



## Kriss Worthington

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CONSENT CALENDAR  
 April 30, 2013

To: Honorable Mayor and Members of the City Council  
 From: Councilmember Kriss Worthington

Subject: City Manager Referral: Examine the Feasibility of Divesting all City Funds from Fossil Fuel Companies and Send to a Letter to CalPERS Requesting they also Consider Divesting from Fossil Fuel Companies

### RECOMMENDATION

Refer to the City Manager to examine the feasibility of divesting all City funds from direct ownership of fossil fuel companies and any commingled funds that include fossil fuel public equities and corporate bonds and send a letter to CalPERS requesting they also consider divesting from fossil fuel companies.

### BACKGROUND

The 2012 Go Fossil Free Campaign has sparked a national movement with over 300 educational institutions and more than 40 City and State governments starting campaigns encouraging the divestment from fossil fuel companies. The Associated Students of the University of California has introduced a bill that would divest all of the organizations holdings from fossil fuel companies in hopes that students and the UC Board of Regents will follow suit. The San Francisco Board of Supervisors is considering a resolution that would divest the funds in the San Francisco Employees' Retirement System from fossil fuel companies. And in Seattle, Mayor Mike McGinn sent a letter to the city's two primary pension funds formally requesting that they "refrain from future investments in fossil fuel companies and begin the process of divesting [the] pension portfolios from those companies."

According to the sample resolution released by 350.org, the 200 fossil fuel companies were chosen because they control the vast majority of the world's coal, oil and gas reserves. Nearly 80% of those reserves must go unburned in order to maintain global warming below 2 °C, a target that the United States has agreed to meet. "Through the 2009 Copenhagen Accord almost every government in the world has agreed that any warming above a 2 °C (3.6 °F) rise would be unsafe, and that humans can only pour about 565 more gigatons of carbon dioxide into the atmosphere to maintain this limit." "Fossil fuel companies hold more than 2,795 gigatons of CO<sub>2</sub> in their reserves, which is five times the amount that can be released without exceeding 2 °C of warming." There is also a growing set of investing concerns about what a future price on Carbon might mean for fossil-fuel-intensive investments.

350.org's Go Fossil Free Campaign urges divestment from direct ownership and "any commingled funds that include fossil fuel public equities and corporate bonds" within 5 years along with the immediate halt of new investments in fossil fuel companies. 350.org urges fossil fuel divestment on the grounds that fossil fuel companies plan to burn an amount of carbon that would be catastrophic to the atmosphere, and maintains that city and state governments have a responsibility to divest from an industry that is destroying the future (and blocking political progress) and reinvest in solutions to climate change.

The City should send a letter to CalPERS urging them to consider divesting from the 200 fossil fuel companies identified by 350.org and request a breakdown of fossil fuel investment in stocks and mutual funds, including the approximate percentage of total holdings these 200 companies would comprise. The City of Berkeley has deposited nearly \$1 billion into CalPERS on behalf of city employees. Therefore this information from CalPERS shall be shared with the Service Employees International Union, International Brotherhood of Electrical Workers, Local One, Berkeley Fire Fighters Association, Berkeley Police Association, and unrepresented employees before a final decision is made.

The City should also request that the City Manager produce a report on the divestment feasibility for all city accounts within 3 months.

The list of the 200 Fossil Fuel companies the campaign is urging divestment from is available at their website, <http://gofossilfree.org/companies/>.

#### FINANCIAL IMPLICATIONS

One study indicates minimum investment risk:

[http://www.aperiogroup.com/system/files/documents/building\\_a\\_carbon\\_free\\_portfolio.pdf](http://www.aperiogroup.com/system/files/documents/building_a_carbon_free_portfolio.pdf)

#### CONTACT PERSON

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Attached:

1. Draft letter to CalPERS
2. Sample Municipal Resolution

1. Draft letter to CalPERS

To the members of the California Public Employees' Retirement System:

We, the City of Berkeley, request to immediately cease any new investment in fossil fuel companies, and begin the process of divesting our CalPERS portfolio.

Climate change has become more real as we have come to experience extreme weather events like Super Storm Sandy that caused significant damage and financial losses to cities and states on the East Coast. We cannot escape the reality that our cities are vulnerable to natural disasters and the implications of climate change, as coastal cities face the threat of flooding from rising sea levels and turbulent weather.

While fossil fuel companies provide an attractive return in investment, Berkeley will suffer greater economic and financial losses from the impact of unchecked climate change. Our infrastructure, our businesses, and our communities would face greater risk of damages and losses due to that climate change.

Before any action is taken, we request that you provide us with a breakdown of the investments in stocks or mutual funds, including the approximate percentage of total holdings of these 200 companies, of any group or organization that would be impacted by the divestment so that we may consult with them prior to the divestment.

Sincerely,  
Berkeley City Council

## 2. Sample Municipal Resolution

### **Resolution urging the City of Berkeley to begin to divest from publicly-traded fossil fuel companies.**

1. WHEREAS the climate crisis is a serious threat to current and future generations here in Berkeley and around the world;

2. WHEREAS, The Intergovernmental Panel on Climate Change (IPCC) Fourth Assessment Report found that global warming is already causing costly disruption of human and natural systems throughout the world including the melting of Arctic ice, the ocean's rise in acidity, flooding and drought; and

3. WHEREAS, Almost every government in the world has agreed through the 2009 Copenhagen Accord that any warming above a 2°C (3.6°F) rise would be unsafe, and that humans can only pour about 565 more gigatons of carbon dioxide into the atmosphere to maintain this limit; and

4. WHEREAS, For the purposes of this ordinance, a "fossil fuel company" shall be defined as any of the two hundred publicly-traded companies with the largest coal, oil, and gas reserves as measured by the gigatons of carbon dioxide that would be emitted if those reserves were extracted and burned, as listed in the Carbon Tracker Initiative's "Unburnable Carbon" report; and

5. WHEREAS, In its "Unburnable Carbon" report, the Carbon Tracker Initiative found that fossil fuel companies possess proven fossil fuel reserves that would release approximately 2,795 gigatons of CO<sub>2</sub> if they are burned, which is five times the amount that can be released without exceeding 2°C of warming; and

6. WHEREAS the City of Berkeley has a responsibility to protect the lives and livelihoods of its inhabitants from the threat of climate change; and,

7. WHEREAS the City of Berkeley believes that its investments should support a future where all citizens can live healthy lives without the negative impacts of a warming environment; and,

8. WHEREAS, students at more than two hundred colleges and universities in the United States have launched campaigns to have their institutions divest from fossil fuel companies; now, therefore, be it

THEREFORE, BE IT RESOLVED, That the Berkeley City Council urges the City Manager and CalPERS to identify any holdings that include direct or indirect investments in fossil fuel companies; and, be it

FURTHER RESOLVED, That the Berkeley City Council urges the City Manager and CalPERS to immediately cease any new investments in fossil fuel companies or in commingled assets that include holdings in fossil fuel companies; and, be it

FURTHER RESOLVED, That, for any investments in commingled funds that are found to include fossil fuel companies, the Berkeley City Council urges the City Manager and CalPERS to consider contacting the fund managers and request that the fossil fuel companies be removed from the funds; and, be it

FURTHER RESOLVED, That the Berkeley City Council urges the City Manager and CalPERS to ensure that none of its directly held or commingled assets include holdings in fossil fuel public equities and corporate bonds within 5 years as determined by the Carbon Tracker list; and, be it

LET IT BE FURTHER RESOLVED that the Berkeley City Council urges the City Manager and City Council to prepare a report and options for investing the pension fund in a way that further maximizes the positive impact of the fund by seeking out investments in opportunities to limit the effects of burning fossil fuels or help to mitigate its effects including, but not limited to, clean technology & renewable energy, sustainable companies or projects, and sustainable communities. We particularly urge that policies be put in place that support local projects and local jobs; and, request that timeline for implementing the findings of said report in a manner consistent with our fiduciary duty.

FURTHER RESOLVED, That the Berkeley City Council urges the City Manager and CalPERS to release quarterly updates, available to the public, detailing progress made towards full divestment.

