From Dollars to Decarbonization

A local government blueprint for fossil-free finance

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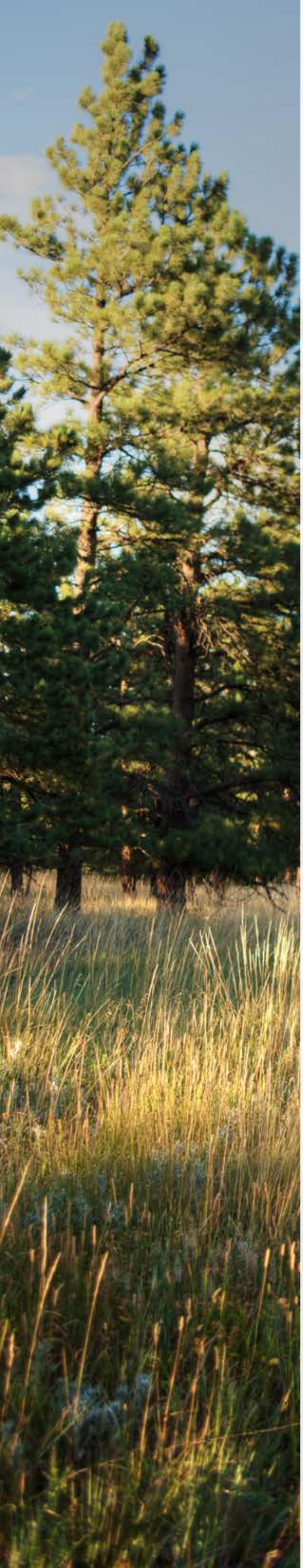
Boulder County

Sustainability, Climate Action & Resilience



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Boulder County

Sustainability, Climate Action & Resilience

Boulder County residents are experiencing the impacts of the climate crisis in the form of high heat days, extreme weather, drought, poor air quality, and devastating wildfires. As a global leader in climate action, Boulder County is committed to the radical transformation needed to meet this challenge. Through programs and policies that foster innovation, coalition-building, and equitable outcomes, Boulder County is cutting emissions, removing carbon dioxide from the atmosphere, and supporting systemic change to fight the climate crisis.

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We are a grassroots movement working to build a fossil-free future powered by 100% renewable energy, and we empower communities across Colorado to join together to fight for environmental justice. Through our volunteer-led teams, we use a variety of tactics, such as legislation and direct action, to take on the climate crisis.

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Abstract

Influential economic actors are needed to finance the transition to sustainable solutions. Without a rapid and significant reallocation of capital, we will not achieve a net-zero future in time to keep global warming below 1.5°C. Despite this dire warning from the international scientific community, governments, pension funds, insurance companies, and banks around the world continue to collectively invest trillions of dollars in fossil fuels, and their actions today will be deciding factors in whether or not we sufficiently decarbonize our economy and avert the worst of the climate crisis. However, around the world, 1596 institutions collectively worth $40.51 trillion have committed to divesting from fossil fuels, and that number is growing every year. County and municipal governments have a unique opportunity to lead the charge in removing public funds from fossil fuels, and many around the world are already playing a crucial role in paving the way to a sustainable, resilient future. This toolkit offers a step-by-step guide for local governments looking to decarbonize their funds in four key areas: pensions, insurance, banking, and direct fossil fuel divestment. Featuring in-depth research, real-world case studies, policy templates, and more, this toolkit offers a clear path forward in decarbonizing your local government's finances.

"Former Massachusetts Governor Mitt Romney ushered in Obamacare. After many failures at the local level President Franklin Roosevelt passed the Social Security program. He was a former Governor. Local officials have always been America's big picture innovators. This gem of a guide for local officials has within it the seeds of financially sound climate solutions (divestment and new economic development plans). Those who read it need only the will and courage to build on this powerful tradition."

- Tom Sanzillo, Former New York State Comptroller
Director of Financial Analysis, IEEFA

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Introduction

The Importance of Climate Finance

The latest Intergovernmental Panel on Climate Change (IPCC) report could not be clearer: if we are to limit global warming to 1.5°C and avert the most devastating effects of climate change, there can be no expansion of coal, oil, and gas production.[1] An International Energy Agency (IEA) report stated that "from today, no investment in new fossil fuel supply projects" is critical to achieve net-zero emissions by 2050.[2]

It is imperative that financiers stop investing in fossil fuel expansion. Despite this dire warning from the global scientific community, Wall Street banks, pension funds, and governments around the world continue to collectively invest trillions of dollars in fossil fuels. As of 2023, over 6,500 institutional investors hold shares in coal, oil, and gas companies that are collectively worth over $3.07 trillion.[3] Climate disasters are already having catastrophic consequences around the world, with frontline communities, communities of color, low-income communities, and communities in the global south being hit the hardest, despite contributing the least to the crisis.

The good news is that around the world, 1596 institutions, collectively worth $40.51 trillion, have committed to divesting from fossil fuels, and that number is growing every year.[4] Governments make up 11.3% of these divestment commitments. County and municipal governments have a unique opportunity to lead the charge in removing public funds from fossil fuels and paving the way for a sustainable, resilient future.

In this toolkit, you will find information and resources on four major ways that your government can decarbonize its funds. These include supporting pension divestment efforts, screening insurers based on their fossil fuel policies, moving public funds out of banks financing the climate crisis, and divesting county and municipal funds from fossil fuels.

By undertaking the steps outlined in this toolkit, your government can help to lead the charge in securing a safe, sustainable, and just future for all.

THE FINANCIAL RISKS OF FOSSIL FUEL INVESTMENT

Climate risk is financial risk.

In the United States, climate-related disasters like hurricanes, severe storms, droughts, floods, wildfires, and freezes have led to **$2.615 trillion in losses since 1980**.[5] In the first eight months of 2023, the U.S. experienced 23 separate billion-dollar disasters due to climate change – the most events on record during a calendar year.[6] Climate disasters create portfolio-wide investment risks, as a variety of sectors are negatively impacted by climate change.[7]

The long-term financial performance of the fossil fuel sector has been weak, and the short-term outlook of the fossil fuel sector is unsustainable.

Trends in the Standard & Poor's 500-stock index top 10 companies from 1980 to 2022 show a gradual decline in returns on investments in the oil and gas industry.[8] While fossil fuel profitability has recently increased due to market bottlenecks driven by the Russia-Ukraine conflict, increasing carbon pollution regulation and growing commitments to energy transition mean that these windfalls are unlikely to continue long-term.[9]

Fossil fuel companies increasingly face competitive market pressures that they are ill-equipped to navigate.

Due to cost efficiencies and technological innovation, fossil fuel companies are increasingly facing competitive pressures in the three primary industries they rely on for profit: electricity, transportation, and petrochemicals.[10] While oil and gas companies have had ample time to prepare for a sustainable energy transition, they have opted to invest in new fossil fuel development and political lobbying, leaving the industry ill-equipped to navigate the current energy transition.[11] Continuing to invest in a declining industry is not a sustainable long-term financial strategy.

Fossil fuel divestment is a defensive financial strategy.

To stay within our emissions goals and keep global warming below 1.5°C, *at least* 90% of current coal reserves and 60% of oil and fossil methane gas reserves must stay in the ground between now and 2050.[12] As the world takes action to prevent climate change, the value of fossil- fuel companies is likely to plummet rapidly. Therefore, there is potential for rapid, unexpected, and significant loss of value of fossil fuel reserves.[13] When these products become unprofitable to extract, they become stranded assets. An increasing number of financial institutions are recognizing climate change as a threat to our economy, and making the defensive decision to divest from fossil fuels before they expose their portfolios to risk of devalued assets.

More and more institutions across the world are divesting from fossil fuels.

As of 2023, 1,596 institutions have committed to divesting from fossil fuels, with a total value of $40.51 trillion, and this number is growing each year.[14] Every new commitment to remove funding from fossil fuels helps to inform and pave the way for future divestment commitments and brings the world closer to staying within 1.5°C of warming.

THE LEGAL RISKS OF FOSSIL FUEL INVESTMENT

The fossil fuel industry is increasingly facing climate-related legal liability.

A total of over 2,340 climate-related legal cases have been filed, two-thirds of which have been filed since 2015.[15] Many of these cases target the fossil fuel industry directly.

Fossil Fuel Industry Deception
The fossil fuel industry knew about climate change many years before the public did and took steps to conceal the truth through political lobbying and public misinformation campaigns.[16]

Consumer Protection
Like successful litigation against tobacco and opioid companies, lawsuits are being brought against fossil fuel companies for scientific misinformation. In the United States, at least five states and seven municipalities have active consumer protection suits against fossil fuel companies.[17]

Climate Damage Claims
Governments are seeking damages for disasters linked to climate change. These cases are likely to increase as the connection between disasters and climate change is increasingly supported by scientific evidence.[18]

Human Rights Violations
Human rights claims create pathways to industry liability. Fossil fuel companies' denial of climate change is increasingly being understood as a human rights violation.[19]

Creating Precedents
The growing numbers and mounting successes of climate-related lawsuits are paving the way for future cases by setting strong precedents for environmental and human rights protections.

Fiduciaries are legally required to assess financial risks to their portfolios and take steps to address those risks.

The legal case for fossil fuel divestment is building: as climate change poses economic threats across countless sectors, it is essential that portfolio managers take steps to assess and address these risks. The legal case Chao v. Merino upholds the fiduciary "affirmed that, once a fiduciary is aware of a risk, action must be taken to address it." [20]

Climate litigation reduces the stock value of fossil fuel firms.

A groundbreaking analysis of 108 climate change-related lawsuits filed worldwide against fossil fuel corporations found a direct causal link between climate litigation and firms' stock prices.[21] The study concluded that climate litigation filings or unfavorable court decisions reduced firm value by -0.41% on average, relative to expected values. The largest stock market responses were observed in cases filed against "Carbon Majors."

THE MORAL RISKS OF FOSSIL FUEL INVESTMENT

The humanitarian impacts of the climate crisis are already here.

Climate change threatens every community in the world, including yours. From floods and hurricanes to drought and wildfires, the humanitarian impacts of the climate crisis grow each year. Elected leaders have a unique opportunity to be a part of the solution, and their constituents are counting on them to do so.

Communities that have contributed the least to the climate crisis, and who have minimal resources to adapt, are disproportionately impacted by disasters.

While the climate crisis is being felt everywhere, it is not being felt everywhere equally. Communities living at the frontlines of oil and gas extraction are directly experiencing the health impacts of the air toxins in their neighborhoods. Millions of people living in coastal areas, particularly in the global south, are already being displaced by rising sea levels. Many of the nations being hit the hardest by the climate crisis also have the fewest resources to put towards climate adaptation and mitigation.

We have a duty to leave a livable planet for young people and future generations.

Young people are experiencing unprecedented levels of climate grief and anxiety. In fact, a 2021 survey of 10,000 young people across ten countries found 84% of respondents were worried about climate change, with over 50% reporting feeling sad, anxious, angry, powerless, helpless, and guilty, and 75% saying that they thought the future was frightening.[22] According to the study, “respondents rated governmental responses to climate change negatively and reported greater feelings of betrayal than of reassurance. Climate anxiety and distress were correlated with perceived inadequate government response and associated feelings of betrayal.“ Faced with uncertainty about the future of the planet they will inherit, young people are looking to their elected leaders to take every measure at their disposal to ensure a livable future.

Maintaining investments in the fossil fuel industry upholds the social legitimacy of that industry and makes it harder to shift to more sustainable solutions.

As major investors in the global market, governments, banks, insurance companies, and pension funds wield enormous power and influence, and their actions today will be deciding factors in whether or not we sufficiently decarbonize our economy and avert the worst of the climate crisis. By maintaining their investments in fossil fuels, the world‘s most powerful and influential institutions are signaling to the global market that it is okay to continue business as usual, thus upholding the social license of the fossil fuel industry to continue extracting and putting the future of our planet at risk.

THE BENEFITS OF FOSSIL FUEL DIVESTMENT

Removing financing from the drivers of the climate crisis

The South African anti-apartheid movement successfully drove global change through divestment, and paved the way for the rise of the fossil fuel divestment movement decades later. The premise is simple enough: by removing funding from the fossil fuel industries that are driving the climate crisis, we can ensure that these harmful industries are no longer able to operate, and instead re-direct funds to climate solutions.

The fossil fuel divestment movement has gained significant momentum in recent years, and evidence increasingly shows that it has moved money out of oil and gas. A 2020 study from the Journal of Economic Geography found that "increasing oil and gas divestment pledges in a country, particularly where these are signaled by non-financial organizations and non-governmental organizations (NGOs), are associated with lower new capital flows to domestic oil and gas companies." [23] With the number and strength of global fossil fuel divestment commitments growing each year, we are likely to see a snowball effect that will make it increasingly challenging for the fossil fuel industry to continue conducting business as usual.

Revoking the social license of the fossil fuel industry to continue extracting

In 2012, Bill McKibben, the founder of the international climate advocacy group 350.org, launched the "Go Fossil Free: Divest from Fossil Fuels [Campaign]," with the guiding goal of "revok[ing] the social license of the fossil fuel industry." [24] When the industries that are most directly responsible for fueling the climate crisis become publicly stigmatized, they become less appealing to institutional investors. And conversely, as institutional investors move away from fossil fuels, they become increasingly stigmatized by the public. A 2023 report found this to be true when it concluded that "the Go Fossil Free divestment movement has had a disproportionate impact on share prices by changing the economic narrative. By stigmatizing target companies, it has increased stranded asset risk. Divestment pledges that went viral have depressed share prices of all high carbon emitters, including those with no significant divestment." [25]

Reinvesting in climate solutions

Transitioning away from fossil fuels and towards a green energy economy in a just and equitable way will require a rapid and massive reallocation of trillions of dollars worth of capital. [26] By divesting from fossil fuels and reinvesting in climate solutions, we can help to secure financing for green infrastructure and renewable energy, as well as climate adaptation and mitigation.

Paving the way for future climate action

Every new fossil fuel divestment commitment helps to build the global movement and pave the way for stronger climate action in the future. Governments at every level carry a unique influence in shifting the public narrative in a more sustainable and ethical direction.

Climate Finance Topics Covered in this Toolkit

This toolkit was created for local governments to reference when deciding how to decarbonize their municipal funds. You will find research, reports, policy templates, FAQs, and more to help inform your transition to more sustainable finance, across four key topic areas:

1

Pensions

Globally, pensions invest trillions of dollars across a variety of sectors, including billions in the fossil fuel industry. However, evidence increasingly shows that pensions are missing out on returns by continuing to invest in fossil fuels. Recognizing the risks of their fossil fuel investments, many pension funds are leading the charge on fossil fuel divestment.

2

Insurance

Insurance companies are supposed to protect us from catastrophic risks. Yet, they continue to provide insurance to fossil fuel projects and invest hundreds of billions into fossil fuel companies, while refusing to affordably insure those living in high-climate-risk areas. By screening insurance providers based on their fossil fuel policies, governments can pressure insurance companies to do better.

3

Banking

Since the Paris Agreement, the world's 60 biggest banks have financed fossil fuels to the tune of $5.5 trillion. Meanwhile, global investment in renewable energy fell over $2 billion short of the annual amount required to meet the goals of the Paris Agreement. By exploring banking alternatives, local governments can pull taxpayer dollars out of the financial drivers of the climate crisis and redirect that money to climate solutions and other local priorities.

4

Fossil Fuel Divestment

Major cities in the U.S. including Chicago, Seattle, New York City, and Los Angeles have pledged to divest from fossil fuels and reinvest in climate solutions. By determining how much money they have invested in fossil fuels and crafting policy language to remove their direct holdings in fossil fuel companies, city and county governments can ensure no new investment in fossil fuels, and mobilize their investments to promote a greener future.

1

PENSIONS

Introduction

As a government employer, it is very likely that many or all of your employees are members of a public pension fund. As major investors, pension funds hold billions of dollars worth of investments in the fossil fuel industry. However, evidence increasingly shows that pensions are missing out on returns by continuing to invest in fossil fuels. Conversely, research also shows that in many cases over the last ten years, divested funds have outperformed traditional funds.

Recognizing the risks of their fossil fuel investments, many pension funds are leading the charge on fossil fuel divestment, with 187 pension funds globally committed to divestment. These include 19 pension funds within the U.S., many of which are city or county pension funds.[27]

Whether your city or county manages its pension fund or is enrolled in a statewide pension fund, there are various financially prudent steps your government can take to push its pension fund in a more sustainable direction.

Financial prudence is critical to successful fossil fuel divestment. As pension funds have a fiduciary responsibility to maximize returns for their members, divestment is often portrayed as being antithetical to maximizing returns. However, there is mounting evidence that removing fossil fuel investments can actually *boost* the long-term performance of pension funds due to the long-term decline of the profitability of the fossil fuel industry and the increasing profitability of the renewable energy sector.

While removing fossil fuel investments may seem daunting; this roadmap offers resources and real-world examples to help guide the process to ensure that your pension fund is both environmentally and financially sustainable.

Research Overview

Pension funds are bankrolling the climate crisis.

As major investors holding over $46 trillion in assets, pension funds worldwide are among the largest fossil fuel investors, accounting for billions of dollars invested in fossil fuel companies annually.[28] A 2021 report by Stand. Earth and the Climate Safe Pensions Network found that just 14 U.S. pension funds collectively invest $81.6 billion in fossil fuel companies.[29] In addition to their direct investments in fossil fuels, pension funds also invest billions of dollars in the world's largest banks, which have provided trillions of dollars to fossil fuel companies since the adoption of the Paris Climate Agreement.[30]

Pensions are missing out on billions of dollars by investing in fossil fuels.

Evidence is mounting that not only are fossil fuels bad for the planet, they are also bad for the pension funds that invest in them. In 2023, a groundbreaking report by Waterloo University found that just six public pension funds in the U.S. collectively missed out on over $21 billion in returns by failing to divest from fossil fuels ten years ago.[31]

In 2022, a study commissioned by Boulder County and conducted by Corporate Knights estimated that the Colorado's Public Employees Retirement Association (PERA), was valued at $2.7 billion less than it would have been had it divested from fossil fuels a decade earlier and redistributed those funds across the rest of the portfolio.[32] Shockingly, this figure had jumped by a whole $1 billion in the three years since a similar study was conducted by Corporate Knights in 2019.[33] The 2023 Corporate Knights study forecasted that PERA could potentially miss out on an additional $6.4 billion in returns if it failed to divest from fossil fuels within the next decade.[34]

Fossil fuel divestment does not increase financial risk, but can improve pension fund returns.

As evidence is mounting that fossil fuels are a bad investment, numerous studies also show that investors are not financially harmed by fossil fuel divestment. Before deciding to divest their pension funds from fossil fuels, the New York City Comptroller's Office commissioned two separate studies by BlackRock and Meketa on the financial impact of fossil fuel divestment. Both studies separately concluded that the investment fund would experience no negative financial implications from divesting from fossil fuels; in fact, both studies found evidence of modest improvement in fund return.[35]

Looking at the financial risks of fossil fuel divestment to institutional investors, a 2020 study published in the Climate Policy journal concluded that "screening out fossil fuel stocks has no significant impact on the return and the risk of a global well-diversified portfolio of industry indexes. From this, we conclude that divestment from fossil fuel companies does not influence total financial risk for the investor." [36]

Maintaining fossil fuel investments puts investors at risk of rapid value loss.

To limit global warming to 1.5°C, 90% of current coal reserves and 60% of oil and gas reserves must stay in the ground between now and 2050.[37] However, the vast majority of fossil fuel producers are not adjusting their business models to take into account the changing energy markets, and are instead investing billions of dollars in exploring and extracting new reserves. As the world takes action to prevent climate change, the retirement of fossil fuel infrastructure and the inability to burn remaining fossil fuel resources will inevitably lead the value of fossil fuel companies to plummet rapidly. This presents an alarming liability for investors, known as "*stranded assets*".[38]

A 2022 article published in Nature predicts that stranded fossil fuel assets will translate to significant investor losses and could exceed $1 trillion if adequate climate policies are implemented.[39] The study finds that the majority of market risk falls on private investors in wealthy countries and that pension funds and governments face substantial stranded asset risk. In response to these alarming numbers, some have argued that it is necessary to phase out fossil fuels slowly and gradually, to avoid stranded assets devastating the general public, particularly via their pension funds. However, research published by the World Inequality Lab in June of 2023 found that the loss of fossil fuel assets would have a minimal impact on the general public and would most prominently impact the top 10% of wealthiest investors.[40] Specifically, the study finds that "in the U.S., two-thirds of the financial losses from lost fossil fuel assets would affect the top 10% of wealth holders, with half of that affecting the top 1%." [41]

An alarming new report by Carbon Tracker demonstrates that pension funds and other financial institutions are relying on flawed investment models that dramatically underestimate the financial risks of the climate crisis – specifically, these models predict that global warming of 2 to 4.3°C will have only a minimal impact on member portfolios, and that economic growth would continue even with 5 to 7°C of global warming.[42] These economic models are entirely incongruent with climate scientists‘ warnings that this scale of global warming would pose “an existential threat to human civilisation.” [43]

Holding on to fossil fuel investments until they cease to be profitable is a losing strategy for pension fund returns and the planet. Therefore, fossil fuel divestment falls completely in line with fiduciary duty and should be understood as a defensive long-term investment strategy.

Private equity investments in fossil fuels present outsized risks to pensions.

Private Equity has come under scrutiny in recent years for its outsized contribution to the climate crisis, and for the financial risks the industry poses to pension funds, which collectively make up the largest investor class in private equity.[44] Private equity firms have a business model of buying and managing companies, driving down their costs and driving up their prices before selling them for a profit. As of 2022, private equity had assets worth nearly $12 trillion in companies ranging from hospitals, real estate, restaurants, and prisons, among many others.[45] A report from 2021 showed that private equity firms had invested around $1.1 trillion into energy assets since 2010, with the vast majority of that money going to fossil fuels.[46] As publicly traded oil and gas companies face increasing pressure to cut their emissions, many are selling their fossil fuel assets to private equity firms, who will then continue to manage and operate these fossil fuel assets with very little oversight, transparency, or accountability.[47] A 2022 report showed that private equity-owned power plants spew an estimated 200,749,403 metric tons of carbon dioxide annually and account for 14 percent of U.S. power plant climate emissions.[48] With the lack of transparent metrics for valuing private equity assets, including fossil fuel assets, researchers are warning that private equity investments in pension fund portfolios are a ticking time bomb, with the potential for a rapid and severe drop in value.[49]

Pension funds are failing to use their power as shareholders to move the companies they invest in in a more sustainable direction.

Every year from April to June, publicly traded companies hold their annual shareholder meetings, in which every investor with a financial stake in the company votes on a series of resolutions, many of which are introduced by shareholders themselves. This voting period is known as "Proxy Season." As major investors in the global market, pension funds have the power to influence businesses to behave more ethically and sustainably, by voting in favor of resolutions that promote climate action, justice and equity. However, far too often, pension funds across the U.S. are failing to engage on climate change and human rights concerns in the companies they invest in, voting against Environmental, Social, and Governance (ESG) resolutions the majority of the time.

In 2022, three separate studies looking at three different U.S. pension funds all found a disappointing lack of engagement. A study by 350 Colorado found that Colorado's PERA voted against 61.5% of ESG resolutions relating to climate change, human rights, and racial justice.[50] A study of California's pension funds, CALPERS and CALSTRS, found that they consistently voted against climate-friendly resolutions at major fossil fuel corporations and banks.[51] A study of the Washington State Investment Board (WSIB) found that the fund's votes undermined climate-related resolutions at major utility and fossil fuel companies, banks, and insurance companies.[52]

In addition to undermining climate action with their proxy votes, pension funds have also worked to undermine legislative action to improve their proxy voting policies. A 2023 bill introduced in the Colorado State Legislature would have required Colorado PERA to align their proxy voting policies with Colorado's greenhouse gas emission reduction targets.[53] However, due to pressure from the executive director of PERA, that provision was amended out of the bill.

Shareholder engagement can be an important step in moving banks, insurance companies, and major corporations to align their business practices with climate action, human rights, and racial justice. However, engaging with fossil fuel companies while continuing to invest in those companies is a false solution. For decades, fossil fuel companies have worked to undermine climate change research and advocacy, and they have proven time and again that engagement is a lost cause. Thus, while pension funds can be influential in pushing banks, insurance companies, and major corporations to behave more ethically and sustainably, shareholder engagement cannot serve as a stand-in for fossil fuel divestment.

Case Study: New York City, NY

In January of 2018, New York City became the first major city in the United States to commit to divesting their pension fund from fossil fuel companies.[54] New York City's fossil fuel divestment journey began in 2017, when the NYC Comptroller's Office did a comprehensive assessment of risks related to climate change.

In order to ensure that they could maintain stability in their portfolio, New York City commissioned two separate studies, by Meketa Investment Group and Blackrock Investment Management, to assess the risks associated with divesting from fossil fuels.[55] Both studies separately concluded that there would be no negative financial impact from divesting from fossil fuels.

In December of 2021, the New York City Comptroller announced successful $3 billion divestment from fossil fuels.[56]

In 2023, New York City Comptroller Brad Lander, together with the NYC Employees' Retirement System (NYCERS), Teacher's Retirement System (TRS), and the Board of Education Retirement System (BERS) adopted an implementation plan to achieve a net zero investment portfolio by 2040.[57]

This implementation plan outlined four key strategies to mitigate climate risk:

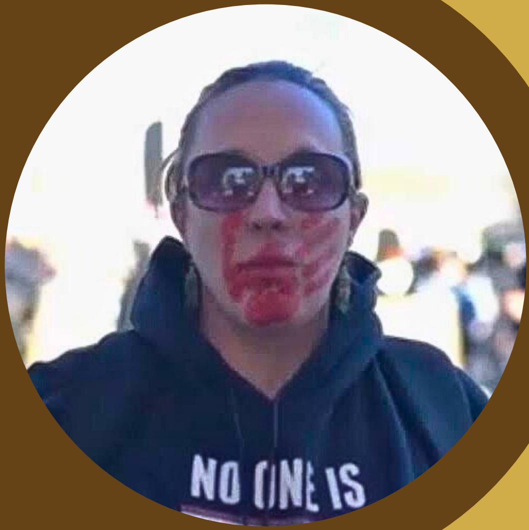
1. Disclose Emissions and Set Interim Targets
2. Engage portfolio companies and asset managers to be net-zero aligned
3. Invest in climate change solutions
4. Divest to reduce risk

As part of the 2023 Net Zero Implementation Plan, New York City's Chief Financial Officer announced plans to halt the future private equity holdings of NYCERS, TRS, and BERS from fossil fuel investments.[58] Private equity owns over 20% of fossil fuel plant capacity in New York,[59] and the private market has been increasingly buying fossil fuel assets from publicly traded companies[60] while largely avoiding public scrutiny. By being among the first major public pensions in the U.S. to halt future private equity investments in fossil fuels, New York City's pension funds are leading the charge in holding the private market accountable for its contribution to the climate crisis.

"We can no longer ignore the risks that climate change poses to our planet, and our investments. Meeting this moment requires keeping fossil fuels in the ground and investing in sustainable infrastructure for a just transition. Three of New York City's public pension funds have taken bold action to safeguard the long-term future of their portfolios by adopting robust net zero plans, divesting from fossil fuel reserves, and investing in climate solutions. These actions are critical to our goals of prudently addressing climate risks and maximizing returns for New York City pensioners."

- Brad Lander, New York City Comptroller

"Amidst fires, floods, and deadly heat, pension funds are meant to operate on the longest-term investment horizon, so why are they bankrolling billions in climate chaos-causing fossil fuels? From the University of Waterloo to IEEFA, research affirms that the financial case for fossil fuel divestment is stronger than ever. Instead of gambling with public employees', teachers', retirees', and workers' hard-earned savings, pensions can reinvest in climate-safe solutions that protect the climate and the bottom line."



- Amy Gray, Stand.Earth Senior Climate Finance Strategist
Climate Safe Pensions Network Coordinator

Steps to Decarbonize Your Pension Fund

If your city has its own pension fund

1. **Make the case for divestment**
   - In most cities or counties, pension funds are legally independent bodies, so the first step will be to make a strong case for fossil fuel divestment with the pension fund's decision makers.
2. **Identify the pension fund's fossil fuel investments**
   - Work with the pension fund managers to identify current holdings in fossil fuel companies. The Carbon Underground 200 List identifies the top 100 coal and the top 100 oil and gas publicly-traded reserve holders globally, ranked by the potential carbon emissions content of their reported reserves. This list offers a great resource for determining current fossil fuel holdings.
3. **Study the financial impact of fossil fuel divestment for your city's pension fund**
   - Once all fossil fuel holdings have been identified, your city may want to commission a study on the investment risks of its fossil fuel holdings, and/or a study to compare actual financial returns with what they would have been had the portfolio been fossil-free over the previous decade. It is likely that the study will demonstrate greater returns for a fossil-free portfolio, which will bolster the argument for fossil fuel divestment when engaging with stakeholders. See the Resources section for examples.
4. **Engage with key stakeholders**
   - Engage with key stakeholders, particularly the pension fund's Board of Trustees and labor representatives who benefit from the pension fund. Communication is key, and it is important not to burn bridges when planning a fossil fuel divestment strategy.
5. **Develop a Divest/ Invest policy for your pension fund**
   - This can be done in a variety of ways, and it is important to consult with city or county leadership to determine the best way forward. One way is to pass a resolution or a mayoral executive order requiring that the pension fund drop its fossil fuel holdings within an agreed-upon timeframe. Or, you can work with the pension fund leadership to develop a climate policy that includes fossil fuel divestment and reinvestment in climate solutions.
6. **Make a public announcement**
   - Make a public announcement about your city or county's decision to divest its pension fund(s) from fossil fuels. Prepare a press release and alert the media in advance of the resolution's passage. You can find sample press releases in the Resources section below.
7. **Create a time-bound implementation plan with clear benchmarks to monitor progress**
   - Work with the pension fund's leadership to create a bold but feasible roadmap for removing the pension's fossil fuel investments within a required timeframe. Specific benchmarks are key for monitoring implementation.
8. **Monitor progress**
   - Monitor implementation to ensure measurable progress is being made. It may be a good idea to require regular progress reports. Make public announcements when key benchmarks are met.

For a detailed outline of the steps involved in decarbonizing your city's pension fund, you can refer to: "Divesting from Fossil Fuels, Investing in Our Future: A Toolkit for Cities" by C40

If your city employees are enrolled in a statewide pension fund

1. **Make the case for fossil fuel divestment with the state pension fund's leadership**
   - Reach out to the statewide pension fund as a government employer, and urge the pension fund to divest from fossil fuels.
2. **Commission a study on the financial risks of fossil fuel investments and/or the benefits of divestment for your state pension fund**
   - If the statewide pension fund is resistant to fossil fuel divestment, your city or county can commission a study to show the financial risk and potential losses due to the pension's fossil fuel investments. For example, Boulder County commissioned a study conducted by Corporate Knights which demonstrated that Colorado's statewide pension fund, PERA, had lost $2.7 billion by not divesting from fossil fuels a decade earlier.
3. **Pass a resolution in support of statewide pension divestment**
   - Your city or county can send a strong message in support of fossil fuel divestment by passing a proclamation or resolution in support of divesting the state's pension fund from fossil fuels. See the Resources Section for examples you can draw from.
4. **Support pension divestment legislation**
   - Reach out to state legislators, particularly those that represent your city or county, and urge them to sponsor or support legislation that would require the statewide pension fund to divest from fossil fuels. If a bill is introduced at the state legislature, your city or county leadership can voice their support via public testimony, publishing an Op-Ed or Letter to the Editor, and/or lobbying key legislators to support the bill.
5. **Engage with stakeholders to build momentum for pension divestment**
   - Engage with key stakeholders, particularly labor representatives, beneficiaries of the pension fund, and other local governments, to build support for statewide pension divestment. Building a strong and diverse movement is key to a successful campaign.
6. **Help to elect or appoint members to the Board of Trustees who support divestment**
   - In some places, it may be viable to get board members elected or appointed to the state pension fund's Board of Trustees who are supportive of fossil fuel divestment.
7. **Engage the media**
   - Submit a Letter to the Editor or Opinion Editorial to local, state, and/or national media to publicly endorse efforts to get your state pension to divest from fossil fuels. See the Resources section for examples.
8. **If divestment does not seem politically feasible in your state at this point**
   - You can support efforts to require the pension fund to publish a climate risk assessment for their investments, and/or urge the pension fund to adopt proxy voting procedures that align with greenhouse gas emission reduction goals outlined in the Paris Climate Agreement.

Supporting Proxy Voting Policies that align with greenhouse gas emission reduction goals

Whether your city or county employees are enrolled in a citywide, countywide or statewide pension fund, advocating for climate-friendly proxy voting policies can be a strong complement to a fossil fuel divestment strategy. It is important to note, however, that shareholder engagement is too often employed as a stand-in for fossil fuel divestment, with the argument being that by remaining invested in fossil fuel companies, shareholders can influence these companies to behave more ethically.

Shareholder engagement *can* be an important step in moving banks, insurance companies, and major corporations to align their business practices with greenhouse gas emission reduction goals. However, engaging with fossil fuel companies while continuing to invest in those same companies is a false solution. Globally, experts have sent a strong message that halting new investments in fossil fuels is critical for reaching net-zero emissions by 2050. For far too long, fossil fuel companies have actively worked to undermine climate action, and engagement efforts have proven futile.

Thus, we recommend a dual effort of: 1) Encouraging pension funds to use their shareholder power to vote in favor of climate-friendly resolutions at banks, insurance companies, and major corporations, while 2) divesting from the fossil fuel companies that are driving the climate crisis.

Here are some ways your city or county can promote climate-friendly proxy voting policies:

1. **Advocate for your pension fund to adopt proxy voting policies which align their votes with greenhouse gas emission reduction goals**
    - Reach out to the pension fund's leadership as a government employer, and urge the pension fund to adopt adopt proxy voting policies which align their votes with greenhouse gas emission reduction goals outlined in the Paris Climate Agreement, or in your state's greenhouse gas emission reduction roadmap, if applicable.
    - Your city or county could pass a resolution or proclamation in support of climate-friendly proxy voting policies for the pension fund.
    - Your city or county leadership could publish and Op-Ed or Letter to the Editor in support of climate-friendly proxy voting policies for the pension fund.
2. **Commission a study on your pension fund's proxy voting history to identify where the fund currently stands on shareholder engagement**
    - Most public pension funds are required to publicly disclose their proxy votes each year. Your city or county could commission a study to see where the pension fund currently stands on shareholder engagement. These studies can be powerful advocacy tools for getting the pension fund to vote in favor of climate-friendly resolutions.
3. **Support legislation requiring the pension fund to adopt proxy voting policies that align with greenhouse gas emission reduction goals**
    - Reach out to state legislators, particularly those that represent your city or county, and urge them to sponsor or support legislation that would require the statewide pension fund to align their proxy voting policies with greenhouse gas emission reduction goals. If a bill is introduced at the state legislature, your city or county leadership can voice their support via public testimony, publishing an Op-Ed or Letter to the Editor, and/or lobbying key legislators to support the bill.

FAQs

If we divest from fossil fuel companies, we'll have no leverage with those companies. Wouldn't it be better to pursue shareholder engagement?

After years of shareholder activism and engagement with fossil fuel producers, there is no evidence to suggest these companies are changing the fundamental business models that have led to the climate crisis. A 2019 report predicted that the oil and gas industry is set to spend nearly $5 trillion over the next decade on exploration and extraction in new fields.[61] A 2022 study found that in the previous decade, the fossil fuel industry spent $3.4 billion on political activities, with the largest expenditure on advertising and promotion, followed by lobbying, grants and political contributions.[62] Additionally in 2023, several oil and gas companies, including Exxon, scaled back their climate goals and plans to invest in renewable energy.[63]

What are some key flags and pieces of advice for city or county governments considering taking action on pension divestment?

In pursuing a fossil fuel divestment strategy for your pension fund, it is important to build and maintain relationships with key influencers and decision makers, and to not burn any bridges. When planning a divestment strategy, it may be beneficial to create a "Power Map" to identify the key decision makers, stakeholders, and influencers who will need to be won over for a fossil fuel divestment strategy to be successful. Having data to back up the call for fossil fuel divestment can be enormously helpful in making the case for divestment as a financially prudent and risk-free strategy for your pension fund to pursue. Commissioning studies demonstrating that the pension fund will not be harmed by fossil fuel divestment, and/or studies that show the financial risks of maintaining fossil fuel investments, can offer strong financial rationale when making the case for divestment.

How would a city or county go about finding how much of their pension fund is invested in fossil fuels, and how their pension fund could be impacted financially from fossil fuel divestment?

Pension funds can vary in the transparency of their investments. In some cases, the pension may make their holdings publicly available and accessible, while other pension funds may require a Freedom of Information Act (FOIA) request to access their investment information. Your city or county may find it helpful to commission a research firm to find investment information for your pension fund, and to conduct studies on potential losses or gains of fossil fuel divestment/ investment. Corporate Knights, Waterloo University, Third Rail Economy, and Climate Nexus are just a few examples of firms that can conduct this type of research.

Resources

Fossil Fuel Divestment Risk Studies

Meketa Investment Group Report

- Phase 1: Asset Owner Survey and Definitions
- Phase 2: Analysis of Fossil Fuel Reserve Owners
- Phase 3: Options for Prudent Divestment from Fossil Fuel Reserve Owners

BlackRock Investment Management & Financial Services Report

- Phase 1: Survey of Divestments and Identification of Securities
- Phase 2: Identification, Analysis and Evaluation of Investment Risks
- Phase 3: Identification, Analysis and Evaluation of Prudent Strategies

Fossil Fuel Investment Risk Studies

Corporate Knights Report: "Colorado Public Employees' Retirement Association: Fossil Fuel Stocks Divestment Analysis."

Waterloo Report: "The Impact of Energy Investments on the Financial Value and the Carbon Footprint of Pension Funds."

Pension Net Zero Implementation Plans

New York City Net Zero By 2040 Implementation Plans:

- NYCERS Net Zero Implementation Plan
- TRS Net Zero Implementation Plan
- BERS Net Zero Implementation Plan

Resolutions Supporting Divestment

Template: Municipal Resolution in Support of Statewide Pension Divestment

Jersey City Resolution Calling For Fossil Fuel Divestment From Its Pension Plan

Berkeley Resolution in Support of State Pension Divestment Bill

Letters & Articles Supporting Divestment

Oakland Letter in Support of State Pension Divestment Bill

Opinion Editorial: Oakland City Attorney Supporting Pension Divestment Bill

Proxy Voting Resources & Reports

Proxy Preview: Yearly Data on ESG Shareholder Resolutions

350 Colorado: PERA Proxy Voting Report

Fossil Free California: CalPERS & CalSTRS Proxy Voting Report

350 Washington: WSIB Proxy Voting Report

Additional Resources

Climate Safe Pensions Network Pension Divestment Campaign Planning Template

"Divesting from Fossil Fuels, Investing in Our Future: A Toolkit for Cities" by C40

Carbon Underground 200 List

MSCI Global Fossil Fuel Exclusion Indexes

2

INSURANCE

Introduction

Insurance companies are supposed to provide us with financial protection in the face of natural disasters. However, these companies also play a key role in promoting the expansion of fossil fuels, which are driving the climate crisis. Without insurance, fossil fuel companies would be unable to operate, yet insurance companies continue to underwrite risky fossil fuel projects and invest billions of dollars of their customers' premiums in fossil fuel companies.

Despite global scientists' calls for no expansion of fossil fuels, *starting now*, U.S. insurance companies continue to insure projects like coal-fired power plants, tar sands pipelines, and other risky fossil fuel infrastructure that devastates frontline communities and accelerates the climate crisis. U.S. insurers also hold estimated combined investments of over $536 billion in fossil fuel interests.[64] Insuring and investing in these large-scale fossil fuel projects is placing a bet that these projects will be profitable long-term, which is entirely at odds with a net-zero future.

Meanwhile, the same insurers that are driving the climate crisis are increasingly abandoning communities at risk from climate change impacts by scaling back coverage, not renewing homeowner policies in vulnerable areas, or leaving high-risk states entirely.[65] [66]

Due to the rise of public and investor pressure, some U.S. insurers are beginning to align their business models with a fossil-free future. Only one insurer is restricting underwriting for conventional oil and gas,[67] while six others have restricted underwriting for coal projects.[68] Far too many insurance companies, however, continue to promote business as usual, and the existing commitments, while a good start, do not go far enough.

Due to an increase in public pressure, including a rise in local government resolutions to screen insurance contracts based on their fossil fuel policies, insurance companies are beginning to feel growing public pressure to decarbonize. As major insurance customers, city and county governments have a lot of power to sway these companies in a more sustainable and ethical direction.

Research Overview

U.S. Insurers are investing hundreds of billions of dollars in fossil fuels.

A 2021 report by S&P Global analyzed nearly 4,000 U.S. insurance investment portfolios and estimated that in 2019, U.S. insurance companies held a combined $582 billion in fossil fuel investments.[69] Even more alarmingly, the report found that insurance investments in fossil fuel companies actually *increased* by $63 billion between 2018 and 2019, the most recent years with data available.

U.S. Insurers continue to underwrite high-risk fossil fuel projects.

Without insurance, fossil fuel projects would not be able to be built or operate. Insurance companies are keenly aware of the risks posed by the climate crisis, yet they continue to underwrite high-risk fossil fuel projects, including fracking wells, pipelines, tar sands mines, and coal-fired power plants. Insurance companies have unique power to stop new fossil fuel projects from being built, by simply refusing to insure them. While some insurers have begun to adopt policies to restrict underwriting new oil, gas, tar sands and coal projects, many of these commitments do not go far enough, and far too many companies lack any fossil fuel restriction policies at all.[70]

U.S. Insurers are increasingly abandoning high-climate-risk areas.

As the ultimate managers of risk, insurance companies are fully aware of the damage borne by the climate crisis. In fact, they were warning about the climate crisis as early as the 1970s.[71] As they continue to underwrite and invest in new fossil fuel projects, insurance companies are also increasingly raising rates or dropping coverage entirely for the communities most at risk of climate disasters. In June of 2023, Allstate announced that they would stop offering new insurance policies in California.[72] State Farm, the largest homeowner insurance company in California, as well as the largest U.S. insurance investor in fossil fuels,[73] made a similar decision to stop selling coverage to California homeowners one week prior.[74] Similar trends have emerged in Kentucky, Louisiana, and Florida, where homeowners are finding it increasingly difficult to afford insurance, or acquire coverage at all.[75]

Insurance companies face increasing scrutiny on their fossil fuel policies.

In June of 2023, the U.S. Senate Budget Committee launched an investigation into seven major insurance companies for insuring and investing billions in the fossil fuel industry.[76] In addition to requiring the insurers to provide internal information on their fossil fuel underwriting and investing, the investigation also required the companies in question to provide their plans to align with the Paris Climate Agreement.[77] It is very likely that this Senate investigation will spur additional inquiries from other U.S. departments, as well as state and local governments.

Due to increasing public pressure, insurers are beginning to adopt policies to limit their fossil fuel underwriting.

As of April 2023, 45 insurers have committed to end or restrict insurance services for coal, 25 insurers have committed to end or restrict underwriting for tar sands projects, 19 insurers have committed to end or restrict underwriting for Arctic fossil fuel development, 16 insurers have committed to end or restrict underwriting for oil and gas production, at least 16 have restricted investments in tar sands, and an estimated 70 companies have committed to divest from the coal industry or end new investments in the sector.[78] While these commitments signal a shift in the insurance industry, far too many of the commitments do not go far enough in aligning with a 1.5°C pathway, and far too many companies lack any clear climate policies.[79]

State and local governments around the U.S. are calling on insurers to drop ties to fossil fuel companies and are adopting policies to screen insurance providers based on their fossil fuel policies.

Since 2018, three city and county governments have passed resolutions to screen their insurance providers based on their fossil fuel policies. In July of 2018, San Francisco became the first U.S. city to pass a resolution to screen potential insurers for investments in coal and tar sands.[80] In February of 2020, Boulder County became the first county in the U.S. to implement a policy for screening insurance contracts based on their fossil fuel policies.[81] In March of 2021, Los Angeles became the largest city to call on insurers to drop fossil fuels and screen insurers for their fossil fuel policies.[82]

Three state governments have also called out insurer's fossil fuel financing. In April of 2020, the New York City Comptroller sent letters to executives at AIG, Liberty Mutual, and Berkshire Hathaway, demanding them to stop underwriting coal projects and fully divest from coal companies.[83] One month later, Massachusetts State Legislators wrote an open letter calling on Liberty Mutual to cut ties with fossil fuel projects and companies.[84] In a global first, Connecticut passed a bill in 2021 which included in the state budget a provision requiring the state's Department of Insurance to address the climate-related risks of insurers and incorporate emissions reduction targets into its supervision and regulation of Connecticut insurers.[85]

Case Study:
Boulder County, CO

In February of 2020, Boulder County became the first county in the U.S. to call on insurance companies to stop insuring and investing in fossil fuels, and to screen potential insurance contracts based on their fossil fuel policies.

In the years prior, Boulder County, nestled against the foothills of the Rocky Mountains, had experienced a rise in severe climate-related disasters, including wildfires and a flood which devastated local communities and caused hundreds of millions of dollars in damages.

The Board of County Commissioners adopted a proclamation calling out the insurance industry's role in underwriting and investing in fossil fuel companies that harm public health and the economy and exacerbate the climate crisis. In addition to urging insurance companies to stop underwriting and investing in fossil fuel industries, the proclamation resolved to screen potential insurers based on their investments in and underwriting of fossil fuel companies.[86]

Boulder County followed the lead of city council members in Paris and San Francisco, who in the two years prior had passed similar resolutions calling on insurance companies to cease their support of fossil fuel companies.

Within months of adopting the policy, Boulder County had a renewal for an insurance policy coming up, so they filtered out one of their insurance companies based on their fossil fuel policies.

"Local governments need better insurance options so we can work with companies that appreciate just how important their role in climate solutions can be."

- Ashley Baca, Boulder County Risk Manager

"Boulder County is committed to addressing global climate change at the local level. Like so many areas around the country, Colorado is already feeling the impacts of climate change. We are looking at the carbon footprint of our financial services, and making sure that the insurance companies we work with aren't actively furthering the climate crisis was an obvious first step for the county to take. We encourage all counties and cities committed to climate action to join us."

- Elise Jones, Former Boulder County Commissioner

"U.S. insurers continue to underwrite and invest in the fossil fuel industry while pulling back coverage for consumers in climate vulnerable areas. Without insurance, new fossil fuel projects can't be financed or built, and existing projects can't keep polluting. The consequences of supporting fossil fuels become starker each day. Local governments and policymakers can stand up for people and the planet by confronting the insurance giants that enable the fossil fuel industry."

- Kerrina Williams, Climate Campaigner at Public Citizen

Steps to Decarbonize Your Insurance

1. **Identify your current insurance providers**
    - Work with your government's risk management staff, finance department, attorney, or clerk to identify which insurers provide insurance for your municipality. Compile a list of the insurers that provide forms of insurance including general liability, excess liability, and employee insurance benefits. If your municipality is self-insured, confirm whether all of the municipality's liabilities and assets are self-insured, and that the municipality does not purchase "excess liability."
2. **Identify your insurance providers' fossil fuel investments**
    - Find out, to the best of your ability, how much your municipality's insurance providers invest in fossil fuels. The **Insure Our Future Annual Scorecard** is a great starting point to see how your insurance providers compare with other major insurance providers on fossil fuel financing. Looking for assistance with research on your insurance providers? Insure Our Future offers research assistance for municipal governments.
3. **Identify a pathway to action and pursue it**
    - Consult with your Risk Management Department to formalize a screening process for your city or county's insurance providers based on their fossil fuel policies and give preference for insurers that have committed to stop insuring or investing in fossil fuels. This process can be formalized via passing a resolution, passing an executive order, or including an insurance policy in your municipality's climate action plan. See the "Resources" section for sample language to use.
4. **Make a public announcement**
    - Once an insurance screening process has been codified, you can multiply its impact by making a public announcement. Announcing your municipality's decision publicly augments pressures and incentives for the insurance industry to stop financing fossil fuels. You can find sample press releases in the Resources section.
5. **Communicate your policy to your insurance broker**
    - The first step in policy implementation will be to communicate with your insurance broker and/or the insurance companies with whom your municipality has contracts. Find out whether your municipality has an upcoming contract renewal, as this may help to guide your timeline.
6. **Advocacy**
    - Continue to multiply the impact of your policy by communicating your policy process with your municipal employees and with other municipalities that may be considering implementing a similar policy.

For a detailed outline of the steps involved in decarbonizing your municipality's insurance, you can refer to the Insure Our Future Roadmap for Decarbonizing Your City's Insurance.

FAQs

How do we identify which insurance providers to screen out?

The Insure Our Future Annual Scorecard offers a comprehensive resource to screen out the worst insurance providers, when it comes to their fossil fuel underwriting and investing. Reach out to your insurance provider(s) to inquire about their current fossil fuel policies, and prioritize screening out the companies which have no, or very weak, fossil fuel policies.

How do we identify which insurance providers to switch to?

On the commercial side (as cities would purchase commercial insurance), some companies have been getting better and adopting more climate-friendly policies. However, none of the major insurance companies are *great* on climate – yet.

Ideal insurance options may vary depending on the size and situation of your city or county, so consulting with your Risk Management Department to find the best possible alternative will be an important step in implementing your policy.

When searching for a new insurance provider, take note of what fossil fuel underwriting and investment policies they currently have in place. The Insure Our Future Insurance company fossil fuel underwriting policy weblinks and extracts resource offers a list of fossil fuel policies that have been adopted by insurance companies, and may offer a good starting point for screening insurance providers.

How do we pressure insurance companies to adopt stronger fossil fuel underwriting and investment policies?

Once your city or county has made the decision to call on fossil fuel companies to adopt stronger fossil fuel policies, communication will be an essential part of building pressure. Raise the policy with your insurance provider(s), and let them know that your government plans to begin comparing insurance providers based on the strength of their fossil fuel underwriting and investment policies. The Insure Our Future Annual Scorecard is the easiest way to screen out the worst ones, and to find insurers that rank more highly on climate policies.

Resources:

Insurance and Fossil Fuels

Insure Our Future Annual Scorecard 2022

Insure Our Future Insurance Company Fossil Fuel Underwriting Policy Weblinks & Extracts

Policy Language Regarding Insurance and Fossil Fuels

Boulder County Board of Commissioners' Proclamation

San Francisco City Council Resolution

Los Angeles City Council Motion

Template for Policy Language to Include in Municipal Climate Action Plan

Press Releases

Boulder County Press Release

San Francisco Press Release

Los Angeles Press Release

3

BANKING

Introduction

Big banks are the financial drivers of the climate crisis. In the seven years since the 2016 Paris Climate Agreement, the world's 60 largest banks financed fossil fuel companies to the tune of $5.5 trillion, with $669 billion going to fossil fuel companies in 2022 alone.[87] Of these 60 banks, the top four fossil fuel financiers globally are Wall Street banks, with JPMorgan Chase, Citi, Wells Fargo, and Bank of America accounting for over $1.3 trillion, or 23.6% of total bank fossil fuel financing worldwide.[88]

In 2016, the Indigenous-led Standing Rock movement to halt the Dakota Access Pipeline (DAPL) drew widespread attention to the banks backing the pipeline, which included Wells Fargo, JPMorgan Chase, and Goldman Sachs. In response, city and county governments across the U.S., including Seattle WA, Davis CA, Los Angeles CA, and Philadelphia PA, passed motions to divest their public funds from the banks financing the DAPL.[89] However, these motions were met with one major challenge: where to move public funds, if not a Wall Street Bank?

While advocates have proposed a variety of alternatives to Wall Street banks, including establishing a local or statewide public bank, or partnering with a credit union or regional bank, the viability of each of these options will vary based on the local context of each city and county. For example, some states have legislation in place that bars local governments from establishing public banks or banking with credit unions. Larger cities may meet the challenge of having public deposits that are too large for credit unions or smaller regional banks to be able to accept. While moving away from a Wall Street bank completely can be an involved and long-term process, there are a variety of ways to move your city or county's banking in a more sustainable direction.

While handling public deposits is one of the main functions that banks serve for local governments, other banking services such as municipal bonds have additional alternative options that can be explored.

The following pages of this toolkit offer resources to help your city or county explore various alternatives to Wall Street banks, including establishing a public bank and/or a green bank, or banking with credit unions or regional banks. There are a variety of factors to consider when exploring each of these options, and it is important to work closely with your municipality's Treasurer and/or Financial Services Department to determine the correct strategy for your city or county.

Research Overview

Public deposits are used to finance fossil fuels.

When a city, county, company, or individual puts their money in a bank, the money doesn't simply remain there, idly waiting for the depositor to use it. The bank can use up to 90% of the money in an account to provide loans to companies across the economy. If your city or county banks with Citi, Chase, Wells Fargo, or Bank of America—the world's four largest funders of fossil fuels—they are using a percentage of that money to finance new coal mines, oil pipelines, and the massive build-out of liquefied natural gas (LNG) that is currently exacerbating environmental racism in the Gulf South.[90]

We've known this for a long time. For more than a decade, Rainforest Action Network and others have put out an annual report on banks' financing of fossil fuels.[91] What we didn't know until recently, however, was the exact climate impact of our cash in the bank. That changed in 2022, when three nonprofit organizations—BankFWD, Climate Safe Lending Network, and The Outdoor Policy Outfit—released "The Carbon Bankroll," a report containing a first-of-its-kind methodology to quantify the greenhouse gas emissions caused by the money we hold in the bank.[92] The findings are stark.

If your government deposits its funds in a Wall Street bank, then that bank is using a chunk of that money to pay for new coal mines and oil pipelines: if your government deposits $50,000 in one of the big Wall Street banks, the annual carbon associated with that cash is equal to taking around 12 flights between New York and London.[93] $500,000 in deposits with one of the big banks is the equivalent of taking 120 flights between New York and London.[94] For larger entities, taking cash emissions into account can significantly increase their overall carbon footprint. For example, Google's cash emissions are 38 times higher than the company's total operational (Scope 1) emissions.[95] Looking at the emissions associated with large deposits in Wall Street banks underlines the importance of moving those funds to an alternative financial institution.

Alternatives to Wall Street Banks

Public Banks

Since the 2008 financial crisis, private national banks have become increasingly criticized for their lack of transparency and their prioritization of shareholder profits over the clients and communities they are meant to serve. The revenue shortfalls faced by local governments following the 2008 financial crisis showed how vulnerable local communities can be to the mistakes of large national banks that put their own profits over community development and fiscal strength.

Within the last decade, a growing number of state and local governments have considered implementing public banking legislation as a possible alternative to private national banks. In fact, over half of the states in the U.S. have either organized, conducted research, or introduced legislation to promote public banking.[96] However, to date, the Bank of North Dakota remains the only fully established state-owned bank. Other examples of successful public banks in American territory include Bank2, the community bank of Oklahoma's Chickasaw Nation, and The Territorial Bank of American Samoa. Looking outside the United States, international examples of successful public banks can offer additional insight, including successful public banks established in Germany, Australia and Canada. In September of 2023, San Francisco's board of supervisors unanimously approved a plan for the city to begin the process of creating the nation's first publicly owned municipal bank.[97]

In contrast to a private national bank which operates to maximize profits for wealthy shareholders, a public bank is owned by the community it serves and operated in the interests of that community, with profits from a public bank re-circulating within the local economy. In addition to generating local revenue, a government operating a public bank is able to side-step the steep interest payments that come with borrowing money from private national banks. Eliminating these interest payments and fees opens the possibility for lower costs in public infrastructure and community development projects. It also ensures that a community's money is being used to finance projects that represent local interests, as opposed to financing large-scale private projects that are often detrimental to the public good, such as oil pipelines and for-profit prisons.

The incentive structures that shape financial decisions are completely different between a private and a public bank. The financial strength of a public bank is directly tied to the financial strength of the community it serves, and it is thus more beholden to the interests of that community. In pursuit of greater profits for their shareholders, large private banks are more susceptible to investing in speculative bubbles and making risky investments. Public banks, on the other hand, have no incentive to make these same risky financial investments, and can offer much greater financial transparency.

Credit Unions

Disillusioned with the fossil fuel investments and risky speculative behaviors characteristic of large private banks, state and local governments are increasingly looking towards locally-based alternatives to hold and manage public funds. One alternative that has gained traction in the past decade is the use of credit unions as public depositories. While the Federal Credit Union Act allows federally-insured credit unions to serve as public depositories,[98] state credit union acts have traditionally limited the ability of credit unions to accept public funds. However, legislation has been introduced or passed in over half of US states which allow state and local governments and other public entities to hold public funds in credit unions.[99] Currently, over twenty-eight states have legislation in place that both allow credit unions to accept public deposits, and allow public entities to deposit funds into credit unions.[100]

While many credit unions continue to lack much of the size and infrastructure to completely finance larger municipalities, recent trends in credit union growth and consolidation have dramatically increased the ability of credit unions to finance larger and larger constituencies over time. These trends have paralleled a growing public pressure to allow state and local governments to deposit public funds in credit unions. As individuals in the United States have increasingly sought out alternative financial institutions such as credit unions, the credit union industry has grown in its ability to finance larger populations, and thus made the industry increasingly able to manage and hold public funds. In turn, the expansion of total credit union assets has increased the perceived legitimacy of credit unions as an alternative financial institution to traditional banks.

Community & Regional Banks

The Federal Reserve defines community banks as those with less than $10 billion in assets, and regional banks as those with total assets between $10 billion and $100 billion.[101] While community and regional banks vary in their size and capacity to handle the banking requirements of local governments, they are generally met with fewer legal barriers for municipal banking when compared with public banks and credit unions. While community and regional banks are virtually guaranteed to be less carbon-intensive than a Wall Street bank, it is recommended that your government become familiar with any bank's fossil fuel investments and climate change policies, and give preference to banks with fewer or no investments in fossil fuels, as well as banks that are committed to promoting climate solutions.

Green Banks

Green banks are financial institutions which have a specific mission to address the climate crisis by financing sustainable energy projects, climate-friendly infrastructure projects, and/or climate adaptation and mitigation projects. While they do not take public deposits or offer the majority of traditional banking services, they offer a powerful financing tool to support the deployment of renewable energy projects and other climate-friendly projects.

In 2022, state and local governments' interest in green banks rose due to the passage of the Inflation Reduction Act (IRA), which contained a key provision for the Greenhouse Gas Reduction Fund, a $27 billion pool of money to mobilize financing for projects to combat the climate crisis and support the proliferation of green banks nationwide.[102]

With unprecedented funding being made Federally available for projects to tackle the climate crisis, it is up to state and local governments to guide the success of the IRA's Greenhouse Gas Reduction Fund. While IRA funds can be used as "seed capital" for establishing green banks, the establishment of a green bank does not hinge on IRA funds, as green banks can be established by state or local governments at any time.

While designing and structuring a green bank may seem like a daunting task, there are many resources available to guide local and state governments through the process, and to ensure that the green bank strengthens the community by promoting a clean energy transition while fostering economic development.

Case Study:

The Connecticut Green Bank

The Connecticut Green Bank was established in 2011 by the Connecticut General Assembly, and is the oldest green bank in the U.S. To date, the Connecticut Green Bank, in partnership with private investors, has deployed over $2.26 billion in capital for clean energy projects across the state.[103] While the Connecticut Green Bank was initially established for the sole purpose of financing the deployment of clean energy sources, their model has since been expanded to include financing of environmental infrastructure, climate adaptation and resiliency, land conservation, parks and recreation, agriculture, water, waste and recycling, among other environmental priorities for the state.[104]

See "State and Local Government and the Formation of Green Banks: A Proposed Framework for Equitable and Robust Green Bank Design" for more information and guidance on establishing a green bank

Case Study: Davis, CA

In February of 2017, in response to widespread controversy regarding Wells Fargo's financing of the Dakota Access Pipeline (DAPL), the Davis, California City Council voted unanimously to drop Wells Fargo and move their deposits to a smaller regional bank.[105] Their decision immediately followed a similar decision by the Seattle City Council.[106]

Unlike Seattle, whose City Council had also voted unanimously to divest from Wells Fargo due to the DAPL controversy but was unable to do so at the time given the size of their banking requirements, the city of Davis was able to find a regional bank that was willing and able to accept the city's banking services. The success of this historic Wall Street divestment effort was due in part to the relatively small amount of banking capacity required by the city, and their proximity to a regional bank large enough to accept their deposits.

At the time of Davis' decision, Wells Fargo handled approximately $125 million in city accounts.[107] In July of 2017, the Davis City Council authorized its City Manager and City Treasurer to negotiate and sign a banking services agreement with River City Bank, a locally-owned and managed bank in the Sacramento region.[108]

The Davis City Council's decision to drop Wells Fargo is attributed to many months of lobbying from Indigenous leaders, the Davis Standing Rock Divestment Action Group, and members of the public.[109] In the year prior to their decision, the Davis City Council stated their unanimous support for the Standing Rock Sioux, who were leading the frontline fight to stop the Dakota Access Pipeline.[110]

Davis City Council's decision to stop banking with Wells Fargo, combined with several other commitments by local governments around the U.S., made national headlines and sent a strong message to Wall Street banks that financing environmentally unjust pipelines would not be tolerated.

"The banking sector doesn't have to and can't operate in a business as usual fashion. Recapturing public funds from private hands and directing them towards projects that promote racial, social, and environmental justice is the next big strategy that all of us can take up."

- **Jackie Fielder, Co-Director at Stop the Money Pipeline**

"Public banks are important because they can function as a matter of policy, not profit. This can – when run by and for the public interest – provide policymakers and governing authorities with a powerful lever for effecting transformational change in their communities."

- **Thomas Marois, Professor at McMaster University, Canada, and author of the book "Public Banks: Decarbonisation, Definancialisation, and Democratisation"**

Steps to Move Public Deposits Out of Wall Street

The feasibility of moving public deposits out of a Wall Street bank will depend greatly on the size of your city or county's pool of deposits, as well as the capacity of alternative financial institutions in your region to manage these deposits.

1. **Identify which bank(s) your city or county currently uses to deposit funds and for any other banking services**
2. **Identify your banks' fossil fuel investments**
    - The Rainforest Action Network annual **Banking on Climate Chaos Report** identifies the top 60 banks that are financing the fossil fuel industry. Wall Street banks lead in the top 4, with JPMorgan Chase, Citi, Wells Fargo, and Bank of America collectively contributing over $1.17 trillion to fossil fuels since the 2016 Paris Climate Agreement.
3. **Identify the best banking alternative for your municipality to pursue**
    - **Switching to a regional or community bank**
    - **Banking with a credit union -** Note on legality: in many states, it is illegal for municipalities to deposit public funds into credit unions, as they are NCUA, not FDIC insured. If your municipality would like to pursue banking with a credit union, the first step is to familiarize yourself with the laws in your state pertaining to banking with credit unions. If it is legal in your state, the next step is to identify which credit unions have the size and capacity to manage all or a portion of your public funds. If it is not legal in your state, you can promote legislation to legalize public deposits in NCUA-insured institutions.
    - **Public Banking -** Note on legality: depending on the laws in your state, legislation may or may not be required to enable the establishment of a public bank. Public banks can either be established at a state or local level, and it is up to your government to decide which option is preferable to pursue. As a government body, your voice carries a lot of influence in getting state legislators to support public banking enabling legislation.
4. **Create a roadmap and timeline to implement your selected banking transition**
5. **Make a public announcement**
    - Once a banking alternative has been decided, make a public announcement in order to increase public pressure on Wall Street banks to divest from fossil fuels.
6. **Communicate your policy to your current bank**
    - The first step in policy implementation will be to communicate with the bank in which your government currently deposits its funds. Find out whether your municipality has an upcoming contract renewal, as this may help to guide your timeline.
7. **Advocacy**
    - Continue to multiply the impact of your policy by communicating your policy process with your government employees and with other cities or counties that may be considering implementing a similar policy.

Other Ways to Decarbonize Your Banking

While it can be challenging for a larger local government to move its entire depository services, there are a number of smaller steps that it can take toward decarbonizing its cash emissions. These include the following steps:

Measure and report on financed emissions.

It is vital that society understands that reducing emissions embedded in our financial system is critical to global decarbonization goals. The first step toward doing that is for large institutions, such as municipalities, to commit to annual measuring and reporting on financed emissions.

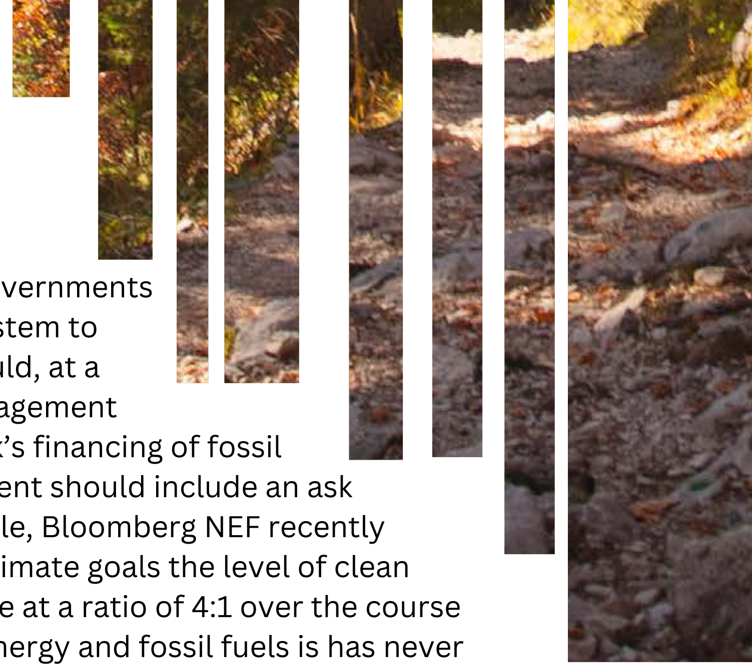
Measuring and reporting on financed emissions is a relatively new concept. In 2021, TOPO, Climate-Safe Lending Network, and BankFWD produced a first-of-its-kind methodology that enables cities, companies, and individuals to calculate the emissions associated with their cash in the bank. Several months after the release of the Carbon Bankroll report, Seventh Generation, a company with annual revenues exceeding $200 million, became the first company to measure and disclose its financed emissions in its Climate Impacts Report.[111]

Moving forward, it is essential that more large institutional clients of banks, such as municipalities, begin to measure and report on their financed emissions. In the long run, we need the World Resources Institute to update the Greenhouse Gas Protocol reporting mechanism to make reporting on cash emissions mandatory for all companies using the Protocol, which includes 9 out of 10 Fortune 500 companies.[112] Such a step is critical, as it would force large and powerful companies to view decarbonizing their cash in the same way as they view decarbonizing their supply chains—a key part of their overall climate work.

Municipalities can play a key role in moving this work forward by committing to annually measure and report on their financed emissions. Organizations like TOPO are available to support municipalities on this journey.

Break up your book of business.

It is challenging for large municipalities to move their entire banking services away from the largest banks in the country. However, it is possible to break up your book of business and provide smaller contracts to regional banks, instead of the large Wall Street banks that are financing the destruction of our planet.



Engage with your banking partner.

As a significant client of banking institutions, local governments can play an important role in pushing the banking system to align with the goals of the Paris Agreement. This should, at a minimum, include regularly meeting with senior management at the bank to express strong concerns over the bank's financing of fossil fuels, especially fossil fuel expansion. Such engagement should include an ask for stronger climate action from the bank. For example, Bloomberg NEF recently published research that found that to reach global climate goals the level of clean energy investment to fossil fuel investment should be at a ratio of 4:1 over the course of this decade.[113] However, bank financing of clean energy and fossil fuels is has never passed a ratio of 1:1.[114] Local governments should demand that their banking partner increase its financing of clean energy and reduce its financing of fossil fuels and ask for a bi-annual report on the progress made on this front.

Beyond engagement, municipalities should show their banking partners that they are serious about by moving some portion of their banking to a non-fossil fuel funding bank.

Prohibit fossil banks from underwriting municipal bonds.

It is vital that cities and counties send a clear message to their banking partners that financing fossil fuel expansion is an unacceptable business practice. One powerful way to do this is to pass legislation that would prohibit banks that have provided $1+ billion in financing for fossil fuel expansion in the previous year from underwriting the municipal bonds issued by the municipality. Such a step would help to create a financial incentive for the banks currently financing fossil fuel expansion to decrease their financing for this activity, and it would provide the possibility of a material reward to companies that are able to do so.

Currently, such a prohibition would prevent 8 banks domiciled within the U.S. from underwriting municipal bonds—JPMorgan Chase, Citigroup, Wells Fargo, Bank of America, Morgan Stanley, Goldman Sachs, PNC Bank, and US Bank. This would mean there were still a significant number of underwriters available to municipalities. For example, the State of California has an approved pool of 46 banks that are permitted to underwrite municipal bonds issued by the state.[115]

One potential downside of this approach is that there may be increased costs incurred by any city that takes this step, in the form of higher fees charged by underwriters. However, given the significant costs that many municipalities are facing as a result of the climate crisis, often running into billions of dollars, we would suggest that municipalities should be willing to accept marginally higher fees from their underwriters, if doing so is part of a broader strategy that has a reasonable chance of reducing the overall impacts of global warming in the long run.

FAQs

How would a city or county find out how much their bank invests in fossil fuels?

The Rainforest Action Network's annual "Banking on Climate Chaos" Report ranks the top 60 banks financing fossil fuel companies globally, and gives the exact dollar amount each bank has given to fossil fuels every year since the 2016 Paris Agreement.[116]

How does my city or county identify the best financial institution to move our banking services to, if not a Wall Street bank?

In order to identify the best banking option for your government, it will be essential to work closely with your Treasurer and/or Financial Services Department.

Several factors will need to be considered, including but not limited to:

- The size of you government's deposits and banking needs
- The availability of financial institutions in your region with the size and capacity to fit your government's banking needs
- Legal considerations around what type of financial institution your government is allowed to bank with, and whether enabling legislation is needed in order to pursue this option

If moving all of our city or county's banking services away from a Wall Street bank is not feasible at this time, what are some ways we can support the effort?

Using your voice as a government body to engage with your bank is a powerful first step to move the bank in a better direction. Passing a resolution directing your government's financial department to pursue alternative financial institutions is an even stronger way to signal to your bank that their financing of fossil fuels is a threat to their business. Finding out what laws currently exist in your state, county, or city regarding the legality of depositing public funds in a public bank or credit union, and supporting legislation to enable these financial institutions to serve as public depositories can help to open up available banking options for your government. Commissioning a feasibility study on moving your government's funds can help to inform future action.

Resources

Information on Bank Emissions

Rainforest Action Network 2023 Banking on Climate Chaos Report

The Carbon Bankroll: The Climate Impact and Untapped Power of Corporate Cash

Bank On Good Search Tool: Is your money being used to fund climate change?

Find Sustainable Banks in Your Area

Green America: Better Banking Resource to Find Sustainable Banks & Credit Unions

Global Alliance for Banking on Values: Meet the most progressive banks in the world

Mighty Deposits Guide, 2023 Edition: Search Your Bank's Investment Impact

Mighty Deposits Guide to Community Banks: Find A Community Bank Near You

Mighty Deposits Guide to Sustainable Banks in the U.S.

Bank Green Search Tool

Bank For Good Search Tool

Moving Banking Services

City of Davis Banking Services: Staff Report

Green Banks

State and Local Government and the Formation of Green Banks: A Proposed Framework for Equitable and Robust Green Bank Design

Coalition for Green Capital: Resource Library for Green Banks

Environmental Protection Agency (EPA) Green Banks Toolkit

Environmental Protection Agency (EPA) Greenhouse Gas Reduction Fund

Clean Energy Financing

EPA Clean Energy Financing Toolkit for Decisionmakers

Public Banking

Public Banking Institute Legislation by State

Public Banking Institute Studies and Reports

San Francisco Municipal Finance Corporation: Business and Governance Plan and Viability Study

City of Berkeley Resolution in Support of a Public Bank

4

FOSSIL FUEL DIVESTMENT

Introduction

In addition to the fossil fuel investments held by your government's pension fund(s), insurance company(ies), and bank(s), it is possible that your city or county holds some amount of direct investments in fossil fuel companies. Removing these direct investments can be one of the most straightforward and immediate steps your government can take to decarbonize its finances, as the financial decision-making power lies with the city or county's own government leaders.

Recognizing the threats of climate-related natural disasters, and the financial and moral hazards of fossil fuel investments, local governments around the world are joining the fossil fuel divestment movement by committing to remove their investments from fossil fuels and to re-invest in climate solutions. To date, over 175 governments around the world have committed to removing their investments in fossil fuels, including over 50 city and county governments in the U.S.[117]

Some local governments committing to fossil fuel divestment will find that they do not hold any direct investments in fossil fuels – and this is great news! These governments can still make a major impact in the Divest/Invest movement by making a public commitment to not invest in fossil fuels in the future, and to increase their investments in climate solutions.

Governments wield unique influence in shifting the public narrative on fossil fuels. Every public commitment to divest from fossil fuels, no matter the size, helps to bolster the global divestment movement by shedding light on the culprit behind the climate crisis – the fossil fuel industry – and promoting a societal shift towards more sustainable investing.

Research Overview

Local governments are already bearing the brunt of climate-related natural disasters.

The impacts of climate change are already being felt by governments around the world, with local governments being on the hook as the first responders when a natural disaster hits their community. And these trends in climate instability are only predicted to increase. According to the Mayors Innovation Project,

> *"Sea level rise will lead to inundation of coastal cities – where the likelihood of flooding has already significantly increased. In the US alone, 3.7 million people live within one meter of the high tide mark, and in 544 municipalities and 38 counties, over 10 percent of the population lives even lower than that. Over two thousand towns and cities in the US are vulnerable – with 22.9 million Americans in total living within six meters of mean high tide...Extreme heat and cold events will become increasingly common. Heat waves are worsened by the urban heat island effect. In 2003, 70,000 Europeans died during a single heat wave. Heat waves further tax energy supplies, which are likely to become increasingly unreliable. The 2011 drought and heat wave that hit Texas, Oklahoma, New Mexico, Arizona, southern Kansas, and western Louisiana caused 95 deaths and cost $12 billion. The 2012 drought impacted half the country and killed 123 people."* [118]

In addition to the physical and humanitarian impacts of the climate crisis, natural disasters are also having a severe financial impact. Since 1980, billion-dollar weather and climate disasters have led to $2.615 trillion in losses since 1980.[119] Looking at these numbers, it is hard to argue in favor of maintaining investments in fossil fuels.

Around the world, governments are committing to divest from fossil fuels.

Over 175 governments around the world, including over 50 city and county governments in the U.S., have committed to divesting from fossil fuels.[120] In 2020, twelve major cities around the world pledged to divest from fossil fuels and increase sustainable investments as part of their COVID-19 just economic recovery efforts.[121]

Governments wield unique influence in shifting the narrative on fossil fuels.

Even divestment pledges that are smaller in the size of their divested funds can have a major impact on the share prices of fossil fuel companies, by shifting the economic narrative regarding fossil fuels. Research shows that divestment commitments which generate media headlines and go viral online have a tangible financial impact on high-carbon emitting companies, even if the company did not directly experience divestment from the commitment.[122]

Case Study: Chicago, IL

In March of 2022, Chicago became the second largest city to fully divest its operating budget from fossil fuels, following New York City.[123]

In 18 months prior to the City Council's vote to divest the city from fossil fuels, the Chicago City Treasurer was able to divest "all applicable funds," totaling over $70 million, from the top 225 fossil fuel companies.[124]

In addition to their commitment to divest from fossil fuels, the City Council also mandated that no future Chicago city council could re-invest in the top 200 fossil fuels moving forward.[125] The Treasurer's office went a step further and created an investment exclusion list of 225 fossil fuel companies.[126]

In addition to the physical risks of climate change for the city's future, the Chicago Treasury cited the financial risks of remaining invested in the fossil fuel industry as major reasons for the divestment decision.[127]

This historic decision was due to many years of tireless organizing led by the climate advocacy group, 350 Chicago.[128]

“Divesting from fossil fuels and rapidly scaling up AUM in climate solutions makes financial sense. Through the C40 Divest/Invest Accelerator, 19 global cities representing c.$400bn of public pension and municipal balance sheet assets are leading from the front, using their financial might to advocate for greener, fairer investments; minimising exposure to climate-related financial risks; and leveraging the opportunities presented by the transition to a fairer, greener economy.”

- **Lucy Auden, Head of Sustainable Investment Programme, C40 Cities**

"In 2021 alone, the City of Chicago suffered millions of dollars of damage through natural disasters, including perhaps the costliest winter storm on record. Recognizing the existential threat posed by the climate crisis and the necessity of speeding our transition to green energy, Chicago is proud to have fully divested its operating budget from fossil fuels and prohibited any such future investments. The Chicago Treasurer's Office is proud to play a leading role in ensuring a sustainable future for all, and we encourage other local governments to do the same."

- **Melissa Conyears-Ervin, Chicago City Treasurer**

Steps to Divest Your City or County From Fossil Fuels

1. **Identify what proportion of your municipal funds, if any, are invested in fossil fuels**
    - You will likely need to consult with your city or county's treasury, finance department and/or investment fund managers to find this information.
    - The Carbon Underground 200 List and MSCI Global Fossil Fuel Exclusion Indexes both offer great resources for identifying current fossil fuel holdings and determining which companies to exclude from your government's investment portfolio.
2. **Make a time-bound plan to divest from fossil fuels and to re-invest in climate solutions**
    - Working closely with your city or county's finance department and investment management firm, make a time-bound plan to divest your city or county assets from fossil fuel companies and to increase investments in climate solutions.
3. **Pass a resolution with a plan for divesting your municipal funds from fossil fuels**
    - Formalize your city or county's commitment to fossil fuel divestment via a resolution from your city council or board of county commissioners, or via an executive order from the mayor. See the "Resources" section for examples of fossil fuel divestment resolution language.
    - If your city or county does not have any direct fossil fuel investments, your city or county can still send a strong message by making a commitment to not invest in fossil fuels in the future.
4. **Make a public announcement**
    - Research has demonstrated that public divestment announcements that go viral have a major impact on the stock prices of all high-carbon emitters, including those with no significant divestment.[129] By publicizing fossil fuel divestment commitments, cities and counties can shift the economic narrative in a more sustainable direction.
5. **Monitor progress**
    - Fossil fuel divestment is a multi-step process that requires monitoring to ensure the process is completed. Regular progress reports can help to track policy implementation. Following the initial divestment announcement, publicizing any major milestones towards full divestment is a good way to continue to build public momentum.

For a detailed outline of the steps involved in implementing a city or county Divest/invest Commitment, you can refer to "Divesting from Fossil Fuels, Investing in Our Future: A Toolkit for Cities" by C40

For guidance and assistance with implementing your city's fossil fuel divestment commitment, sign on to the C40 Cities "Divesting from Fossil Fuels, Investing in a Sustainable Future Accelerator"

FAQs

How do I find out my city or county's current fossil fuel holdings?

Begin by working with your government's treasury, finance department and/or investment fund managers to identify what funds your city or county has direct control over, and to assess where these funds are invested.

For most jurisdictions, the process will start with an assessment of what funds the city has, and where those funds are invested. These may include the city's general fund, retirement fund, pension fund, insurance fund, utility funds, and others. Not all are necessarily under the local government's direct control – some may have their own administration, or the city may invest in a state fund.

Determining where the money is and who controls it are essential first steps in a divestment campaign. If the city or county has limited holdings or does not directly control its funds, leaders should commit to no future fossil fuel investments and to work with the governing bodies of the authorities that control the pension or other funds to convince them to divest and work with them on a plan to do so. Once a list of publicly controlled funds is developed, the holdings need to be assessed for fossil fuel content. **GoFossilFree. org** provides a list of the top 200 companies by estimated carbon reserves. The financial structure of some portfolios may make determining where these assets are located (in mutual funds, for example) less straightforward, but is certainly within the capacity of the entities managing those funds.

Resources

Toolkits for Local Governments to Divest from Fossil Fuels

C40 "Divesting from Fossil Fuels, Investing in Our Future: A Toolkit for Cities"

Mayors Innovation Project: Divestment from Fossil Fuels: A Guide for City Officials and Activists

Climate Action Plans Including Divestment

New Orleans Net Zero by 2050 Plan (Divestment on Pages 8 and 23)

City & County Divestment Resolutions

Chicago City Council Fossil Fuel Divestment Ordinance

See a full list of government divestment commitments, with links to documents at DivestmentDatabase.org

Press Releases for Divestment Commitments

San Diego Mayor Proposes City's Divestment from Fossil Fuel Investments

A Note On

CLIMATE LITIGATION

As damages from climate disasters continue to mount, an increasing number of state and local governments in the United States are bringing forward legal cases against the companies most responsible for the climate crisis.[130]

A growing body of data makes a clear and direct link between natural disasters due to the climate crisis and the emissions of specific companies. A new report by the Union of Concerned Scientists titled "The Fossil Fuels behind Forest Fires" *directly links 19.8 million acres of burned forest land—37% of the total area scorched by forest fires in the western United States and southwestern Canada since 1986— to emissions traced to the world's 88 largest fossil fuel producers and cement manufacturers.*[131]

In addition to addressing the direct damages of climate-related natural disasters, a number of lawsuits are also targeting fossil fuel companies for suppressing information and misleading the public about climate change. In fact, documents show that as early as the 1950's, the fossil fuel industry used the same researchers as the tobacco industry to mislead the public.[132]

The Union of Concerned Scientists is leading the charge on science-backed climate litigation, and offers a variety of resources to guide and inform state and local governments through the legal process.[133]

For more information on climate litigation, see the Union of Concerned Scientists Science Hub for Climate Litigation Here

JOIN THE INTERNATIONAL CALL TO ACTION

Sign the Fossil Fuel Non-Proliferation Treaty

Launched in 2020 and spearheaded by the Pacific Island Nations of Vanuatu and Tuvalu, the Fossil Fuel Nonproliferation Treaty is an international call to action intended to complement the Paris Climate Agreement by accelerating a just and equitable shift away from fossil fuels and towards a clean energy future for all.

The Treaty places justice and equity at the forefront when meeting the greatest existential threat of our time. It calls for an equitable phase-out of the fossil fuel industry, an industry which is not mentioned once in the Paris Climate Agreement.[134]

The Fossil Fuel Nonproliferation Treaty includes three pillars of action:

1. **Non-Proliferation:** A commitment to end to the expansion of coal, oil, and gas production worldwide. .
2. **A Fair Phase-Out:** A plan to equitably wind down existing fossil fuel production.
3. **A Just Transition:** A plan to accelerate the shift to a clean energy economy while ensuring that no worker, community, or country is left behind.

Globally, the Treaty has been formally endorsed by 88 cities and subnational governments, including twelve governments in the U.S. The Treaty has also been endorsed by over 3000 scientists and academic researchers, 2,150 organizations, 101 Nobel Laureates from around the world.[135]

Click here to learn more about how to officially endorse the Fossil Fuel Nonproliferation Treaty

Conclusion

Moving Beyond Climate Finance

Around the world, over 1,590 institutions worth a total value of $40.51 trillion, have committed to divesting from fossil fuels, and this is only the beginning. Every year, the number of divestment commitments – and the strength of these commitments – continues to grow. As a growing number of institutions make increasingly strong commitments to remove their funds from fossil fuel companies, these commitments are already having a tangible impact.

In September of 2023, the International Energy Agency made a groundbreaking prediction that as climate policies take effect globally, fossil fuel consumption will peak before 2030 and fall into permanent decline, in what they dub “the beginning of the end of the fossil fuel era.” [136] They note, however, that “the forecast downturn is still ‘nowhere near steep enough’ to put the world on a path to limiting temperature rises to 1.5C above pre-industrialised levels,” and that stronger and more rapid policy action from governments is needed to ensure a livable future for all.[137]

Divestment from fossil fuels cannot stand alone as a strategy to reach climate goals. Local governments concerned with climate change will also want to join in advocacy efforts to support regulations that phase out fossil fuel production, restrict greenhouse gas emissions, and support the wellbeing of communities most impacted by climate change. Nevertheless, divestment represents a direct, powerful signal to the fossil fuel industry that business as usual is not compatible with the energy transition that is required to avoid catastrophic climate breakdown.

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