January, 27, 2021
Public Testimony SIC Council
Tina Weishaus for DivestNJ Coalition

One year ago, DivestNJ Coalition produced a report called, “The Financial Case for Fossil Fuel Divestment in An Era of Climate Crisis, 2020." The report reflected on the radical changes that have occurred in the energy sector in the last decade while contextualizing them in a world now facing new realities and challenges as well as amazing technological advances.

Within the fossil fuel industry itself, the introduction of fracking in 2014 had devastating effects. It produced a glut in production, a pursuant price collapse, increasing debt, reduced profits, write-offs and a high number of bankruptcies. Each year that has followed has seen reduced value in the oil and gas sector making fossil fuels the worst performing sector of the stock market for many years now.

To continue to act as if the fundamentals are sound, as Darren Woods recently asserted about his failing ExxonMobil company is a bit like saying that everything is fine, no need to wear a mask. Denying reality can lead to disaster and in Exxon’s case the destruction of billions of dollars in shareholder value.

Today the headwinds against fossil fuels companies are strong and varied unlike in the 80’s and 90’s. They include:
*low prices,
*shrinking demand,
*a competitive renewable sector,
* EVs, the future of transportation,
*reduced plastic production
*a preference for clean energy
*a climate crisis that threatens humanity
*and a climate movement led by young people fighting furiously for their future

Previously one could argue that we are in a business cycle in which fossil fuel energy companies will rebound as they have in the past. But this is no boom, bust anymore. We are in the middle of an energy transition and everything is changing. For instance, higher oil prices no longer lead to more profits or financial health. Instead, they accelerate the energy transition to lower priced renewables and energy efficient investments.

Respected institutional investors like Comptrollers Tom DiNapoli and Scott Stringer are calculating climate as the #1 risk to the sustainability of their funds. Whether or not there is still some profit to be made in fossil fuels should not be the basis to evaluate the overall risk to the portfolio.

The expulsion of ExxonMobil from the Dow Jones earlier this year and the inclusion of Tesla a few days later is the signal that you should be responding to as the fiduciaries of the pension fund.

DivestNJ is happy to hear today that you are committed to developing a Climate Action Plan and agree with the first speaker Jordan Dale that we should be included in this process.

Finally, I want to take a moment longer to direct you to Black Rock's annual letter released yesterday following last year's commitment to make sustainability a core investing principle. One year later Black Rock's Larry Fink, the largest asset manager of over $9 trillion sounds very similar to Comptrollers DiNapoli and Stringer.

"Last year, we wrote that investors were increasingly recognizing that climate risk is investment risk, which would drive a significant reallocation of capital. We also believe that climate transition creates a historic investment opportunity. With the world moving to net zero, BlackRock can best serve our clients by helping them be at the forefront of that transition.

2020 was a historic year of climate change commitments by corporations, governments, and investors alike. These commitments are centered on achieving "net zero" – that is, building an economy that emits no more carbon dioxide than it removes from the atmosphere by 2050, the scientifically-established threshold necessary to keep global warming well below 2ºC.

The past year saw major net zero commitments by China, the EU, Japan, and South Korea, and last week the U.S. rejoined the Paris Agreement. More and more financial regulators are making climate risk disclosure mandatory, central banks are stress testing for climate risk, and policymakers around the world are collaborating to achieve common climate goals. 127 governments – responsible for more than 60% of the world's emissions – and over 1,100 companies are considering or already implementing net zero commitments. These changes will have dramatic impacts for investors.

DivestNJ urges the SIC and the DoI to heed the warning of the best investors there are. Climate risk is investment risk. And do it with the urgency that it demands.