# MINNESOTA DIVESTMENT COALITION – OCTOBER 2021 BRIEFING TO THE SBI

## Shareholder Advocacy

As stated in the Minnesota Divestment Coalition's September briefing to the SBI, we believe that given the right set of circumstances, shareholder engagement can be used by the SBI to improve the environment and the stability of Minnesota's investments. However, as we also stated, shareholder advocacy **cannot** have substantial impacts on the Carbon Underground 200 companies since their company valuations are derived from the carbon assets they hold. Any restrictions on the burning of these assets would undermine the financial viability of the company. Boards of these companies are not able to vote against their own fiduciary responsibilities. Adding climate scientists to boards does not change this. Fossil fuel companies had scientific evidence of their impacts on climate long before it was public knowledge; climate science is not what is lacking inside of these companies.

This briefing explores 1) decisions other institutions have recently made to safeguard their funds from the inevitable devaluation of carbon 2) how climate science has been misused inside fossil fuel companies and 3) our stance on carbon capture as a "solution."

**1) Recent Divestment Announcements.** Over the last 12 months, numerous institutions made divestment announcements. The leaders of these institutions declared that they are taking these divestment actions as prudent fund managers. The SBI should do the same to avoid future devaluations of fossil fuel companies. **New York State** Comptroller Tom DiNapoli announced the New York State Common Retirement Fund would sell most of its fossil fuel stocks in the next five years. He stated that the primary reason for the shift was his duty to protect the fund and to set it up for long-term economic success in a world that is moving away from fossil fuels. **Macalester College** trustees announced in August that it would be divesting from fossil fuels by the end of 2021. **The University of Minnesota** announced in September that it would divest from the Top 200 fossil fuel companies over the next 7 years. U of M Regents declared that their decision was the reasonable choice. **Harvard University** announced in September its commitment to divesting its $42 billion endowment from holdings in fossil fuels, saying in a letter to the university community, "Given the need to decarbonize the economy … we do not believe such investments are prudent." **Boston University** announced that it, too, was divesting its endowment. **The MacArthur Foundation** announced in September its plans to divest its $8 billion endowment from fossil fuels, as did the **Ford Foundation** in October. **California State University** announced in October that it will stop making new investments in fossil fuel, and **Dartmouth College** also announced updated divestment plans in October.

**2) Fossil Fuel Companies And Climate Science.**
The fossil fuel industry studied the effects of burning coal, oil and gas in the 1970's and found that burning their product would eventually lead to an irreversible climate catastrophe. Instead of recognizing the need to change, they decided to sow doubt and spread misinformation for the next 30 years so that they could continue selling their fossil fuel assets. More recently they have acknowledged that climate change is a serious problem, but they continue to follow their business model, extracting and transporting fossil fuels. The industry has pivoted to converting oil into plastic, with a huge increase in petrochemical companies in places like Cancer Alley, between Baton Rouge and New Orleans, LA. This is one of the reasons we encourage the use of shareholder advocacy to pressure **ancillary industries** to find sustainable alternatives to the use of petroleum products, such as bioplastics and alternative jet fuels.

**3) Fossil Fuel Companies Using Carbon Capture and Storage (CCS) As A Facade.**
Carbon capture is another example of fossil fuel companies devising systems that allow them to continue producing coal, oil and gas without effectively addressing climate change (watch Sept 2021 webinar by Science and Environmental Health Network). A recent study found that it is far more expensive and less reliable to set up carbon capture systems alongside fossil fuel energy plants than it is to simply replace those plants with renewable energy. Despite this, fossil fuel companies have marketed CCS to the public as a climate solution.

In the US, CCS is used primarily in fracking operations where it is pumped into the ground to force methane gas to the surface. This is problematic because fracking operations are known to be harmful to the environment and leaks of methane gas and CO2 are dangerous for people living in the vicinity of pipelines or fracking sites. Captured CO2 is transported through extensive pipelines and In transport CO2 becomes acidic and corrodes pipes and rock formations where it is stored and moves where it will through cracks and fissures in the underground spaces where it has been "stored." Currently NO approved methods for monitoring whether the carbon remains underground are available. SEHN's newsletter provides more details about the problems with carbon capture.

Carbon capture misses the mark. It fails the net zero emissions investment test and fails to create the renewable energy future we urgently need. The real solution is replacing fossil fuels with wind and solar power that have been shown to be far less expensive and more effective. The MSBI should not be investing in fossil fuel companies' risky and expensive efforts to keep on selling their product nor will a stakeholder engagement strategy work with these industries. We hope to see a more vigorous evaluation of the portfolio's investments in the Carbon Underground Top 200 fossil fuel companies very soon.