SB 252 (Gonzalez) – Fossil Fuel Divestment Act

SUMMARY

Senate Bill (SB) 252 will prohibit the California Public Employees Retirement System (CalPERS) and the California State Teachers Retirement System (CalSTRS) from investing in fossil fuel companies, and provide they divest any current holdings in these companies by 2031, with an additional 5-year off-ramp should the funds encounter specified market conditions.

EXISTING LAW

SB 185 (De Leon, Chapter 605, Statutes of 2015) required CalPERS and CalSTRS to divest their investments in thermal coal companies, which has resulted in a positive $598 million return to the CalPERS fund.

California Constitution Article 16, Section 17 – establishes that: “the Legislature may by statute continue to prohibit certain investments by a retirement board where it is in the public interest to do so, and provided that the prohibition satisfies the standards of fiduciary care and loyalty required of a retirement board.”

BACKGROUND/PROBLEM

Californians, along with states and nations around the globe, are facing the real and immediate threats of climate change and its ever-growing impacts on our health, safety, environment, and our ability to pass on a livable planet to future generations.

California has been a world leader in taking steps to combat the causes of climate change, setting historic carbon reduction goals, and taking meaningful actions to help prevent environmental destruction and protect communities who bear the overwhelming brunt of carbon emissions.

Despite these forward-thinking actions, California’s multi-billion dollar retirement pension funds are actively investing billions of dollars in the very fossil fuel companies that are the primary cause of climate change.

CalPERS and CalSTRS, which invest the pension funds of state employees and teachers, have an investing power of $469 billion and $327 billion, respectively. Unfortunately, CalPERS estimates that they are currently investing $9.4 billion of these dollars in fossil fuel companies, and CalSTRS is investing in 159 fossil fuel companies with a combined market value of approximately $5.4 billion.

While California businesses and communities prepare to undertake the transformative changes necessary to meet our critical emissions reductions goals of 40% below 1990 levels by 2030 and 85% below by 2045, CalPERS is actively purchasing ownership in oil and gas companies such as $1.3 billion in Exxon, $817 million in Chevron, $158 million in Saudi Aramco, $61 million in PetroChina, $55 million in China Petroleum & Chemical, and dozens of other fossil fuel companies.

With the explosion of investment and development in carbon-free technologies, consumer pressure, and governmental regulation forcing a move away from fossil fuels, it has become clear that the fossil fuel industry may be a risky and myopic financial investment. In fact, data from the last four decades shows that in 1980, the fossil fuel industry claimed 29% of the S&P 500, whereas today,
it only occupies 5.3%, the lowest level in more than 40 years.¹

An estimated 1,500 institutions with over $40.5 trillion in assets have already taken action to end direct financial support of climate destruction by committing to some form of fossil fuel divestment, including the University of California, the California State University, the State and City of New York, the State of Maine, the Vatican, and the province of Quebec.²

In October of 2021, Netherland’s ABP, the fifth largest public employee pension fund in the world with $600 billion in assets, announced it would divest its current $17.4 billion of fossil fuels investments by the first quarter of 2023, citing corporate engagement as an ineffective strategy to change fossil fuel behavior.³ These investment numbers dwarf that of CalPERS and CalSTRS, and is following a divestment timeline of under two years.

Major investment management firms, BlackRock and Meketa, have independently concluded that funds can divest from fossil fuels without weakening investment returns.⁴ A further study has shown that if CalPERS and CalSTRS had divested from fossil fuels in 2010, they would have gained $11.9 billion and $5.5 billion in returns by 2019.⁵

In fact, CalPERS and CalSTRS have taken on divestments that have resulted in positive returns for the funds. CalPERS’s active divestment from Thermal Coal has resulted in $598 million in gains; divestment from Iran has resulted in $256 million in gains; and divestment from firearms manufacturers has resulted in $36 million in gains. Of CalPERS active divestments, only the divestment from tobacco companies has resulted in losses to the pension fund, and no one is arguing that CalPERS reinvest into such a dangerous product that runs afoul of the state’s public interest.

The pension funds have already recognized the need to move investments out of dangerous carbon emitting companies. CalPERS and CalSTRS have committed to reach a goal of NetZero investments at some point over the next 27 years. And while CalSTRS has taken steps in the last year to invest some of its assets in low carbon indexes and establish a partial NetZero goal by 2030, it still retains the ability to invest in the world’s largest fossil fuel companies.

Many of the teachers and state employees whose retirement futures are invested by CalPERS and CalSTRS have passed resolutions calling for the divestment of fossil fuels, including the California Faculty Association, the California Federation of Teachers, associations representing higher education faculty, academic senates at California State University and the University of California, and local teachers’ unions from Los Angeles to Oakland.

**SOLUTION**

SB 252 seizes the momentum of the worldwide divestment movement and continues the bold and progressive actions that California must take to address climate change. SB 252 ends the contradictory and incongruous actions that position the state as a leader in the fight against climate change, while simultaneously investing billions directly in the fossil fuel companies that are causing climate change.

Specifically, SB 252 will prohibit CalPERS and CalSTRS from making any new investments in the top 200 fossil fuels companies, and provides an off-ramp of 7 years to divest any current investments; with an additional 5-year off-ramp should the funds encounter specified market conditions.

Additionally, SB 252 will require CalPERS and CalSTRS to annually report on their divestment progress beginning in 2025.

**SUPPORT**

California Faculty Association (Sponsor)
Fossil Free California (Sponsor)
Active San Gabriel Valley
Ban Single Use Plastics
AFSCME
AFT 1521
Alameda County Democratic Party
Albany Teachers Association
Alliance of Nurses for Healthy Environments
Arroyo Democratic Club
Ban Single Use Plastic (SUP)

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¹ https://ieefa.org/resources/fossil-fuel-investments-looking-backwards-may-prove-costly-investors-todays-market
² https://divestmentdatabase.org/
³ https://apnews.com/article/climate-business-united-nations-netherlands-greenpeace-45f4a39e838667d032d2483956f01c9b
⁴ https://ieefa.org/resources/major-investment-advisors-blackrock-and-meketa-provide-fiduciary-path-through-energy
⁵ https://drive.google.com/file/d/1k27W2oTZaueEzrvit4RLfve6pvakqM/view
Bay Area System Change Not Climate Change
Bay Faculty Association
Berkeley Federation of Teachers
Black Women for Wellness
Breast Cancer Action
CA GND Coalition
CA Nurses for Environmental Health and Justice
California Climate Voters
California Community College Independents
California Environmental Voters
California Interfaith Power and Light
California Nurses Association
California State Treasurer Fiona Ma
CALPIRG
Cascadia Climate Action Now
Center for Biological Diversity
Center for Community Energy
Center on Poverty, Race and the Environment
Change Begins With ME (Indivisible)
City of Brisbane
CleanEarth4Kids.org
Climate Action CA
Climate Action Campaign
Climate Action Campaign of the Humboldt Unitarian Universalist Fellowship
Climate Action Now UCLA!
Climate Crisis Action Team, Unitarian Universalist Church of Davis
Climate Equity Policy Center
Climate First: Replacing Oil & Gas
Climate Hawks Vote
Climate Health Now
Climate Organizing Hub
Climate Reality Project SFV
Coastside Jewish Community
Congregation Shir Ami Dayenu Circle
Consumer Watchdog
Cool Davis
Courage Campaign
CTA Bat Caucus (CTA BadAss Teachers Association Caucus)
Dayenu Circle of Jewish Silicon Valley
Dayenu: A Jewish Call to Climate Action
Democrats of Pasadena Foothills
Duarte Unified Education Association
Earth Care Alliance Sonoma Valley
Earth Guardians
Earth Guardians Bay Area Crew
East Valley Indivisibles
El Pueblo Para el Aire Y Agua Limpia de Kettleman City
Environmental Working Group
Equity Transit
Extinction Rebellion SF
Faculty Association, Foothill-De Anza Community College District
Feminists in Action Los Angeles
Food and Water Watch
Fridays for Future
Friends Committee on Legislation of California
Friends of the Earth
Green Team at Francis Parker School
GreenFaith
Greenpeace
Ground Game LA
Harmony Union Teachers Association
Health Professionals for Equality and Community Empowerment
Healthy Environment for All Lives (HEAL)
Human Rights Working Group, First UU Society of SF
Indivisible CA: State Strong
Labor Network for Sustainability
LACCD Sustainability Institute
Lets Green CA
Napa Climate NOW!
National Resources Defense Council
North Bay Electric Auto Association
Oakland Education Association
Oil and Gas Action Network
Our Revolution-Feel the Bern, Los Angeles County
Pacific Climate Committee
Physicians for Social Responsibility SF Bay
Pierce College Sustainability Committee
Protect Playa Now
Puvunga Wetlands Protectors
Queers 4 Climate
Regenerating Paradise
San Bernardino Valley Audubon Society
San Diego Physicians for Clean Air
Santa Barbara Standing Rock Coalition
Santa Cruz Climate Action Network
Santa Cruz County Democratic Party
Saphron Initiative
Schools for Climate Action
SF Baykeeper
Sierra Club California
SoCal350 Climate Action
Social Compassion in Legislation
Social Eco Education Los Angeles
SolidarityINFOService
Sonoma Valley Earth Care Alliance
South Bay Progressive Alliance
Stand.earth
Sunflower Alliance
System Change Not Climate Change
The Climate Center
The River Project
Third Act
Third Act Educators
TIAA-Divest!
Transition Sebastopol
Twin Hills Teachers Association
UC Green New Deal Coalition
United Educators of San Francisco
Youth Climate Strike Los Angeles
Youth Vs Apocalypse
Zero Hour
1000 Grandmothers for Future Generations
350 Bay Area Action
350 Conejo San Fernando Valley
350 Humboldt
350 Marin
350 Sacramento
350 San Diego
350 South Bay Los Angeles
350 Southland Legislative Alliance
350 Ventura County Climate Hub

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