

# Third Act Vermont Position Paper in Support of Vermont Fossil Fuel Divestment Bill – S.42

(Revised 9/13/2023)

## **Background:**

[Third Act Vermont](#) supports the [amended fossil fuel divestment bill](#) originally introduced in the Senate (S.42) by Senator Kesha Ram Hinsdale and in the House (H.197) by Representative Gabrielle Stebbins. The Senate passed S.42 by a vote of 22 to 8, and the bill is currently pending in the House. This legislation would require the Vermont Pension Investment Commission (VPIC) to prepare a financially prudent plan for divesting the state employee pension funds it manages from fossil fuels companies, and to implement that plan over the next seven years. The bill exempts de minimis investments and private investments but sets a goal of divesting from private investments by 2040 if this can be done in a way that is financially prudent.

As Third Act founder Bill McKibben said, “Vermont, by divesting, will strike an important blow--both symbolic and practical--in the climate fight. It will protect pensioner's savings, but it will also help protect the planet on which all of us hope to retire.”

## **Protect the Pension Funds:**

State Treasurer Mike Pieciak testified in support of the bill, stating that as amended the bill would not harm the pension funds and would provide a flexible framework for VPIC to use in implementing its goals in a financially prudent manner. The divestment bill is designed to protect the value of the pension funds by requiring VPIC to create a plan for divestment “in accordance with sound investment criteria and consistent with fiduciary obligations.” This means VPIC's plan must be designed to avoid de-valuing the pension funds. VPIC can certainly create such a plan because studies show divested portfolios have either matched or out-performed their benchmarks, and hundreds of funds worldwide have [divested in a manner that meets the prudence tests required of fiduciaries](#). If they can do it, VPIC can too.

Fossil fuels are a bad investment because the fossil fuel industry has lost its financial rationale. Clean energy sources such as wind and solar are now less expensive than fossil fuels, and market forces favor these sustainable alternatives. As explained in a [recent report](#), “Divestment is a defensive tool employed to protect investors from the loss of value - losses as certain as climate change’s global reach.” Economic data plainly predict a decline in fossil fuel assets over the long term. The fiduciary obligation of VPIC to maximize the value of the pensions it manages requires it divest from fossil fuels.

## **Protect the Environment:**

Fossil fuels are driving catastrophic climate change and global warming, which [disproportionately impacts](#) rural and marginalized, disenfranchised, and disinvested communities, especially youth and senior citizens. Climate change is also creating [a critical public health problem](#), making many existing diseases and conditions worse and helping pests and pathogens spread into new regions, [including Vermont](#). The world needs to shift as rapidly as possible away from fossil fuels to clean energy such as wind and solar. The fossil fuel industry plans to spend \$1.5 trillion on new oil and gas developments by 2040. But as a [UN expert panel has determined](#), if we are to meet the goal of limiting global warming to 1.5 degrees Celsius, all new fossil fuel developments *must stop immediately*. Divestment moves us toward that goal by depriving the fossil fuel industry of the capital it needs to fund these catastrophic new fossil fuel developments. *Vermont pensions should not be invested in industries that are harming Vermonters by furthering global warming.*

**Summary:** For both financial and environmental reasons, Vermont should enact the amended fossil fuel divestment bill.