

CITY OF OAKLAND



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May 19, 2023

State Senator Toni G. Atkins
Senate President pro Tempore
1021 O Street, Suite 8518
Sacramento, CA 95814

Re: Support for SB 252

Dear State Senator Atkins and the Honorable Members of the Senate:

I write to you today to express my support for Senate Bill No. 252, the CalPERS and CalSTRS fossil fuel divestment bill, as sponsored by State Senators Gonzalez, Stern, and Wiener. Together these two pension funds serve approximately three million members. As Oakland's elected city attorney, my office joined sister cities and counties years ago to lead the state in prosecuting lawsuits on behalf of the People of the State of California and some respective jurisdictions to hold the fossil fuel industry ("Big Oil") accountable for its climate deception.¹ I share your individual and collective commitments to a fiscally sound, environmentally resilient California, and believe in using the power of elected office to protect the present—and future—of our people and our state. I urge this body to approve this critical legislation.

There are four straightforward reasons why the Senate should pass SB 252: it's financially responsible; it's consistent with the direction that numerous other governments, NGOs, and even for-profit institutions are moving; it's a necessary step to meet local, state, national, and international climate commitments; and it's the right thing to do to redress climate and environmental injustices.

First, SB 252 is the financially responsible path forward. Our state public pension funds already divested from coal in 2017, pursuant to the requirements of Government Code §

¹ See *People of the State of California v. B.P. P.L.C. et al.*, Alameda County Superior Court No. RG17875889, available at <https://www.oaklandcityattorney.org/PDFS/Oakland%20Climate%20Change%20Lawsuit.pdf>.

7513.75. That divestment did not harm the pension funds' capacity to meet their commitments to their present or future pensioners.²

Similarly, divesting now from fossil fuels over the bill's proposed eight-year time horizon should not harm the pension funds' ability to meet their commitments. Instead, the opposite is likely: in our current and future economy, fossil fuels are no longer a wise investment. Since 2010, the market values of the four largest fossil fuel companies have dropped by more than 50%.³ An analysis in 2021 found that shares of ExxonMobil alone lost 47% of their value in the prior five years, while during those same years, the S&P 500 gained 84%.⁴ Also, BP, Shell, ConocoPhillips, Chevron, and Marathon Oil all have seen significant reductions in their valuations since 2016.⁵ Further, even if some of those companies' valuations temporarily rebound, the fossil fuel industry's "stranded assets," or assets suffering or predicted to suffer from premature devaluations, are an enormous cause for investor concern—particularly for long-term investors such as our state public pension plans. In fact, a 2022 study estimated that the global fossil fuel industry faces over \$1 trillion in stranded assets in the coming years, most of which are ultimately owned by investors such as pension funds.⁶ Thus divestment is the prudent financial option, consistent with public pension funds' key fiduciary duties.⁷

Second, as a related matter, fossil fuel divestment is no fringe movement or passing fad. Nearly 1,600 institutions worldwide, including governments, universities, and for-profit industries, representing over \$40 trillion in assets, have committed to some level of fossil fuel divestment.⁸ Here in California, our state's premiere public university system, the University of California, has fully divested,⁹ as have respected organizations such as the California Academy of Sciences¹⁰ and major cities such as Oakland¹¹ and

² See, e.g., Wilshire Associates, "Agenda Item 6b: Consultant Review of CalPERS Divestments," Investment Committee, Item 06b-01, October 13, 2022, *available at*:

https://www.calpers.ca.gov/docs/board-agendas/202211/invest/item06b-01_a.pdf; Wilshire Associates, "Five-Year Divestment Review," Investment Committee, Item 09a-01_a, March 21, 2021, *available at*:

https://www.calpers.ca.gov/docs/board-agendas/202103/invest/item09a-01_a.pdf;

³ Clark Williams-Derry and Grant Smith, "Oil and gas: An industry in decline," Environmental Working Group, April 7, 2021, *available at*: <https://www.ewg.org/news-insights/news/oil-and-gas-industry-decline>.

⁴ Karin Kirk, "Investors flee Big Oil as portfolios get drilled," *Yale Climate Connections*, Jan. 14, 2021, *available at*: <https://yaleclimateconnections.org/2021/01/investors-flee-big-oil-as-portfolios-get-drilled/>.

⁵ *Id.*

⁶ Gregor Semieniuk et al., "Stranded fossil-fuel assets translate to major losses for investors in advanced economies," *Nature Climate Change* 12, 532–538 (2022), *available at*:

<https://www.nature.com/articles/s41558-022-01356-y>.

⁷ For a further explanation, see Center for International Environmental Law, "Trillion Dollar Transformation: Fiduciary Duty, Divestment, and Fossil Fuels in an Era of Climate Risk" (2016), *available at*: <https://www.ciel.org/wp-content/uploads/2016/12/Trillion-Dollar-Transformation-CIEL.pdf>.

⁸ Stand.earth, "Divestment Database," *available at*: <https://divestmentdatabase.org/>.

⁹ U.C. Office of the President, "UC's investment portfolios fossil free; clean energy investments top \$1 billion," May 19, 2020, *available at*: <https://www.universityofcalifornia.edu/press-room/ucs-investment-portfolios-fossil-free-clean-energy-investments-top-1-billion>.

¹⁰ Dr. Jonathan Foley, "An Update on Fossil Fuel Divestment," Cal. Academy of Sciences, June 28, 2016, *available at*: <https://www.calacademy.org/blogs/from-our-director/an-update-on-fossil-fuel-divestment>.

¹¹ Oakland City Council Resolution No. 85053 CMS, June 17, 2014, *available at*: <https://fossilfreeca.org/wp-content/uploads/2015/01/CityofOaklandResolution.pdf>.

San Diego.¹² Across the U.S., the state of Maine has already passed a law requiring it to fully divest,¹³ as have numerous other cities, counties, and pension funds.

Even for-profit organizations agree that moving in this direction is sensible: wealthy investment funds such as BlackRock, the world's largest asset manager responsible for over \$8.6 trillion, concluded that not only does divestment not *harm* their clients¹⁴ bottom line, but, if anything, modestly *improves* their financial positions.¹⁵ These examples further explain why divestment is the financially responsible decision for CalPERS and CalSTRS, some of the largest public pension funds in the world.

Third, the state of California has already committed to transitioning away from fossil fuels and toward a carbon-neutral future, with A.B. 1279 setting a legally binding timeline for achieving full carbon neutrality. Many local governments such as Oakland's¹⁶ have also set their own similar targets. These types of commitments are critical to the world meeting the goals of the Paris Agreement. Per the recent reports of the Intergovernmental Panel on Climate Change, the entire planet needs to slash its carbon emissions and fossil fuel use by nearly 2/3 by 2035.¹⁷ Meeting these goals will be impossible if funding for fossil fuel projects continues at today's levels. To meet the Paris Agreement's commitments, research shows that 90% of coal reserves and 60% of oil and gas reserves need to remain underground.¹⁸

Yet major financial institutions, from banks¹⁹ to pension funds like CalPERS and CalSTRS, continue to invest in these very companies and projects. **It is time for these massive California public pension funds, which collectively control over \$773 billion, to stop contributing to ongoing and new fossil fuel projects.**

¹² San Diego City Council Resolution No. 314089, May 9, 2022, *available at*: https://docs.sandiego.gov/council_reso_ordinance/rao2022/R-314089.pdf; David Garrick, "San Diego will stop investing in fossil fuel industry to avoid contradicting city climate goals," *San Diego Union-Tribune*, Nov. 30, 2021, *available at*: <https://www.sandiegouniontribune.com/news/politics/story/2021-11-30/san-diego-will-stop-investing-in-fossil-fuel-industry-to-avoid-contradicting-city-climate-goals>; San Diego City Council Resolution No. 313784, Nov. 29, 2021, *available at*: https://docs.sandiego.gov/council_reso_ordinance/rao2021/R-313784.pdf.

¹³ L.D. 99, enacted June 16, 2021, *available at*: <http://www.mainelegislature.org/legis/bills/getPDF.asp?paper=HP0065&item=4&snum=130>.

¹⁴ In this instance, the Comptroller of the City of New York, regarding city pension funds. See, e.g., BlackRock Sustainable Investing, "Investment and Fiduciary Analysis for Potential Fossil Fuel Divestment, Phase 3: Identification, Analysis and Evaluation of Prudent Strategies for Potential Divestment," *available at*: <https://ieefa.org/sites/default/files/2023-01/BlackRock-Phase-Three.pdf>.

¹⁵ Id.; see also Tom Sanzillo, "Major investment advisors BlackRock and Meketa provide a fiduciary path through the energy transition," Institute for Energy Economics and Financial Analysis, March 22, 2021, *available at*: <https://ieefa.org/resources/major-investment-advisors-blackrock-and-meketa-provide-fiduciary-path-through-energy>.

¹⁶ Oakland City Council Resolution No. 88268 CMS, July 28, 2020, *available at*: <https://cao-94612.s3.amazonaws.com/documents/Council-Resolution-88268-Adoption-of-2045-Carbon-Neutrality-Goal.pdf>.

¹⁷ Intergovernmental Panel on Climate Change, "Synthesis Report of the Sixth Assessment Report," March 20, 2023, *available at*: <https://www.ipcc.ch/ar6-syr/>.

¹⁸ Dan Welsby et al., "Unextractable fossil fuels in a 1.5 °C world," *Nature* 597, 230–234 (2021), *available at*: <https://www.nature.com/articles/s41586-021-03821-8>.

¹⁹ Rainforest Action Network, "Banking on Climate Chaos: Fossil Fuel Finance Report 2023," *available at*: https://www.ran.org/wp-content/uploads/2023/04/BOCC_2023_vFinal-4-19.pdf.

Finally, passing SB 252 and divesting from fossil fuels is the right thing to do to protect California's frontline and fence-line communities. These communities are over five times more likely to live well under a mile from one or more hazardous facilities that are at risk of flooding by 2050; the City of Oakland is in one of the top five most affected counties in the state.²⁰ Further, a study in the past decade found that nearly 92% of the people living within a mile of ongoing or new fossil fuel development in California are Black, Indigenous, and/or People of Color ("BIPOC").²¹ Due to long legacies of systemic racism, California's low-income and BIPOC communities are disproportionately impacted by climate change, climate risk, climate harm, and pollution. Continuing to invest in fossil fuel companies and projects directly and indirectly perpetuates these injustices.

In sum, SB 252 is financially prudent, part of a critical global movement, essential to the state and the world meeting climate goals, and essential to preventing further harm to frontline and fence-line communities.

I am available to answer your questions or provide further information about any of these points. I again urge this body to pass SB 252.

Thank you for your time.

Very truly yours,



BARBARA J. PARKER
City Attorney

cc: Senator Nancy Skinner
Senator Lena A. Gonzalez
Senator Henry Stern
Senator Scott Wiener
Assemblymember Mia Bonta

²⁰ U.C. Berkeley, "Toxic Tides: Fact Sheet," available at: https://drive.google.com/file/d/1ZgZC-OROefaz0D8v_rqTrR0TvSjgxPbO/view.

²¹ Tanja Srebotnjak and Miriam Rotkin-Ellman, "Drilling in California: Who's At Risk," NRDC Report (2014), available at: <https://www.nrdc.org/sites/default/files/california-fracking-risks-report.pdf>; see also Liza Gross, "When an Oil Well Is Your Neighbor," Inside Climate News, Aug. 29, 2022, available at: <https://insideclimatenews.org/news/29082022/oil-well-health-california/>.