

Divesting DC from Fossil Fuels



DC Divest's Goal:

To divest District of Columbia funds from the 200 publicly traded fossil-fuel companies with the largest fossil-fuel reserves, immediately halt new direct investments in these companies and gradually wind down existing and commingled investments over a period of five years.

The Climate Problem We Face

Fossil fuel companies have extensive reserves, which, if used, would guarantee catastrophic climate change. Recent analysis by top financial analysts shows that fossil fuel companies have proven reserves of coal, oil and gas with **five times** the amount of carbon as can be released while staying under the international red line of 2°C (3.6°F).

The District's funds include investments in some of the world's worst climate polluters. DC's Retirement Funds include holdings in ExxonMobil, Chevron, Arch Coal, Anadarko Petroleum, Consol Energy and likely many more of the companies that have the largest carbon reserves. The city's investments serve as a tacit endorsement of those companies' business plans to profit from carbon pollution and leave us to deal with the costs.

Climate disruption is already harming us now and the fossil fuel status quo guarantees it will get worse. DC residents know that extreme weather events, like Superstorm Sandy and the 2012 derecho that knocked power out for days during an intense heat wave, are happening with increasing intensity. Scientists say that burning increasing amounts of fossil fuels makes events like these even more severe and frequent. The federal government is even building a new flood wall on the National Mall -- a "monument to climate change" -- in preparation for extreme weather.

Climate change is already impacting the poorest and most vulnerable populations in the District, and that impact will only grow worse if we do not take action now to keep fossil fuels in the ground. One in five District residents lives in poverty. Low-income residents spend a larger portion of their income on food and energy than do wealthier residents, so they bear a greater burden when food prices rise as a result of droughts and heat waves force us all to turn up our air conditioning.

The politically powerful fossil fuel industry has blocked real action against climate change. With \$34 million in campaign contributions to Congress, the fossil fuel industry has plenty of political friends. Until citizens and cities stand up to say that it is wrong to profit from wrecking the climate, real solutions will always be too hard to achieve.

But Would Divestment Help?

Yes! Divestment has been a crucial tool to mobilize international opinion, particularly in the movement against South African apartheid in the 1980s and 90s. Nelson Mandela credited divestment as an important catalyst in the downfall of the apartheid system and has even come out in support of fossil fuel divestment himself.

Fossil fuel divestment is a growing movement across the nation and world. **Major cities including San**

Francisco, Berkeley, Santa Monica and Seattle have all committed to fossil fuel divestment. Universities are taking up the call, too, with six colleges already committed to divesting their fossil fuel holdings, and active divestment campaigns at over 300 more. Finally, ordinary people throughout the country are taking steps to shift their own investments away from fossil fuels.

In joining these cities, universities, and citizens, the nation's capital has the **opportunity to send a strong and clear message to the federal government, the nation and the world that we will not help bankroll our own planet's destruction.**

DC Can Make it Happen and It Could Save Money

On December 9th, 2014 the DC Council unanimously passed a Sense of the Council Resolution (PR 20-1118) recognizing the immediate and "substantial global risks" posed by climate change, calling on the District of Columbia Retirement Board (DCRB) and Chief Financial Officer (CFO) to "explore all means possible for minimizing the District's involvement with companies with the largest fossil fuel reserves." Unfortunately, this non-binding resolution is a half-measure that does not include a framework or timeline for divesting from fossil fuel companies, or even exploring it.

DC has divested its funds several times in the past to show moral opposition. In addition to South Africa in the 1980s, the DC Council divested from companies doing business with the governments of Sudan and Iran in 2009, and proposed legislation to divest from Arizona in 2010 to protest the state's discriminatory laws against immigrants and minorities. **The District has shown that divestment is a powerful political tool.**

There would be little or no impact on the financial returns of the District's investments. Research by the Aperio Group shows that divesting from fossil fuels increases risk by 0.0101 percent. According to MSCI and Impax Asset Management, mutual funds that screen out fossil fuels have actually performed slightly better than the average in recent decades.

Perhaps most important, divesting shields the District's funds against long-term portfolio risk from the "carbon bubble." Analysis conducted by Carbon Tracker and since confirmed by HSBC and other major financial institutions suggests fossil fuel companies may be overvalued by up to 50 percent, because once climate disruption forces governments to curb greenhouse gas emissions, the majority of the world's fossil fuel reserves will be effectively unburnable. Efforts by the American Petroleum Institute to portray fossil fuels as a prudent investment conveniently overlook this fact.

Through the Sustainable DC plan and the city's Climate Action Plan, DC's leaders have committed to making the District the "healthiest, greenest and most livable city in the United States." **Removing the city's funds from fossil fuel companies is the next step to making this vision a reality.**

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