



SB 1173 (Gonzalez) Fossil Fuel Divestment

SUMMARY

Senate Bill (SB) 1173 will prohibit the California Public Employees Retirement System (CalPERS) and the California State Teachers' Retirement System (CalSTRS) from investing in fossil fuel companies, and require that they divest any current investments by 2027.

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, and have set historic carbon reduction goals and taken 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 causing 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. A recent report estimates that out of these funds CalPERS invests \$5.5 billion in fossil fuel companies and CalSTRS invests \$3.4 billion.¹

¹ <https://climatesafepensions.org/wp-content/uploads/2021/12/CSPN-The-Quiet-Culpit.pdf>

With the explosion of investment and development in carbon-free technologies, and consumer choice and governmental regulation driving markets away from fossil fuels, it has become clear that the fossil fuel industry may be a risky and myopic financial investment. Major investment management firms, BlackRock and Meketa, have concluded that divestment from fossil fuels actually improves, not weakens, investment returns.² A further study has shown that if CalPERS and CalSTRS had divested from fossil fuels in 2010 they would have gained \$11.9 and \$5.5 billion in returns by 2019.³

Many of the beneficiaries and union members 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 chapters of the California Teachers Association from Los Angeles to Oakland.

An estimated 1,500 institutions with over \$39 trillion in assets have already committed to 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.

The Legislature already began the work of divesting from dangerous carbon emitting companies through the passage of SB 185 (De Leon, Chapter 605, Statutes of 2015), which required CalPERS and CalSTRS to liquidate their investments in thermal coal companies. Further, Governor Newsom also recently issued an Executive Order on Climate Change (EO N-19-19) which called on

² <https://ieefa.org/major-investment-advisors-blackrock-and-meketa-provide-a-fiduciary-path-through-the-energy-transition/>

³ <https://drive.google.com/file/d/1k27W2oTztaueEZrvit4RLfve6pvakqMI/view>

CalPERS and CalSTRS to “leverage the state’s \$700 billion investment portfolio to advance California’s climate leadership.”

SOLUTION

SB 1173 seizes the momentum of the worldwide divestment movement and continues the bold and progressive actions that California must take to address climate change. SB 1173 ends the contradictory and incongruous policies that position the state as a leader in the fight against climate, while simultaneously investing billions in the fossil fuel companies that are causing climate change.

Specifically, SB 1173 will 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 2027. Additionally, SB 1173 will require CalPERS and CalSTRS to annually report, beginning in 2024 on their divestment progress.

SUPPORT

California Faculty Association (Sponsor)
Fossil Free California (Sponsor)
Active San Gabriel Valley
Alliance of Nurses for Healthy Environments
Asian Pacific Environmental Network
Atmos Financial PBC
Azul
Bay Area Youth Climate Action Team
Black Women for Wellness
Beyond Terra
California Environmental Voters (formerly CLCV)
California Federation of Teachers
California Interfaith Power & Light
California Nurses for Environmental Health & Justice
California State Treasurer, Fiona Ma
CALPIRG
City of Long Beach
City of San Mateo Climate Action Team
Change Begins With ME
Citizens' Climate Education, Tri-Valley Chapter
Citizens' Climate Lobby - Alameda County Chapter
Clean Water Action
Climate Action Santa Monica
Climate Hawks Vote
Climate Health Now
Climate Psychiatry Alliance

Compassion, Peace and Justice Ministry of Davis
Community Church
Conejo Climate Coalition
Dayenu Circle at the Orchard
Defenders of Wildlife
Direct Action Everywhere
Divest the CSU of Fossil Fuels
Earth Action, Inc.
Earth Guardians
Elected Officials to Protect America
Environmental Working Group
Equity Transit
Extinction Rebellion San Francisco Bay Area
Friends Committee on Legislation of California
Green Party of Santa Clara County
Harmony Union Teachers Association
Indivisible Beach Cities
Indivisible California Green Team
Indivisible ReSisters Walnut Creek
Indivisible Sonoma County
Indivisible South Bay LA
Let's Green CA!
Local Clean Energy Alliance
Long Beach Alliance for Clean Energy
Movement Generation
Oakland Education Association
Orinda Community Church Creation and Justice
Committee
Pacifica Climate Committee
Physicians for Social Responsibility- Los Angeles
Physicians for Social Responsibility - Sacramento
Planting Justice
Public Health Advisory Council, Climate Actions Campaign
Regional Climate Protection Authority
San Diego Pediatricians for Clean Air
San Diego 350
Santa Barbara Standing Rock Coalition
Santa Cruz Climate Action Network
Schools for Climate Action
Sequoia District Teachers Association
Sierra Club California
Sonoma County Transportation Authority
Stand.earth
Sunflower Alliance
Sunrise Movement San Diego
The Climate Center
The Greenlining Institute
TIAA-Divest! from climate destruction
UDW/AFSCME Local 3930
Yolo Interfaith Alliance for Climate Justice
Youth Climate Strike Los Angeles

1000 Grandmothers for Future Generations
350 Bay Area
350 Bay Area Action
350 Butte County
350 Conejo/San Fernando
350 Humboldt
350 Marin
350 Sacramento
350 Silicon Valley
350 South Bay Los Angeles
350 Southland Legislative Alliance

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