NYC is selling off its fossil fuel investments—here's why that matters

January 18 2018, by Nathan Lobel

Socially responsible and sustainable investment has gone mainstream. Credit: Ryan Hyde via Flickr

This has been a dizzying year for those anxious about climate change. On the policy front, President Trump has worked to unravel President

Obama's progress on climate, reversing two of his signature achievements first by withdrawing from the Paris Climate Agreement in June and then scrapping the Clean Power Plan in October.

Meanwhile, after three consecutive years of record-breaking heat, natural disasters ravaged the United States in 2017. Hurricanes battered Houston, Florida, and Puerto Rico; wildfires torched communities in San Francisco and Los Angeles. All told, natural disasters caused at least $306 billion in damage in 2017, the most expensive year on record. And 2018 is already off to a dreadful start, with mudslides killing more than 20 people near Santa Barbara.

In the face of ever-greater urgency to act on climate, and few prospects for action at the federal level, cities have taken the mantle of climate leadership. Last week, Mayor Bill de Blasio built upon New York City's already impressive record on climate with two big announcements: first, New York City would divest its $189 billion pension funds from fossil fuel companies. And second, the city would sue five oil majors—BP, Chevron, Conoco Phillips, Exxon, and Royal Dutch Shell—for their contributions to climate change and efforts to cover up scientific evidence of its reality.

Why Divest?

In committing to sell off its fossil fuel investments, New York joins a growing chorus of institutional investors that have committed to divest in full or part. Cities like Paris, Capetown, and San Francisco; pension funds like the California Public Employees' Retirement System; faith-based groups like the Church of England; philanthropies like the Rockefeller Family Fund; and universities like Oxford, Stanford, and Georgetown have mobilized to divest over $6 trillion in total assets from the fossil fuel industry.

Of his decision to divest, Mayor de Blasio explained: "This is a case where the prudent action to protect city pensions also lines up perfectly with good social policy to fight climate change." While future action on climate could imperil fossil fuel profitability down the road, professor Jeffrey Sachs, director of Columbia University's Center on Sustainable Development, notes that divestment is primarily about "sending a powerful message to the major oil companies" and removing their social license to operate without regard for human health and safety.

A new paper points out that this political process is already underway, with the divestment movement increasing attention and support for climate policies like a carbon tax.

While divestment is first and foremost a political tactic, pioneered by critics of the Apartheid regime in South Africa, the fossil fuel divestment movement has also risen to prominence alongside a broader conversation on the ethical implications of finance. According to the Economist, one in every five dollars invested through professional managers was devoted to ethically-screened investments in 2016. That's more than double 2012 levels. Once on the fringe of the investing world, the idea of socially responsible investing has reached the mainstream: on Tuesday, the investment giant BlackRock announced that companies would need to serve a "social purpose" in order to earn a slice of the firm's $6 trillion.

Divestment cannot replace government action on climate. Nor is it meant to; in contrast, its proponents hope to spur regulatory action. But, it is an important step in the transition away from fossil fuels toward a clean energy future. Institutions should use all available tools—including investment funds and the courts—to press for a just and sustainable future.

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