SB2555

Measure Title:	RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM.
Report Title:	Coal; Oil; Gas Company Divestment; Fossil Fuel; ERS
Description:	Requires the employees' retirement system to divest its investment portfolio of coal, oil, and gas companies within five years and to report certain information to the legislature.
Companion:	
Package:	None
Current Referral:	LBR, WAM
Introducer(s):	GABBARD, Espero, Galuteria, Harimoto

Sort by Date		Status Text
1/19/2018	S	Introduced.
1/22/2018	S	Passed First Reading.
1/24/2018	S	Referred to LBR, WAM.
2/9/2018	S	The committee(s) on LBR has scheduled a public hearing on 02-13-18 3:00PM in conference room 229.

S = Senate | **H** = House | **D** = Data Systems | **$** = Appropriation measure | **ConAm** = Constitutional Amendment

Some of the above items require Adobe Acrobat Reader. Please visit Adobe's download page for detailed instructions.

SB2555

DAVID Y. IGE
GOVERNOR

THOMAS WILLIAMS
EXECUTIVE DIRECTOR

KANOE MARGOL
DEPUTY EXECUTIVE DIRECTOR

STATE OF HAWAII
EMPLOYEES' RETIREMENT SYSTEM

TESTIMONY BY THOMAS WILLIAMS
EXECUTIVE DIRECTOR, EMPLOYEES' RETIREMENT SYSTEM
STATE OF HAWAII

TO THE SENATE COMMITTEE ON LABOR
ON

SENATE BILL NO. 2555

February 13, 2018
3:00 P.M.
Conference Room 229

RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM

Chair Tokuda, Vice Chair English and Members of the Committee,

S.B. 2555 would require that the Employees' Retirement System (ERS) completely divest its investment portfolio of all holdings in fossil fuel companies and stocks within 5 years of the Bill's effective date.

The ERS Board of Trustees strongly opposes S.B. 2555. Forced divestment from fossil fuels will increase the risk in our portfolio, negatively impact our returns and jeopardize the long-term sustainability of our pension fund.

The ERS supports the effort of the Legislature to make Hawaii less dependent on unsustainable energy sources and supports community and legislative safeguards for the natural resources and the environment of Hawaii and the globe. The Board acknowledges and supports the State's goal of achieving its renewable energy standards by 2045.

Full divestment from all fossil fuel companies introduces added risk into our portfolio by excluding a large sector of well performing investments from portfolio consideration. Our investible universe, or opportunity set, will be much smaller than that of our peers.

Employees' Retirement System
of the State of Hawaii

City Financial Tower • 201 Merchant Street, Suite 1400 • Honolulu, Hawaii 96813-2980
Telephone (808) 586-1735 • Fax (808) 586-1677 • http://ers.ehawaii.gov

Those who assert that “fossil fuel divestment is not risky; does not weaken returns on investments” are in the first instance wrong and, the second, unproven. Research clearly demonstrates that mandates which reduce the universe of investible securities introduce greater risks into the portfolio to which such mandates are applied.

We wish to avoid the increased risk which fossil fuel divestment would add at a time during which we are restructuring our portfolio to include a Crisis Risk Offset allocation with the express purpose of reducing risk. This restructure, involves several billion dollars of our assets, is underway and is expected be completed over the next 12 to 18 months. Fossil fuel divestment mandated by this Bill, will inevitably require the attention of our board, management team, and investment staff. Attention diverted away from this priority will negatively impact its timing, implementation, and its success.

We’ve discussed the issue of fossil fuel divestment with our consultants and other public pension funds and we have been advised not to engage in mandated divestment from fossil fuels. Rather, the risk associated with our doing so has been highlighted.

The ERS investment team and board routinely discuss with our consultants and investment managers our overall exposure to companies that are engaged in renewable and sustainable energy initiatives. We have substantial investment in renewables, solar and wind energy companies and will add more as opportunities present themselves.

A 2015 study which reviewed the possible cost to Harvard, Yale, Columbia, MIT and NYU should they divest all of their investments in fossil fuels, found that in the aggregate, the colleges would be forecast to lose $195M per year due to fossil fuel divestment. The report dispels the view that divestment is being universally embraced as a tool to address climate change or that it is without risk or cost to the institution. Many who have elected not to divest see engagement as a preferable means to alter corporate behavior.

We know of no large state-wide public pension fund that has elected to divest from all fossil fuel related investments to date.

The added costs to be incurred for compliance with the Bill’s reporting and divestment mandate are not insubstantial. Transaction costs associated with divestment and reinvestment in alternative securities is estimated at $1.4 million annually. Opportunity costs are incalculable.

We strongly believe that we should be allowed to utilize our documented, systematic and disciplined investment policies and processes to determine either inclusion or exclusion of specific securities in the context of our portfolio. Other approaches, no matter how well intentioned, pose unnecessary and unknowable risks to the achievement of our objectives.

ERS overall exposure to energy sector investments in the public markets has intentionally declined even as overall stock values have increased. Our total public market energy exposure as of September 30, 2017 was $448 million as compared to March 31, 2015 when it stood at $658 million, a decline of 32%. And we have no investments in coal.

Our board respectfully asks that you let it, our staff, professional consultants and managers make the complicated decisions surrounding our investments, fossil fuels included. We have the fiduciary responsibility, accountability, skills and independent professional resources to do so.

On the factual basis outlined above we oppose this proposed legislation.

On behalf of the Board of Trustees and staff of ERS we wish to thank you for the opportunity to testify on S.B. 2555.

HAWAII GOVERNMENT EMPLOYEES ASSOCIATION
AFSCME Local 152, AFL-CIO

RANDY PERREIRA, Executive Director • Tel: 808.543.0011 • Fax: 808.528.0922

AFSCME
LOCAL 152, AFL-CIO

The Twenty-Ninth Legislature, State of Hawaii
The Senate
Committee on Labor

Testimony by
Hawaii Government Employees Association

February 13, 2018

S.B. 2555 – RELATING TO THE
EMPLOYEES' RETIREMENT SYSTEM

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO raises serious concerns over the implementation of S.B. 2555, which requires the Employees' Retirement System to divest its entire investment portfolio from fossil fuels within five years.

While we appreciate the efforts of the Legislature to reduce Hawaii's dependence on non-renewable energy sources, we respectfully argue that the Board of Trustees' fiduciary duty, in concert with the system's investment strategy, should focus on maximizing investment returns and reducing the fund's $13 billion unfunded liability. In order to capitalize on its investments, the Board needs the flexibility and authority to pursue a wide-range of investment options. Mandating adherence to a rigid and arguably aggressive five year divestiture schedule introduces unnecessary risk to investments and will not yield the best performing portfolio for beneficiaries. Lastly, the ERS Board of Trustees' investment program already gives consideration to environmental and socially-responsible investments.

In the pursuit of a robust and solvent trust for our retirees, beneficiaries, and the over 135,000 members that the ERS serves, we respectfully request this measure be deferred. Thank you for the opportunity to raise serious concerns over S.B. 2555.

Respectfully submitted,

Randy Perreira
Executive Director

888 MILILANI STREET, SUITE 401 HONOLULU, HAWAII 96813-2991

P.O. Box 37158, Honolulu, Hawai`i 96837-0158
Phone: 927-0709 henry.lifeoftheland@gmail.com

COMMITTEE ON LABOR
Senator Jill N. Tokuda, Chair
Senator J. Kalani English, Vice Chair

February 13
3:00PM
conference room 229

SB 2555 Coal; Oil; Gas Company Divestment; Fossil Fuel; ERS

Aloha Chair Tokuda, Vice Chair English, and Members of the Committee

Life of the Land is Hawai`i's own energy, environmental and community action group advocating for the people and `aina for 47 years. Our mission is to preserve and protect the life of the land through sound energy and land use policies and to promote open government through research, education, advocacy and, when necessary, litigation.

Hawai`i should divest from owning shares in greenhouse gas promoting industries.

Hawai`i should regulate all entities relying on fuels with high life cycle emissions.

Mahalo,

Henry Curtis
Executive Director

To: The Senate Committee on Labor
From: Brodie Lockard, 350Hawaii.org, 808-262-1285
Date: Tuesday, February 13, 2018

In strong support of SB 2555

Dear Chair Tokuda, Vice Chair English and Committee members,

I am the founder of the Hawaii chapter of 350.org, the largest international organization dedicated to fighting climate change. 350Hawaii.org strongly supports SB 2555, with an amendment.

In Section 4(b), please change "companies on the fossil fuel companies list" to "any fossil fuel companies." The current language allows ERS to acquire new assets or securities of any companies not currently held.

The effects of climate change on Hawaii, and the world, become more obvious every week. Hawaii, of course, is particularly vulnerable for many reasons you're aware of. The Director of ERS admitted in a hearing two years ago that no study was needed to know that ERS has lost significant money from fossil fuel investments in recent years. Yet Hawaii's ERS Board members have told us that they will not divest without legislation. The energy sector is undergoing radical change that demands unusual, immediate attention.

WHY DIVEST?

- Because it will stigmatize the fossil fuel industry and weaken their deathgrip—quite literally—on public policy.
- Because the Carbon Bubble—estimated to be 20 times the size of the mortgage bubble—threatens our environment and our portfolios.
- Because stranded assets—unusable oil and gas—will cause the valuations of fossil fuel companies to plummet.
- Because as 350 founder Bill McKibben wrote in December, "If we don't win very quickly on climate change, then we will never win. That's the core truth about global warming. It's what makes it different from every other problem our political systems have faced" [1].
- Because taxpayers will resent increased taxes to pay for damage caused by an industry ERS invests in.
- Because renewables will rule. Solar now competes with grid electricity in 80% of the world's economies. In most of the U.S., wind is now the least expensive form of power. The vast bulk of the $48 trillion needed to meet global power demand over the next 20 years will come from renewables.
- Because the current federal government is rapidly reversing years of progress on climate change, and individual States must take the initiative to resist in every way possible.
- Because it makes us safer. The Pentagon calls climate change "an urgent and growing threat to our national security," requiring more troops for weather events.
- Because climate change may undermine 50 years of progress in health. So reports *The*

Lancet, citing the damage caused by extreme weather events exacerbated by our addiction to fossil fuels.

WHO ELSE HAS DIVESTED?

SB2555 notes that in May 2015, the University of Hawaii board of regents voted to divest from all fossil fuels, and in November 2017, the Norwegian Sovereign Wealth Fund, the largest sovereign wealth fund in the world, announced its intention to divest from oil and gas investments, having divested from coal and tar sands in 2015. In December, New York City and State both announced their public pension funds would divest their combined $390 billion, and reinvest in renewable energy. New York's announcement brings the total number of global divestment commitments to 810 institutions representing more than $6 trillion in assets, including Stanford, Seattle, the national United Church of Christ, and the Rockefeller Brothers Fund [2]. New York is also suing five major oil companies for climate damages, and just last week Paris announced it will explore the possibilities of suing as well. Suits are bad for business.

CalPERS and CalSTRS, the two largest state pension funds in the U.S., both divested from coal in 2015.

The board of the San Francisco Employees' Retirement System (SFERS), which manages $24 billion for its 65,000 members, last month agreed to divest its oil and gas holdings to address climate risk in its broad portfolio [3].

Lloyd's of London, the world's oldest insurance market, has become the latest financial firm to announce that it plans to stop investing in coal companies. Fifteen insurance companies—almost all in Europe—have fully or partially cut financial ties by selling holdings in coal companies and refusing to insure their operations [4].

WON'T ERS LOSE MONEY?

Studies by MSCI, Fossil Free Indexes, Aperio Group, Advisor Partners and Impax have shown that fossil fuel divestment does not weaken portfolios, can strengthen them, and may avert losses arising from further drops in the value of fossil fuel stocks.

For half of the years between 1992-2012, oil companies ranked in the bottom half of equity sectors. The SNL Coal Index lost 60% of its value between 2011 and 2014.

Citi, Goldman Sachs, HSBC, Standard and Poor's and other major financial institutions have all warned investors of the risks of fossil fuel holdings.

"Either [investors] will experience impairment to their holdings in fossil fuel companies should robust regulatory action on climate change take place, or they will face substantial losses across the entire portfolio of manageable assets should little mitigation be forthcoming." —*The Economist*

DOES DIVESTMENT WORK?

A study at the School of Environment, Enterprise and Development (SEED) at the University of Waterloo suggests divestment announcements have a statistically significant negative impact on the price of fossil fuel shares. The results suggest that share prices dropped on the days that institutional investors announced they were divesting of fossil fuels. Furthermore, the findings demonstrate that more recent divestment announcements had a stronger impact on share prices than earlier such announcements, suggesting a snowball effect [5].

Divestment has worked before. It helped end apartheid in South Africa. It reined in Big Tobacco and exposed their “merchants of doubt” and disinformation, the same kind that are at work today denying climate change despite the 97% scientific consensus on the issue.

Divestment is the right thing to do morally, in our own self-interest, and increasingly, economically. With cities, states, and countries from China to India to Germany heading full-tilt toward renewable energy, and its cost continuing to plummet, the fossil fuel industry's days are clearly numbered, and their worth will be decreasing. 120,000 state employees deserve safer investments.

Thank you for this opportunity to submit testimony.

Brodie Lockard, Founder
350Hawaii.org

[1] https://www.rollingstone.com/politics/news/bill-mckibben-winning-slowly-is-the-same-as-losing-w512967
[2] https://gofossilfree.org/press-release/new-yorkers-celebrate-as-nyc-mayor-announces-divestment-from-fossil-fuels-files-climate-lawsuit/
[3] http://groups.google.com/group/community-divestment-network/t/a0551e38a3b3936c?utm_source=digest&utm_medium=email
[4] https://www.theguardian.com/business/2018/jan/21/lloyds-of-london-to-divest-from-coal-over-climate-change?CMP=twt_a-environment_b-gdneco
[5] https://theconversation.com/how-divesting-of-fossil-fuels-could-help-save-the-planet-88147

SB-2555
Submitted on: 2/11/2018 4:40:38 PM
Testimony for LBR on 2/13/2018 3:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Janet Graham	350.org	Support	No

Comments:

In Section 4(b), please change "companies on the fossil fuel companies list" to "any fossil fuel companies." The current language allows ERS to acquire new assets or securities of any companies not currently held.

The effects of climate change on Hawaii, and the world, become more obvious every week. Hawaii, of course, is particularly vulnerable for many reasons you're aware of.

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CalPERS and CalSTRS, the two largest state pension funds in the U.S., both divested from coal in 2015.

At least four studies have shown that fossil fuel divestment

- Does not weaken portfolios
- Can strengthen portfolios
- May avert losses arising from further drops in the value of fossil fuel stocks

For half of the years between 1992-2012, oil companies ranked in the bottom half of equity sectors. The SNL Coal Index lost 60% of its value between 2011 and 2014.

"Either [investors] will experience impairment to their holdings in fossil fuel companies should robust regulatory action on climate change take place, or they will face substantial losses across the entire portfolio of manageable assets should little mitigation be forthcoming." —The Economist

Why divest?

- Because the Carbon Bubble—estimated to be 20 times the size of the mortgage bubble—threatens our environment and our portfolios.
- Because stranded assets will cause the valuations of fossil fuel companies to plummet.
- Because taxpayers will resent increased taxes to pay for damage caused by an industry ERS invests in.
- Because it makes us safer. The Pentagon calls climate change “an urgent and growing threat to our national security,” requiring more troops for weather events.
- Because renewables will rule. Solar now competes with grid electricity in 80% of the world’s economies. The vast bulk of the $48 trillion needed to meet global power demand over the next 20 years will come from renewables.
- Because climate change may undermine 50 years of progress in health. So reports the Lancet, citing the damage caused by extreme weather events exacerbated by our addiction to fossil fuels.
- Because it will stigmatize the fossil fuel industry and weaken their deathgrip—literally—on public policy.

Divestment has worked before. It helped end apartheid in South Africa. It reined in Big Tobacco and exposed their “merchants of doubt” and disinformation, the same kind that are at work today denying climate change despite the 97% scientific consensus on the issue.

Divestment is the right thing to do morally, in our own self-interest, and increasingly, economically. With cities, states, and countries from China to India to Germany heading full-tilt toward renewable energy, and its cost continuing to plummet, the fossil fuel industry's days are clearly numbered, and their worth will be decreasing.

This is really important step we can take that will have implications well beyond our islands.

SB-2555
Submitted on: 2/11/2018 7:08:02 PM
Testimony for LBR on 2/13/2018 3:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
tlaloc tokuda	n/a	Support	No

Comments:

Dear Members, i am a member of 350HI and one of our goals is to work with our state pension fund to divest from all fossil fuel companies.

SB2555 notes that in May 2015, the University of Hawaii board of regents voted to divest from all fossil fuels, and in November 2017, the Norwegian Sovereign Wealth Fund, the largest sovereign wealth fund in the world, announced its intention to divest from oil and gas investments, having divested from coal and tar sands in 2015. In December, New York City and State both announced their public pension funds would divest their combined $390 billion, and reinvest in renewable energy. New York's announcement brings the total number of global divestment commitments to 810 institutions representing more than $6 trillion in assets, including Stanford, Seattle, the national United Church of Christ, and the Rockefeller Brothers Fund [1]. New York is also suing five major oil companies for climate damages, and just last week Paris announced it will explore the possibilities of suing as well.

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-Why divest?
--Because the Carbon Bubble is estimated to be 20 times the size of the mortgage bubble threatens our environment and our portfolios.

--Because stranded assets will cause the valuations of fossil fuel companies to plummet.
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-Divestment has worked before. It helped end apartheid in South Africa. It reined in Big Tobacco and exposed their merchants of doubt and disinformation, the same kind that are at work today denying climate change despite the 97% scientific consensus on the issue.

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[1] https://gofossilfree.org/press-release/new-yorkers-celebrate-as-nyc-mayor-announces-divest ment-from-fossil-fuels-files-climate-lawsuit/

-The board of the San Francisco Employees' Retirement System (SFERS), which manages $24 billion for its 65,000 members, last month agreed to join a movement to divest its oil and gas holdings to address climate risk in its broad portfolio [2].

-Lloyd's of London, the world's oldest insurance market, has become the latest financial firm to announce that it plans to stop investing in coal companies. Fifteen insurance companies, almost all in Europe, have fully or partially cut financial ties by selling holdings in coal companies and refusing to insure their operations. [3].

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[2] http://groups.google.com/group/community-divestment-

network/t/a0551e38a3b3936c?utm_source= digest&utm_medium=email
[3] https://www.theguardian.com/business/2018/jan/21/lloyds-of-london-to-divest-from-coal-over -climate-change?CMP=twt_a-environment_b-gdneco
[4] https://theconversation.com/how-divesting-of-fossil-fuels-could-help-save-the-planet-88147

SB-2555
Submitted on: 2/11/2018 9:04:35 AM
Testimony for LBR on 2/13/2018 3:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Joan Gannon	West Hawaii CHC	Support	No

Comments:

SB-2555
Submitted on: 2/12/2018 2:26:23 PM
Testimony for LBR on 2/13/2018 3:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Melodie Aduja	Testifying on behalf of OCC Legislative Priorities Committee	Support	No

Comments:

SB-2555
Submitted on: 2/10/2018 10:45:06 PM
Testimony for LBR on 2/13/2018 3:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Jonathan Boyne		Support	No

Comments:

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Why divest?

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- Because stranded assets will cause the valuations of fossil fuel companies to plummet.
- Because taxpayers will resent increased taxes to pay for damage caused by an industry ERS invests in.
- Because it makes us safer. The Pentagon calls climate change “an urgent and growing threat to our national security,” requiring more troops for weather events.
- Because renewables will rule. Solar now competes with grid electricity in 80% of the world’s economies. The vast bulk of the $48 trillion needed to meet global power demand over the next 20 years will come from renewables.
- Because climate change may undermine 50 years of progress in health. So reports the Lancet, citing the damage caused by extreme weather events exacerbated by our addiction to fossil fuels.
- Because it will stigmatize the fossil fuel industry and weaken their deathgrip—literally—on public policy.

Divestment has worked before. It helped end apartheid in South Africa. It reined in Big Tobacco and exposed their “merchants of doubt” and disinformation, the same kind that are at work today denying climate change despite the 97% scientific consensus on the issue.

Divestment is the right thing to do morally, in our own self-interest, and increasingly, economically. With cities, states, and countries from China to India to Germany heading full-tilt toward renewable energy, and its cost continuing to plummet, the fossil fuel industry's days are clearly numbered, and their worth will be decreasing.

SB-2555
Submitted on: 2/11/2018 9:11:05 AM
Testimony for LBR on 2/13/2018 3:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Richard Reed		Support	No

Comments:

Fossil fuel industry is, in the long run, a dieing business and it should be. For us to try to profit from over heating the earth and flooding our own state is not only immoral it is being on the wrong side of a sea change in energy sourcing. There is no shortage of equally profitable or better places to invest.

SB-2555
Submitted on: 2/11/2018 9:38:26 AM
Testimony for LBR on 2/13/2018 3:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Barbara L. George		Support	No

Comments:

SUPPORT! Walk the sustainability talk!

SB-2555
Submitted on: 2/11/2018 12:50:13 PM
Testimony for LBR on 2/13/2018 3:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Nanea Lo		Support	No

Comments:

Hello,

I am writing to say please support this bill.

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Sincerely,

Nanea Lo

SB-2555
Submitted on: 2/11/2018 5:50:27 PM
Testimony for LBR on 2/13/2018 3:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Patricia Blair		Support	No

Comments:

SB-2555
Submitted on: 2/11/2018 6:19:13 PM
Testimony for LBR on 2/13/2018 3:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
L.M. Holmes	Dr.	Support	No

Comments:

Fossil fuels are going down in value as they are being phased out. Both because of this and because we do not want to encourage their production, divesting is essential.

SB-2555
Submitted on: 2/11/2018 8:39:27 PM
Testimony for LBR on 2/13/2018 3:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Joseph Kohn MD	We Are One, Inc. - www.WeAreOne.cc - WAO	Support	No

Comments:

www.WeAreOne.cc

SB-2555
Submitted on: 2/11/2018 9:24:08 PM
Testimony for LBR on 2/13/2018 3:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Sherry Pollack		Support	No

Comments:

The science clearly says that we must leave 66% to 80% of the known fossil fuel reserves in the ground, as stranded assets, or we will commit our children to a future where the climate system is completely out of their control.

This is not a 'feel good' thing to do. It is required by the State's fiduciary responsibility to protect the funds in the ERS. With cities, states, and countries from China to India to Germany heading full-tilt toward renewable energy, and its cost continuing to plummet, the fossil fuel industry's days are clearly numbered, and their worth will be decreasing. Please support SB2555 that will help protect our pensions while it helps protect the planet.

Thank you for the opportunity to submit testimony.

SB-2555
Submitted on: 2/11/2018 10:06:52 PM
Testimony for LBR on 2/13/2018 3:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Cory Harden		Support	No

Comments:

Aloha legislators,

Please withdraw investment from oil, gas, and coal companies that feed into the climate change that will seriously impact our islands.

mahalo,

Cory Harden, Hilo

SB-2555
Submitted on: 2/12/2018 10:42:13 AM
Testimony for LBR on 2/13/2018 3:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
John NAYLOR	Individual	Support	No

Comments:

Divest Please!

SB-2555
Submitted on: 2/12/2018 12:58:05 PM
Testimony for LBR on 2/13/2018 3:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Meredith Buck	Individual	Support	No

Comments:

In Section 4(b), please change "companies on the fossil fuel companies list" to "any fossil fuel companies." The current language allows ERS to acquire new assets or securities of any companies not currently held.

The effects of climate change on Hawaii, and the world, become more obvious every week. Hawaii, of course, is particularly vulnerable for many reasons you're aware of.

SB2555 notes that in May 2015, the University of Hawaii board of regents voted to divest from all fossil fuels, and in November 2017, the Norwegian Sovereign Wealth Fund, the largest sovereign wealth fund in the world, announced its intention to divest from oil and gas investments, having divested from coal and tar sands in 2015. In December, New York City and State both announced their public pension funds would divest their combined $390 billion, and reinvest in renewable energy. New York's announcement brings the total number of global divestment commitments to 810 institutions representing more than $6 trillion in assets, including Stanford, Seattle, the national United Church of Christ, and the Rockefeller Brothers Fund [1]. New York is also suing five major oil companies for climate damages, and just last week Paris announced it will explore the possibilities of suing as well.

CalPERS and CalSTRS, the two largest state pension funds in the U.S., both divested from coal in 2015.

At least four studies have shown that fossil fuel divestment: Does not weaken portfolios; Can strengthen portfolios; and May avert losses arising from further drops in the value of fossil fuel stocks

For half of the years between 1992-2012, oil companies ranked in the bottom half of equity sectors. The SNL Coal Index lost 60% of its value between 2011 and 2014.

Why divest?
Because the Carbon Bubble—estimated to be 20 times the size of the mortgage bubble—threatens our environment and our portfolios.
Because stranded assets will cause the valuations of fossil fuel companies to plummet.
Because taxpayers will resent increased taxes to pay for damage caused by an industry ERS invests in.

Because it makes us safer. The Pentagon calls climate change “an urgent and growing threat to our national security,” requiring more troops for weather events.
Because renewables will rule. Solar now competes with grid electricity in 80% of the world’s economies. The vast bulk of the $48 trillion needed to meet global power demand over the next 20 years will come from renewables.
Because climate change may undermine 50 years of progress in health. So reports the Lancet, citing the damage caused by extreme weather events exacerbated by our addiction to fossil fuels.
Because it will stigmatize the fossil fuel industry and weaken their deathgrip—literally—on public policy.

Divestment has worked before. It helped end apartheid in South Africa. It reined in Big Tobacco and exposed their “merchants of doubt” and disinformation, the same kind that are at work today denying climate change despite the 97% scientific consensus on the issue.

Divestment is the right thing to do morally, in our own self-interest, and increasingly, economically. With cities, states, and countries from China to India to Germany heading full-tilt toward renewable energy, and its cost continuing to plummet, the fossil fuel industry's days are clearly numbered, and their worth will be decreasing.

https://gofossilfree.org/press-release/new-yorkers-celebrate-as-nyc-mayor-announces-divestment-from-fossil-fuels-files-climate-lawsuit/

SB-2555
Submitted on: 2/12/2018 1:44:29 PM
Testimony for LBR on 2/13/2018 3:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Lana Brodziak	Individual	Support	No

Comments:

I support SB2555. Please help divest from Fossil fuel industry holdings.

LATE

SB-2555
Submitted on: 2/12/2018 10:57:30 PM
Testimony for LBR on 2/13/2018 3:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Stuart Scott	Individual	Support	Yes

Comments:

I live in Honolulu and am *kama'aina* for over 3 decades. My *bona fides* in presenting this testimony stem from my 10 years as an active Observer Party to the UN Climate Negotiations, and all of the attendant study, research and interaction with other experts and concerned parties over the many complex facets of climate change and energy consumption.

I was also what is commonly called a stock broker (an Account Executive is the correct term) on Wall Street in the 1970s in the early days after our environmental abuses came clearly into view, Earth Day was born, the Clean Air and Clean Water Acts were passed, and the EPA was created. So I am *akamai* about the financial markets, how they behave, what the public is fed vs. what is really going on behind the scenes, etc. I am also well aware that financial advisors are not as savvy as they would have us believe. Financial managers are subject to some 'herd mentality' as are ordinary investors, and are extremely reticent to depart from the 'conventional wisdom', which may be conventional, but is seldom wise. It is axiomatic among Wall Street insiders that the stock market will do whatever is necessary to make most people wrong. Financial managers, while a more 'elite' layer of market investor, are subject to the same principal.

With this as background I am writing in the STRONGEST SUPPORT of passage of SB2555. The managers of the ERS will resist. That goes without saying. They are part of the herd, with the following differences: they control more funds than most investors, and the funds under their control are not their own, so they have less 'skin in the game'. This second difference is key. They tend to be more reticent to deviate from 'conventional wisdom' lest they be faulted, and that makes them actually more prone to risks that the 'conventional wisdom' ignores.

In this case, the pertinent 'conventional wisdom' is that a so-called 'balanced portfolio' must contain stocks of the Energy Sector, that is fossil fuel companies. **In ordinary times** one can get away with following this 'common wisdom' since as long as one's performance tracks the general market averages (the Dow, S&P 500, etc.) one cannot be faulted, and those averages all contain securities in the fossil fuel Energy Sector.

But **these are NOT ordinary times**. Humanity is faced with the huge problem of climate change. Western civilization's profligate use of fossil fuels are implicated as the primary driver of climate change. By conservative scientific estimates humanity must leave from 66%* to 80%** of the fossil fuel reserves of all companies and countries in the ground as 'stranded assets' or we risk the overwhelming probability of setting off feedbacks in the climate system leading to runaway climate change. The result would be the decimation of human civilization, unthinkable suffering and death, and no region on Earth will be immune to the consequences.

* - Source: the Intergovernmental Panel on Climate Change

** - Source: the International Energy Agency

With this as background, the exit from fossil fuel securities, known as **the fossil fuel divestment movement**, has begun. The Rockefeller Brothers Fund, a fotrune based upon oil, announced full divestment a few years ago. In late November of 2017, after a mostly disappointing round of the UN climate negotiations (COP-23), which I participated in, the Norwegian Sovereing Wealth Fund (NSWF), the largest fund of its kind, with assets of around $1 trillion USD from its own exploitation of its North Sea oil reserves, signaled its divestment from fossil fuels. This fund holds the equivalent of 1% of all the stocks in all the markets on Earth, and 2% of the European markets. These folks don't follow the trends, the create them.

Here are two pertinent articles.

https://www.theguardian.com/business/2017/nov/16/oil-and-gas-shares-dip-as-norways-central-bank-advises-oslo-to-divest

https://www.nytimes.com/2017/11/16/business/energy-environment/norway-fund-oil.html

Note that the word 'considers' in the title of the NY Times article is part of the 'public narrative.' What is really going on here is that the NWSF is signaling that the decision has been made, but doing so in a discrete manner so that they can sell off their shares over time without creating a sharp decline.

Ths is the time to be divesting, without dithering, obfuscation or delay. It is likely that other fiduciaries are doing the same thing. **For the Legislature and the management of the ERS to ignore this clear signal is a breach of its fiduciary responsiblity.** I can say that in all likelihood the NSWF is already quietly selling its shares at current market prices, and other fiduciaries are contemplating or executing a similar strategy as the stark realities of our precarious situation becomes undeniable.

This is not a 'feel good' thing, it is financially prudent to divest from fossil fuel securities at the present reasonably high market prices. Once the divestment movement gathers additional steam, there is liable to be a rapid flight from these securities as the fossil fuel companies are seen to be the pariahs of civilization.

Of course, the moral and ethical implications of divestment are important to acknowledge. But we all know that the money managers will easily choose to endanger current and future generations for the sake of short term financial results. So the strongest argument for them, and for the Legislature, is the pure argument of fiduciary responsibility.

Please pass SB2555 out of committee and into law.

Respectfully submitted,

Stuart Scott