

Vermont Fossil Fuel Divestment Bill (S.42) FAQ

Third Act Vermont, Divestment Action Team

What is S.42?

- This bill would require the Vermont Pension Investment Commission (VPIC) to divest fossil fuel investments in a financially prudent manner from the retirement funds covering retired Vermont educators, state employees, and some municipal employees.

What are the financial reasons for divestment?

- Fossil fuels have become a bad investment because:
 - Market forces now favor cheaper energy alternatives such as wind and solar,
 - Increasing litigation and regulatory pressure on fossil fuels will reduce future profitability,
 - Fossil fuel reserves artificially prop up value, but may never be extracted (stranded assets),
 - Increasing worldwide divestment (now > \$40 Trillion) is decreasing value of fossil fuels,
 - Studies show divestment produces modest improvement in fund returns.
- S.42 includes safeguards to allow VPIC to divest within 7 years only “in accordance with sound investment criteria and consistent with fiduciary obligations.”
 - It includes a 2% de minimis exemption and allows private investments until 2040.

Treasurer Mike Pieciak supports S.42: “The first thing as treasurer is to do no harm to the pension system — I don’t believe this bill does that,” Pieciak said. “Then you also need to look at the financial risk of investing in fossil fuels over the short, medium and long term. And I think this bill creates a framework to do just that and to reduce our risk over time.”

What are the environmental reasons for divestment?

- Climate scientists agree that climate change is caused by burning fossil fuels.
- Worldwide effects include loss of human life, extreme weather disasters, food scarcity, climate refugee migration, and loss of biodiversity.
- Climate change has already affected Vermonters directly through weather-related disasters (flooding, wildfire smoke), agricultural disruption (2023 apple crop), and climate refugee migration to Vermont (contributing to homelessness).
- Fossil fuel investments directly fund the industry that is making our planet uninhabitable.

Divestment is supported by:

- Vermont Senate (passed S.42 on 3/30/2023, voted 22 yes and 8 no)
- Vermont Treasurer Mike Pieciak
- A coalition of Vermont environmental organizations
- Over 1,500 pension plans, faith-based organizations, colleges, (including UVM, NYC retirement systems, the Church of England, and the Vatican)

“Investing in new fossil fuel infrastructure is moral and economic madness. Such investments will soon be stranded assets – a blot on the landscape and a blight on investment portfolios.” - UN Secretary General António Guterres, following the release of the 2022 IPCC Report on Global Climate Change

“Helping to fund the destruction of our environment is insanity; profiting from it makes us complicit.”

– Los Angeles Times editorial, June 6, 2023

For more information, contact David McColgin: davidmccolgin@yahoo.com 802-356-9863