in their coal, oil and gas reserves, five times the safe amount. These companies must keep 80% of their fossil fuels underground.

Climate Impacts on New York City

Average temperatures across the Northeastern United States have risen by over 2°F since 1970. Winter temperatures are 4°F warmer. The change in temperature is more noticeable at the extremes, however. Here in New York, we have seen an increase in the number of extremely hot summer days (above 90°F) and a decrease in the number of cold winter days (below 32°F). In the future, New Yorkers can expect:

- An increase in average annual precipitation of up to 5% by 2020; 10% by the 2050s; and 15% by the 2080s.
- Changing precipitation patterns, with increased precipitation in the winter, and decreased precipitation in late summer or fall.
- Lower rainfall amounts in the summer may increase the frequency of drought, and may

negatively affect the ability of drinking water supply systems to meet demand.

- Increasing mosquito populations, along with the danger of mosquito-borne disease.
- The agriculture sector is already feeling the effects of New York's changing climate. farmers are already experiencing increased insect, disease, and weed pressure
- Increases in the severity of heat-related illness, including heat stroke and heart attacks. Adaptation to heat waves will place additional stress on energy infrastructure and local governments.
- Declining air quality, caused by the increase in formation of ground-level ozone, leading to increased cardiovascular illness and respiratory disease.
- An increase in the severity and incidence of asthma and seasonal allergies, as plants such as ragweed produce pollen earlier and longer.¹

Making New York City's Investments Fossil Free

Of all the institutions that ought to be looking out for the public good, surely our local and state governments are foremost among them. They have a responsibility to divest from an industry that's destroying our future, and reinvest in solutions to climate change. Even as extreme weather events like Hurricane Sandy threaten to overwhelm local budgets, federal inaction to solve this crisis is all but stalled. We have the solutions, but we won't see any political progress on the issue until we can weaken the power of the fossil fuel industry.

The bottom line is this: divestment is the only moral choice for governments that care about their citizens. Solving the climate crisis is the only practical choice for governments that care about their solvency.

What are we asking for?

200 publicly-held companies own the vast majority of fossil fuel reserves underground--their stock prices and business plans depend on digging up and burning these reserves, which would lead to a 6-12 degree, or more, future.

If it's wrong for these companies to wreck the planet, then it's wrong to profit from that wreckage. We believe that educational and religious institutions, city and state governments, and other institutions that serve the public good should divest from fossil fuels. **We want New York City to**

¹ http://www.nrcc.cornell.edu/climate_change/climate_ny.pdf

immediately freeze any new investment in fossil fuel companies, and divest from direct ownership and any commingled funds that include fossil fuel public equities and corporate bonds within 5 years.

The NYC Pension Funds

The total NYC Pension Fund assets under management as of 2012 is \$127,458,000,000 and includes the city's cash balances, the Board of Education Retirement System (BERS), Employees' Retirement System (NYCERS), Fire Department Pension Fund (Fire), Police Pension Fund (Police), and Teachers' Retirement System (TRS) The Comptroller is the custodian and investment advisor to the Boards of the five Pension Funds, and therefore can exert powerful influence over the Boards on responsible investment issues.

For example, Seattle Mayor Michael McGinn recently wrote in a public letter: "I have directed the City's Finance Director, Glen Lee, that the City will not invest cash balances in fossil fuel companies in the future.... I have written to our pension system governing board to request that they refrain from investing in fossil fuel companies in the future, and begin exploring options for moving existing investments from fossil fuel companies. I will work with the City Council, City staff and the pension board on pursuing divestment in that portfolio."

The Financial Risks of investing in fossil fuels

Stranded Assets

There are a few ways that coal, oil and gas reserves could become "stranded assets" -- basically, assets that have lost their value.

The first way is if we limit global warming to 2 degrees through government regulation and cheap and abundant clean energy. If global warming is limited to 2 degrees, then this essentially means roughly 80% of fossil fuels have to stay in the ground, devaluing the coal, oil and gas reserves that these 200 companies have on the books.²

On the other hand if there is no limit to how much fossil fuel we burn unabated and we head towards 6 degrees of warming then vulnerable sectors will be affected. Agriculture, infrastructure, property and insurance sectors will suffer across asset classes. Hurricane Sandy caused \$65 billion in damages alone, and wasn't limited to the fossil fuel sector. 21st Century stranded assets could result due to extreme weather, crop production yields declining, acidifying oceans, health concerns and many other climate-related drivers.³

² 2011 Carbon Tracker Initiative. *Unburnable Carbon*

³ <http://www.carbontracker.org/unburnable-carbon/stranded-assets>

Poor returns

Aside from the problem of stranded assets, many classes of fossil fuel investments have proven to generate poor returns when compared to the Dow Jones average. Below is a graph showing the 3-year slide of the coal industry compared to the market average.



Shareholder advocacy

Using the NYC comptroller's clout, shareholders can and have moved companies to adopt more environmentally responsible practices. The comptroller should continue to lead shareholder advocacy campaigns with companies in a wide range of sectors to set greenhouse gas emission goals, improve energy efficiency across operations and source more renewable energy.

But, there is an inherent conflict of interest for investors to advocate that coal, oil and gas companies stop the production of fossil fuels given that it is their core business. Investors might persuade a coal company to put more protective linings in the land pits where it stores coal ash, but there is little rationale for investors to ask a company to stop pursuing the very activity that generates its revenues. So while shareholder advocacy remains an excellent vehicle for improving corporate sustainability in many areas, it is less effective as a tool for changing the

overall orientation of industries whose business models depend on producing fossil fuels.

Fiduciary Responsibility

Being a fiduciary responsible for investing other peoples' money means that you have a say in how investment risk is measured and recommendations implemented. There is significant latitude in the laws governing fiduciaries to encompass fossil fuel divestment. Adam Kanzer, managing director and general counsel of Domini Social Investments recently wrote: "First and foremost, fiduciaries must be dedicated to their beneficiaries' financial goals. This requires a deep understanding of risk and opportunity, including those relating to "social issues" that affect consumer demand and the broader economy, or impose legal risks and operational costs (e.g., cleanup costs). The debate has moved on from the artificial, bifurcated view of reality that views the investment portfolio in isolation from the real world. A modern fiduciary must understand how the corporation affects the health of the systems upon which it depends for its long-term survival."⁴

Reinvestment

New York City could benefit from reinvesting funds into new building projects, energy efficiency, public transportation and other green infrastructure projects, all of which often have better returns than fossil fuel stocks and bonds.

Key Reports and Materials (attached)

Global Warming's Terrifying New Math – Bill McKibben (in Rolling Stone)

Unburnable Carbon – Carbon Tracker Initiative

Do the Investment Math: Building a Carbon-Free Portfolio – Aperio Group

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<http://www.pionline.com/article/20130218/PRINTSUB/302189995/divesting-is-an-exercise-in-real-fiduciary-care>