



## CITY COUNCIL AGENDA REPORT

**Meeting Date:** April 6, 2023

**From:** Adrienne Etherton, Sustainability Manager

**Subject:** Resolution in support of state divestment bill

### **Community Goal/Result**

Ecological Sustainability - Brisbane will be a leader in setting policies and practicing service delivery innovations that promote ecological sustainability

Fiscally Prudent - Brisbane's fiscal vitality will reflect sound decisions which also speak to the values of the community

### **Purpose**

Consider supporting SB 252 (Gonzalez) Fossil Fuel Divestment Act, which requires the California Public Employees' Retirement System (CalPERS) and California State Teachers' Retirement system (CalSTRS) to divest their portfolios from fossil fuel investments.

### **Recommendation**

Approve a resolution in support of SB 252 (Gonzalez) Fossil Fuel Divestment Act.

### **Background**

On June 19, 2014 the City Council, upon OSEC's recommendation, passed Resolution No. 2014-19 encouraging the state's pension funds to divest from fossil fuels. The resolution followed OSEC discussion of the matter and a presentation by OSEC member Glenn Fieldman to the City Council on April 21, 2014.

On April 21, 2022 the City Council, upon OSEC's recommendation, passed Resolution No. 2022-38 in support of SB 1173 (Gonzalez) Fossil Fuel Divestment Act. Last year's bill was held up in committee and has been reintroduced by Senator Gonzalez as SB 252. The Open Space and Ecology Committee (OSEC) discussed SB 252 and the merits of divestment at their March 22, 2023 meeting and recommended the City support the bill.

### **Discussion**

Senator Gonzalez's bill, if adopted into law, would prohibit CalPERS and CalSTRS from investing in the top 200 fossil fuel companies, and require that they divest any current investments in those fossil fuel companies by 2030, with an additional 5-year off-ramp if specified market conditions are encountered. The funds would be required to annually report on their divestment progress starting in 2025. The bill aligns with the City's 2014 and 2022 resolutions as well as the Climate Emergency Declaration adopted in July 2021.

**Fiscal Impact**

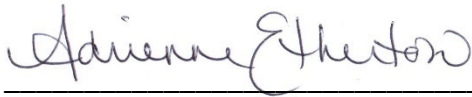
There is no direct financial impact to the City from passing this resolution.

**Measure of Success**

State pension funds are divested from fossil fuel companies contributing to climate change.

**Attachments**

1. Resolution in support of SB 252 (Gonzalez) Fossil Fuel Divestment Act
2. SB 1173 (Gonzalez) Fossil Fuel Divestment Fact Sheet



Adrienne Etherton, Sustainability Manager



Randy Breault, Public Works Director



Clay Holstine, City Manager

**RESOLUTION NO. 2023-XX**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BRISBANE  
IN SUPPORT OF SB 252 (GONZALEZ) FOSSIL FUEL DIVESTMENT ACT**

**WHEREAS**, anthropogenic climate change, through rising sea levels, drought, heat waves, and increased wildfires is observably affecting human wellbeing, ecosystems, and biodiversity; and

**WHEREAS**, climate change is an issue of environmental justice, disproportionately affects Indigenous communities, communities of color, and low-income communities due to historical oppression, inadequate political power and access to resources for prevention and relief; and

**WHEREAS**, the International Panel on Climate Change concluded in 2018 that we have 12 years to make dramatic cuts in the use of fossil fuels (coal, oil, gas and tar sands) if we are to keep warming to 1.5° C and avoid more catastrophic change; and

**WHEREAS**, the fossil fuel industry is the single most powerful obstacle to addressing climate change, using its immense lobbying power in Washington D.C. and Sacramento to block climate legislation; and

**WHEREAS**, fossil fuel companies' own scientists knew as early as the 1970s that their products were causing climate change, but the companies kept it secret; and

**WHEREAS**, to effectively address climate change, most fossil fuel reserves must remain in the ground, never to be used. Such reserves held as investments are liable to become stranded assets. This makes fossil fuel stocks a risky investment; and

**WHEREAS**, a Corporate Knights study found if CalPERS and CalSTRS had divested in 2010, by 2019 their assets would have increased \$11.9 and \$5.5 billion, respectively; and

**WHEREAS**, independent studies by financial consulting firms Blackrock and Meketa have found divestment reduces risk and improves rather than weakens investment returns; and

**WHEREAS**, divestment in specific segments or business operations by CalPERS and CalSTRS is already standard practice and is specifically allowed by the California Constitution; and

**WHEREAS**, the “engagement” strategy preferred by CalPERS and CalSTRS has been largely ineffective in moving fossil fuel companies away from fossil fuel exploration, extraction and distribution; and

**WHEREAS**, divestment means selling directly held or commingled assets including fossil fuel public equities and corporate bonds; and

**WHEREAS**, the City of Brisbane declared a climate emergency in July 2021 which aspires to carbon neutrality by 2040 and commits the City to reducing emissions, coordinating climate mitigation and resiliency efforts, and accelerating a just transition; and

**WHEREAS**, the City’s Climate Emergency Declaration encourages “avoid[ing] further investment of public dollars in fossil-fuel reliant infrastructure when there are clean energy alternatives, support[ing] public sector employees, and ensur[ing] a climate resilient future for all Brisbane residents.”

**WHEREAS**, SB 252, introduced by State Senator Lena Gonzalez, will help meet the State’s climate action goals by prohibiting CalPERS and CalSTRS from investing in fossil fuel companies and to divest from such companies by 2030.

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF BRISBANE RESOLVES AS FOLLOWS:**

Section 1. The City of Brisbane calls upon CalPERS and CalSTRS to divest its holdings in fossil fuel companies immediately. Upon passage, a copy of this resolution will be sent to CalPERS and CalSTRS requesting that City of Brisbane be listed as an official supporter of fossil fuel divestment.

Section 2. The City of Brisbane hereby supports SB 252.

Section 3. That copies of this Resolution be sent to Governor Gavin Newsom, State Senators Josh Becker and Lena Gonzalez, and Assemblymember Diane Papan.

---

Madison Davis, Mayor

\* \* \* \*

**PASSED AND ADOPTED** at a regular meeting of the City Council of the City of Brisbane held on the sixth day of April 2023, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

ATTEST:

---

Ingrid Padilla, City Clerk



THE OFFICE OF SENATE MAJORITY WHIP

**LENA A. GONZALEZ**

SENATOR 33<sup>RD</sup> SENATE DISTRICT

## SB 252 (Gonzalez) – Fossil Fuel Divestment Act

### SUMMARY

---

Senate Bill (SB) 252 will prohibit the California Public Employees Retirement System (CalPERS) and the California State Teachers Retirement System (CalSTRS) from investing in fossil fuel companies, and provide they divest any current holdings in these companies by 2030, with an additional 5-year off-ramp should the funds encounter specified market conditions.

### EXISTING LAW

---

SB 185 (De Leon, Chapter 605, Statutes of 2015) required CalPERS and CalSTRS to divest their investments in thermal coal companies, which has resulted in a positive \$598 million return to the CalPERS fund.

California Constitution Article 16, Section 17 – establishes that: “the Legislature may by statute continue to prohibit certain investments by a retirement board where it is in the public interest to do so, and provided that the prohibition satisfies the standards of fiduciary care and loyalty required of a retirement board.”

### BACKGROUND/PROBLEM

---

Californians, along with states and nations around the globe, are facing the real and immediate threats of climate change and its ever-growing impacts on our health, safety, environment, and our ability to pass on a livable planet to future generations.

California has been a world leader in taking steps to combat the causes of climate change, setting historic carbon reduction goals, and taking meaningful actions to

help prevent environmental destruction and protect communities who bear the overwhelming brunt of carbon emissions.

Despite these forward-thinking actions, California’s multi-billion dollar retirement pension funds are actively investing billions of dollars in the very fossil fuel companies that are the primary cause of climate change.

CalPERS and CalSTRS, which invest the pension funds of state employees and teachers, have an investing power of \$469 billion and \$327 billion, respectively. Unfortunately, CalPERS estimates that they are currently investing \$9.4 billion of these dollars in fossil fuel companies, and CalSTRS is investing in 159 fossil fuel companies with a combined market value of approximately \$5.4 billion.

While California businesses and communities prepare to undertake the transformative changes necessary to meet our critical emissions reductions goals of 40% below 1990 levels by 2030 and 85% below by 2045, CalPERS is actively purchasing ownership in oil and gas companies such as \$1.3 billion in Exxon, \$817 million in Chevron, \$158 million in Saudi Aramco, \$61 million in PetroChina, \$55 million in China Petroleum & Chemical, and dozens of other fossil fuel companies.

With the explosion of investment and development in carbon-free technologies, consumer pressure, and governmental regulation forcing a move away from fossil fuels, it has become clear that the fossil fuel industry may be a risky and myopic financial investment. In fact, data from the last four decades shows that in 1980, the fossil fuel industry claimed 29% of the S&P 500, whereas today,

it only occupies 5.3%, the lowest level in more than 40 years.<sup>1</sup>

An estimated 1,500 institutions with over \$39 trillion in assets have already taken action to end direct financial support of climate destruction by committing to some form of fossil fuel divestment, including the University of California, the California State University, the State and City of New York, the State of Maine, the Vatican, and the province of Quebec.<sup>2</sup>

In October of 2021, Netherland's ABP, the fifth largest public employee pension fund in the world with \$600 billion in assets, announced it would divest its current \$17.4 billion of fossil fuels investments by the first quarter of 2023, citing corporate engagement as an ineffective strategy to change fossil fuel behavior.<sup>3</sup> These investment numbers dwarf that of CalPERS and CalSTRS, and is following a divestment timeline of under two years.

Major investment management firms, BlackRock and Meketa, have independently concluded that funds can divest from fossil fuels without weakening investment returns.<sup>4</sup> A further study has shown that if CalPERS and CalSTRS had divested from fossil fuels in 2010, they would have gained \$11.9 billion and \$5.5 billion in returns by 2019.<sup>5</sup>

In fact, CalPERS and CalSTRS have taken on divestments that have resulted in positive returns for the funds. CalPERS's active divestment from Thermal Coal has resulted in \$598 million in gains; divestment from Iran has resulted in \$256 million in gains; and divestment from firearms manufacturers has resulted in \$36 million in gains. Of CalPERS active divestments, only the divestment from tobacco companies has resulted in losses to the pension fund, and no one is arguing that CalPERS reinvest into such a dangerous product that runs afoul of the state's public interest.

The pension funds have already recognized the need to move investments out of dangerous carbon emitting companies. CalPERS and CalSTRS have committed to reach a goal of NetZero investments at some point over

<sup>1</sup> <https://ieefa.org/resources/fossil-fuel-investments-looking-backwards-may-prove-costly-investors-todays-market>

<sup>2</sup> <https://divestmentdatabase.org/>

<sup>3</sup> <https://apnews.com/article/climate-business-united-nations-netherlands-greenpeace-45f4a39e838667d032d2483956f01c9b>

<sup>4</sup> <https://ieefa.org/resources/major-investment-advisors-blackrock-and-meketa-provide-fiduciary-path-through-energy>

<sup>5</sup> <https://drive.google.com/file/d/1k27W2oTzaqueEZrvit4RLfve6pvakqMI/view>

the next 27 years. And while CalSTRS has taken steps in the last year to invest some of its assets in low carbon indexes and establish a partial NetZero goal by 2030, it still retains the ability to invest directly into the largest fossil fuel companies, such as: Gazprom (Russia), Rosneft (Russia), LukOil (Russia), Aramco (Saudi Arabia), and the state-owned PetroChina.

Many of the teachers and state employees whose retirement futures are invested by CalPERS and CalSTRS have passed resolutions calling for the divestment of fossil fuels, including the California Faculty Association, the California Federation of Teachers, associations representing higher education faculty, academic senates at California State University and the University of California, and local teachers' unions from Los Angeles to Oakland.

## SOLUTION

---

SB 252 seizes the momentum of the worldwide divestment movement and continues the bold and progressive actions that California must take to address climate change. SB 252 ends the contradictory and incongruous actions that position the state as a leader in the fight against climate change, while simultaneously investing billions directly in the fossil fuel companies that are causing climate change.

Specifically, SB 252 will prohibit CalPERS and CalSTRS from making any new investments in the top 200 fossil fuel companies, and provides an off-ramp of 7 years to divest any current investments; with an additional 5-year off-ramp should the funds encounter specified market conditions.

Additionally, SB 252 will require CalPERS and CalSTRS to annually report on their divestment progress beginning in 2025.

## SUPPORT

---

California Faculty Association (Sponsor)

Fossil Free California (Sponsor)

Harmony Union Teachers Association

Breast Cancer Action

CA Nurses for Environmental Health and Justice

Cascadia Climate Action Now

Health Professionals for Equality and Community

Empowerment

Physicians for Social Responsibility San Francisco Bay

San Diego Physicians for Clean Air  
Ban Single Use Plastics  
Bay Area System Change Not Climate Change  
CALPIRG  
California Climate Voters  
Center for Biological Diversity  
Center for Community Energy  
Center on Poverty, Race and the Environment  
Change Begins With ME (Indivisible)  
CleanEarth4Kids.org  
Climate Action CA  
Climate Action Campaign  
Climate Action Campaign of the Humboldt Unitarian  
Universalist Fellowship  
Climate Action Now UCLA!  
Climate Equity Policy Center  
Climate First: Replacing Oil & Gas  
Climate Organizing Hub  
Climate Reality Project SFV  
Coastside Jewish Community  
Consumer Watchdog  
Earth Guardians  
Earth Guardians Bay Area Crew  
East Valley Indivisibles  
El Pueblo Para el Aire Y Agua Limpia de Kettleman City  
Elders Climate Action  
Environmental Working Group  
Equity Transit  
Extinction Rebellion SF  
Feminists in Action Los Angeles  
Food and Water Watch  
Friends Committee on Legislation of California  
Friends of the Earth  
Green Team at Francis Parker School  
Healthy Environment for All Lives (HEAL)  
Lets Green CA  
National Resources Defense Council  
Oil and Gas Action Network  
Protect Playa Now  
Regenerating Paradise  
Santa Barbara Standing Rock Coalition  
Santa Cruz Climate Action Network  
Saphron Initiative  
SF Baykeeper  
Schools for Climate Action  
Sierra Club California  
Social Compassion in Legislation  
Social Eco Education Los Angeles  
South Bay Progressive Alliance  
Stand.earth  
Sunflower Alliance

System Change Not Climate Change  
The Climate Center  
The River Project  
Third Act Educators  
UC Green New Deal Coalition  
Youth Vs Apocalypse  
1000 Grandmothers for Future Generations  
350 Bay Area Action  
350 Humboldt  
350 Marin  
350 San Diego  
350 Sacramento  
350 Southland Legislative Alliance  
350 South Bay Los Angeles  
350 Conejo San Fernando Valley

#### CONTACT

---

Trevor Taylor  
Legislative Director  
(916) 651-4033  
Trevor.Taylor@sen.ca.gov  
Senator Lena Gonzalez