

San José Community Energy Advocates



SIERRA CLUB

LOMA PRIETA

March 8, 2021

To: Honorable Mayor Sam Liccardo and City Councilmembers
Re: Support City Council Agenda Item 3.9.21 Item 3.4 Investment Policy
Annual Review - Fossil-Fuel Free Investments Amendment

Dear Mayor Liccardo and City Councilmembers,

We support the Finance Department's recommendation in their February 23, 2021 memorandum to review and amend the Investment Policy, including the amendment in Section 22 Social Responsibility to cease investments in fossil fuel entities: *The City shall make no direct investments in entities that directly engage in exploration, production, refining, or marketing of fossil fuels.*

Background: We represent the Sierra Club Loma Prieta Chapter and also San Jose Community Energy Advocates, a volunteer community group that advocates for reducing greenhouse gas emissions and the continued success of the San Jose Clean Energy program. Back on September 17, 2019, the San Jose City Council adopted a Resolution declaring a Climate Emergency. The Resolution includes many reasons including these:

WHEREAS, humans burning carbon-based fossil fuels- including coal, oil, and natural gas- is the primary cause of substantial and continuing increase of carbon dioxide ("CO2"), a greenhouse gas ("GHG"); and ...

WHEREAS, according to climate scientists, addressing the climate emergency caused by global warming will require an economically just and managed phase-out of oil, gas, and coal to keep fossil fuels in the ground; and...

The City Council resolved seven items including: 7. *The City of San José commits to reviewing the City's investment portfolio to identify holdings that include direct investments in fossil fuel companies, to determine whether to cease new investments in fossil fuel companies, and prioritize investment in opportunities that would mitigate or limit the effects of burning fossil fuels,*

such as renewable energy, clean technology, and sustainable communities.

In response to the resolution, Finance staff identified two fossil fuel holdings with one company, Chevron, in the total amount of \$16 million. These two investments were purchased in 2019 and mature in May 2021. Finance has not purchased fossil fuels investments since the climate emergency was declared by the City Council. On March 10, 2020, the City Council referred staff to return to Council with language for a potential amendment to Section 22 (Social Responsibility) that includes a provision that *“The City shall make no new direct investments in entities that directly engage in the exploration, production, refining or marketing of fossil fuels.”* The Investment Policy is reviewed annually, and last year’s recommendation is addressed at the March 9, 2021 council meeting. Therefore, with your approval of this item, the City of San Jose’s \$1.9 billion portfolio will be fully divested on May 17, 2021 after the Chevron investments mature!

As we noted in a letter dated March 9, 2020 to you last year, there are both environmental and financial reasons to cease new investments in fossil fuel companies. Coincidentally, on the day the San Jose Climate Emergency Resolution was adopted, the University of California’s chief investment officer/treasurer and the chairman of the UC Board of Regents’ Investments Committee wrote an op-ed in the LA Times about divestment. Specifically, they wrote that investing in fossil fuel assets is a financial risk. They stated that the \$13.4 billion endowment fund would be “fossil free” by the end September 2019, and that the \$70 billion pension would soon be fossil free as well. In 2014, UC signed onto the U.N.’s [Principles for Responsible Investing](#); in 2015, UC Investments [published](#)⁵ its own Framework for Sustainable Investing, which identifies eight environmental, social and governance (ESG) factors most salient to their work. In 2018, the UC Board of Regents publicly changed the university’s investment [policy](#) to explicitly include ESG in investment decision-making. They had not made new fossil fuel investments in the past five years and the value of the portfolio has grown. They believe that there are more attractive opportunities in new energy sources.

Also, we will continue advocating to the City of San Jose’s two independent retirement boards, to which you referred the Climate Emergency investments resolution, to also divest, as well as to prioritize investments in opportunities

such as renewable energy, clean technology, and sustainable communities. We appreciate that the City's retirement boards have already begun to study Environmental, Social and Governance investing. We also would like to note the City of San Francisco's efforts in this area. *"In 2018, San Francisco Employees Retirement System hired a director of environmental, social and governance investing and started to move away from dinosaurs toward a healthier, updated portfolio. As of June 2020, it held \$89 million in oil companies, compared to \$408 million in June 2015."*¹

Thank you Mayor Liccardo and City Councilmembers for your environmental leadership in declaring the Climate Emergency. Please approve the recommendation per your direction to cease investments in fossil fuel entities in the Investment Policy amendment.

Sincerely,



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Gladwyn d'Souza
Sierra Club Loma Prieta Conservation Committee Chair

cc Julia Cooper, Finance Director
Roberto Peña, Chief Executive Officer, Office of San Jose Retirement Service

¹ <https://www.sfexaminer.com/news-columnists/sf-should-step-up-efforts-to-divest-from-fossil-fuels/>