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NEW YORK CITY MOVES TO DIVEST PENSION FUNDS FROM BILLIONS OF DOLLARS IN FOSSIL FUEL RESERVES

Mayor Bill de Blasio, Corporation Counsel Zachary Carter, and Senior Director of Climate Policy and Programs Daniel Zarrilli announce the City's goal to divest City funds from fossil fuel reserve owners within five years. Photo by Benjamin Kanter/Mayoral Photo Office

When New York City Mayor Bill de Blasio and several trustees of the City's pension funds announced their intention to begin the process of divesting from fossil fuel reserve owners by 2022, the move positioned the City at the center of the fossil fuel divestment movement. This case study aims to show peer cities, large and small, that the principles and processes behind fossil fuel divestment are transferable to nearly any location where the will to divest exists. Navigate through the sections to learn from stakeholders why New York City initiated the process to divest from fossil fuels - and the steps they are taking to get there.

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NYC MOVES TO DIVEST

On January 10, 2018, New York City sent a message loud and clear to the fossil fuel industry that buying its stock has become too risky a bet and that the City is not afraid to take bold steps to protect its residents from climate impacts while offloading the financial burden of investments that ethics and fiscal responsibility can no longer stand behind.

New York City is standing up for future generations by becoming the first major U.S. city to divest our pension funds from fossil fuels. At the same time, we're bringing the fight against climate change straight to the fossil fuel companies that knew about its effects and intentionally misled the public to protect their profits. As climate change continues to worsen, it's up to the fossil fuel companies whose greed put us in this position to shoulder the cost of making New York safer and more resilient.

Mayor Bill de Blasio

When Mayor de Blasio, Comptroller Scott M. Stringer, and several trustees of the City's pension fund announced their intention to begin the process of divesting from fossil fuel reserve owners by 2022, the move positioned New York City at the center of the fossil fuel divestment movement. Over the past few years, many cities, from Berlin to Berkeley, Melbourne to Minneapolis and Dunedin, New Zealand, have made similar intentions - often urged forward by a desire to align action with the Paris Agreement's goals and with policy guidance from networks such as ICLEI - but none at the scale of New York City. As the first major U.S. pension plan to begin the process of fossil fuel divestment, the move also raises many questions regarding how a retirement system as large and intricate as New York City's can responsibly divest from companies that have held firm positions in pension portfolios for decades.

How did New York City - or any of the roughly 150 cities globally that have taken steps toward divestment - come to the moment when the Mayor and other stakeholders confidently announced their intention to divest?

Although New York City is at the beginning of its divestment process, lessons learned from the lead up to its pioneering announcement are useful to cities, towns, and counties everywhere that may be interested in where to begin. This case study aims to be a resource for peer cities, big and small, that know of divestment only in its institutional context.

New York City's case illustrates how the movement can move off college campuses and into City Hall. For city finance officers who still waiver on whether a complete shift away from fossil fuel holdings is fiscally responsible, New York City shows that now is the time to act on mounting evidence that fossil fuel stocks will continue to underperform.

New York City's divestment action is an excellent demonstration of ambitious leadership and concrete implementation of the vision enshrined in the Low Emission Development Pathway of ICLEI´s Montreal Commitment and Action Plan. This transformation requires systemic change to improve human health and natural systems. ICLEI commends, stands by and leads with its pioneering members like New York City in shedding the legacy of fossil fuels to ensure energy security and safety, clean air and a green economy.

Angie Fyfe, Executive Director of ICLEI - Local Governments for Sustainability USA

And for city leaders, activists and pensioners alike who are inclined to believe that the New York experience is too far removed from their own, they will find that many of the principles and processes behind fossil fuel divestment are transferable to nearly any location where the will to divest exists.

A HISTORY OF CLIMATE IMPACTS - AND ACTION

Climate change is perhaps the toughest challenge New York City will face in the coming decades. Rising sea levels, increasing temperatures and more intense precipitation, and the likelihood of more frequent and intense flooding threaten entire neighborhoods and infrastructure throughout the city while exacerbating many underlying social inequities. New York is a coastal city, surrounded by water at the mouth of the Hudson River, one of the Northeast's major waterways. At no time in recent memory has this reality been so painfully apparent than on October 29, 2012, when Hurricane Sandy hit the city.

Photo by Sugar Pond/Flickr

The second-largest Atlantic storm[1] on record according to FEMA, Sandy left in its wake 44 hurricane-related deaths in New York City and $19 billion in damages and lost economic opportunity. Moreover, a 2017 study[2] suggests devastation on the order of Hurricane Sandy's may occur more and more frequently: Because sea level rise is projected to amplify flood heights, Sandy-scale flooding that occurred an average few times per millennium during pre-industrial times now could occur much more frequently if climate change is not aggressively addressed.

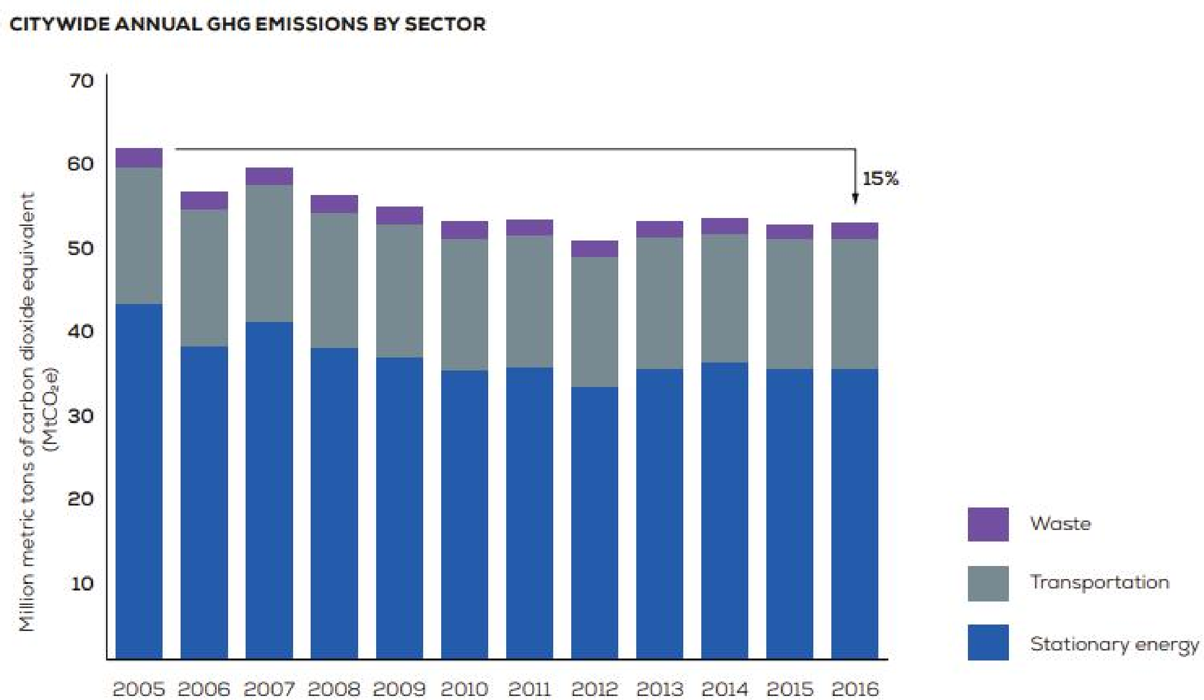
Anticipating what the science confirms, former Mayor Michael Bloomberg convened the second New York City Panel on Climate Change (NPCC2) in January 2013 to provide up-to-date climate change projections and future coastal flood risk maps for the City. Later, Mayor de Blasio's updated NPCC3 report provided climate projections through 2100 for the first time with enhanced dynamic coastal flood modeling to capture the effects of sea level rise, while bringing in public health perspectives to focus on extreme heat events and coastal storms.

When what's at risk for New York City is brought into perspective, divestment from fossil fuels is a bold step, but not a drastic one. New York City leaders have long recognized the threats facing their city, and this climate-impacted reality is the driving force behind their joint announcement to begin the process of divesting and to sue the five investor-owned fossil fuel companies most responsible for global warming. However, these recent steps make up only the most recent chapter in the City's decades-long effort to address these challenges.

OneNYC is New York City's strategy to build a more resilient, equitable and sustainable city.

In 2007, Mayor Bloomberg's administration developed PlaNYC, New York City's first sustainability plan, which set goals to build more affordable housing, improve aging infrastructure, and reduce greenhouse gas emissions, among others. To track the progress and achieve set goals, the NYC GHG Emissions Inventory was first released in 2010 and annually reports the city's greenhouse gas emissions. These early efforts to tackle climate change allowed the City to provide one of the richest GHG data sets available at the city level and ensure that any mitigation actions were firmly tied to the data. PlaNYC focused on three pillars: Economic Growth, Sustainability, and Resiliency. In 2015, Mayor Bill de Blasio provided significant additions– including a focus on inequality and a regional perspective - when his administration launched One New York: The Plan for a Strong and Just City (OneNYC[3]).

OneNYC addresses climate mitigation alongside economic development, diversity and inclusion, and broader sustainability to form an overarching resilience strategy that calls for an 80% reduction in greenhouse gas emissions by 2050, compared to 2005 levels - a goal which the City is on its way to achieving, having already reduced emissions 15% below baseline. The path to get to these deep emissions reductions is outlined in New York City's **1.5°C climate action plan**, which aims to bring the City's actions in line with the Paris Agreement's 1.5-degree Celsius target. Aggressive, first-in-the-nation mandatory building retrofits will play a large role in meeting the goal by targeting the highest-emitting buildings, and an ambitious renewables program has increased solar capacity sixfold since 2013. Expansive electric-vehicle charging infrastructure is planned, and the City is working to achieve zero waste by 2030. OneNYC was also the first resilience strategy released by any city in partnership with 100 Resilient Cities and calls on the City to adapt to climate threats by implementing an over $20-billion program to ensure its neighborhoods, economy, and public services will be ready to withstand climate impacts. In a groundbreaking move toward holistic planning, OneNYC also charts a path forward to achieving social goals, including to lift 800,000 New Yorkers out of poverty and expand access to nutritious and affordable food.



Citywide greenhouse gas emissions have dropped 15% over the past decade.
Source: Mayor's Office report 1.5°C: Aligning New York City with the Paris Climate Agreement.

The climate action piece of OneNYC's wide-reaching strategy can be seen to follow a three-pronged, mitigation-adaptation-accountability approach. Mitigation actions lower emission, adaptation builds resilience and the twin announcements to divest from fossil fuel reserve owners and sue five top-polluting companies constitute a "climate accountability" strategy to bolster these efforts.

The lawsuit seeks damages from BP, Chevron, ConocoPhillips, ExxonMobil, and Royal Dutch Shell to pay for the billions of dollars the City anticipates it will need to protect residents from climate impacts over the coming century. These damages will be used to build coastal protections, upgrade water and sewer infrastructure, mitigate heat impacts and organize public health campaigns. However, on July 19, Judge John F. Keenan of United States District Court for the Southern District of New York dismissed the suit, claiming that climate change must be addressed by the executive branch and Congress, not by the courts. New York City already has announced its intention to appeal this ruling.

"A lawsuit alone will, of course, not solve climate change," says Dan Zarrilli, Senior Director of New York City Mayor's Office of Climate Policy and Programs and Chief Resilience Officer. "Simply divesting will not solve climate change. You need to reduce your GHGs. You need to adapt to what's coming. It's all part of a comprehensive strategy."

Fossil fuel divestment may not be a silver bullet, but it is an important step that continues New York City's leadership on climate - and one with precedence.

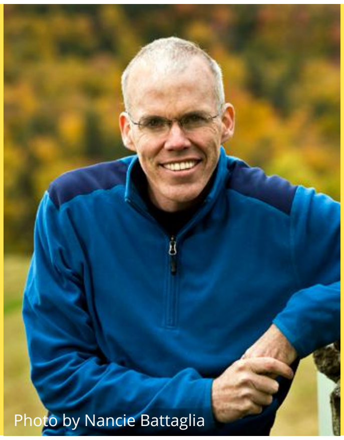


Photo by Nancie Battaglia

Many actions cities take to address climate can be expensive. Fossil fuel divestment is so powerful because it doesn't enact a financial penalty. Divestment can happen quickly and at no cost to cities - in many cases, quite the opposite.

Bill McKibben, Co-founder and Senior Adviser at 350.org.

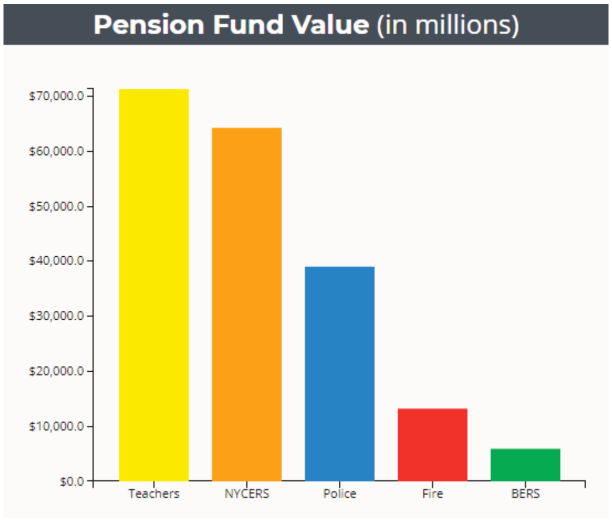
ETHICS & ECONOMICS: A CASE FOR DIVESTMENT

As a concept, New York City divestment from problematic corporations is not new. In the 1980s, two of the pension boards divested assets from companies doing business in South Africa and Namibia. In 2016, the employee retirement system Trustees voted to sell all holdings of three major retailers that sell guns. And in mid-2017, the City announced its pension system was the first to divest from private prisons. Fossil fuel divestment is the latest but it has been a conversation among city leadership for years.

A rally organized by 350.org and other groups calls for a state-wide divestment from fossil fuels.
Photo by maisa_nyc/Flickr

"People began taking a real look at fossil fuel divestment in 2012, around the time Superstorm Sandy hit," says Richard Brooks, 350.org's North America Iconic Divestment Campaigns Coordinator. Much of the pressure for climate action can be attributed to the fact New Yorkers see themselves on the front lines of climate change. On the fifth anniversary of Hurricane Sandy in October 2017, 5,000 marchers walked across the Brooklyn Bridge to the Lower East Side to exert the connections between climate change, fossil fuel money, and the threats extreme weather poses to their lives. "Sandy made climate change very real for people."

When the storm subsided, members of the 350.org chapter for New York City urged the City to double down on its efforts to address climate change, starting at first with divesting from coal companies. Coal tends to be a first step for municipal-level fossil fuel divestment, because exposure of pension funds is less for coal than for oil and gas. Moreover, the economic outlook for coal has been stark, showing much poorer investment performance than for other fossil fuels for years. Brooks advocates that any pension fund "run by smart investment managers will decrease its coal as it would any asset that is underperforming and has a poor outlook."



NYC's retirement system was valued at $193.98 billion as of February 2018, with the total spread across the five funds. Source: NYC Comptroller's Ofice.

Still, most pension funds in the U.S. have not divested from coal. Mayor de Blasio was an early champion of coal divestment and promoted, with NYC Comptroller Scott Stringer, concerted advocacy on the issue throughout 2015 ahead of the United Nations' annual climate change conference that closed with the signing of the Paris Climate Agreement. Soon after, the motions moved to the Boards of Trustees of the pensions.

Representing 715,000 members, retirees and their beneficiaries, New York City's five pension funds - The Teacher's Retirement System of the City of New York (TRS), The New York City Employee Retirement System (NYCERS), The New York City Police Pension Fund, The New York City Fire Department Pension Funds, and The Board of Education Retirement System of the City of New York (BERS) - control a total of $194 billion, making it the largest municipal pension system in the U.S. The Boards are made up of a diverse set of stakeholders from City leadership as well as the unions. Without support from the Trustees of the pension boards, divestment would have stalled regardless of how much public and mayoral support was in place. Therefore, the first step for fossil fuel divestment was for Trustees to commission an expert study about whether they could divest from fossil fuel reserve owners consistent with their fiduciary duty to act solely in the interest of the pension funds' participants and beneficiaries.

"We learned from our divestment experiences in the past," says Zarrilli at the Mayor's Office. "Prisons, guns, coal - in each case, we worked through the process, so we knew what it looks like and how to get to an outcome everyone can agree on." Fossil fuels comprise a much larger proportion of the pensions, however, and so the importance of leadership from within the pension boards was all the more crucial to begin the process.

Fund	Creation	Members	Members' Occupations
NYCERS	1920	185,758 active members 170,835 pensioners, beneficiaries, others	Civil servants; sanitation workers; corrections officers; MTA transit, bus, and bridge employees; Housing Authority and Health & Hospitals Corp. employees; appointed and elected officials
TRS	1917	114,652 active members 103,606 pensioners, beneficiaries, others	Teachers, administrators, and other education professionals of the city's public schools
Police	1857	34,435 active members 50,733 pensioners, beneficiaries, others	Police officers
Fire	1941	10,780 active members 16,760 pensioners, beneficiaries, others	Firefighters
BERS	1921	24,903 active members 20,647 pensioners, beneficiaries, others	Civil-service workers, provisional and part-time workers in the Education Department and other city agencies

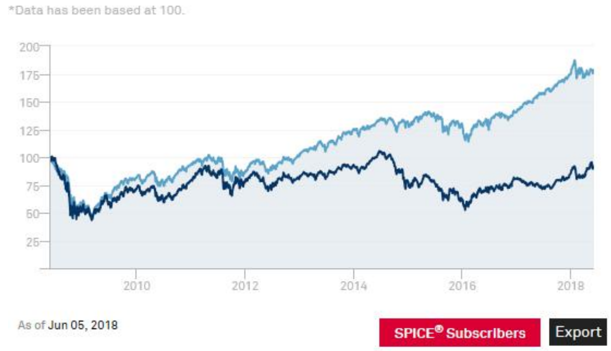
Source: Comprehensive Annual Financial Report of the Comptroller for the Fiscal Year Ended June 30, 2017

In general, investments in diversified mutual funds and 401Ks can include up to 10% fossil fuel holdings. For large funds like New York City's, this amounts to billions of dollars. Accepting that climate change is real and may cause an undefined amount of physical and financial loss is not sufficient grounds to divest for a financial manager or pension Trustee committed to a pledge of fiduciary responsibility. At the same time, a Trustee must remain alert to new information that signals a change in the prospects for their portfolios that could impact beneficiaries. This obligation to protect the pensioners was the driving force behind the City looking into climate impacts to the retirement system in the first place.

"We cannot sacrifice risk-adjusted return in order to achieve some non-economic purpose," says John Adler, the Director of New York City Mayor's Office of Pensions and Investments and Chief Pension Investment Adviser. "The decision to divest needed to make economic sense and not be based on the theory of stranded assets alone." Using a definition from University of Oxford's Ben Caldecott, stranded assets are those that have suffered from unanticipated or premature write-downs, devaluations, or conversion to liabilities caused by a variety of risks. "If we are successful in transitioning to a low-carbon economy, the need for those reserves will decrease and, therefore, some part of those reserves will become stranded, because there won't be a market for them."

"The other element," continues Adler, "is that there will hopefully be policy effects that make the cost of high-carbon fuels higher than the cost of renewables, which will then reduce the value of fossil fuel reserves. It's really about the nature of the transition to the low-carbon economy - the speed of it, the intensity of it and the completeness of it."

Given the evidence, Mayor de Blasio knew that he could count on public support for divestment, but he also noted that fossil fuel divestment is gaining acceptance also among investors. More than **900 institutions** valued at more than $6.20 trillion - including nearly 150 local governments and 90 pension funds - have pledged to divest. New York City's pension fund is the largest in the U.S., putting the City at the center of a global fossil fuel divestment movement that has been gaining momentum for more than a decade.



Index Name	Index Level	10 Yr Ann. Returns
S&P Global BMI (US Dollar) Gross Total Return Launch Date: Dec 31, 1992	408.21	6.02 % ▲
S&P Global Oil Index TR Launch Date:	3,153.36	-0.84 % ▼

$100 invested 10 years ago in the broad global stock market would be worth $175 today. $100 invested 10 years ago in global oil stocks (120 stocks) would be worth only $90 today. That's a difference of 7% per year in total returns. Source: S&P Dow Jones Indices

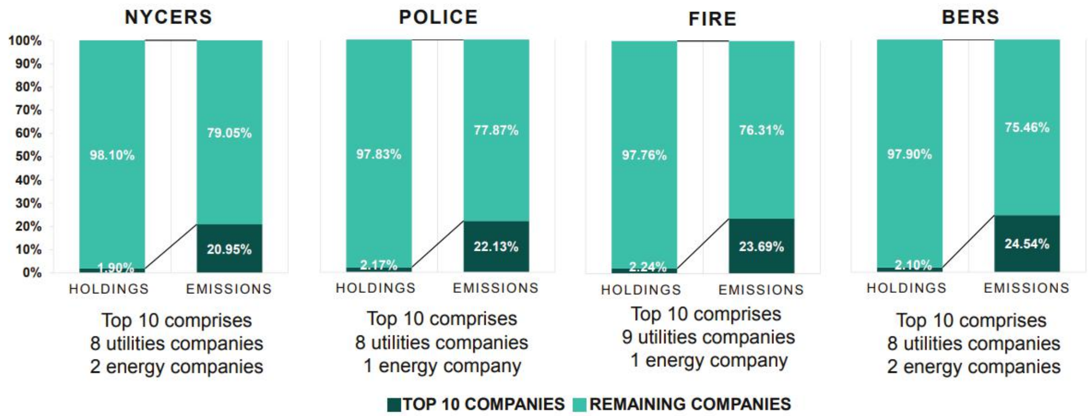
Divestment is a moral and ethical issue, as well as a practical issue. It is a moral issue, because leading cities recognize the impacts climate change will have on their people and that city funds are invested in a problem. But it's a practical issue, because there is now opportunity for cities to have major influence by shifting basic economics through their investments.

David Miller, North American Director for C40 Climate Leadership Group and a former mayor of Toronto

DIVESTMENT DEMYSTIFIED

New York City's retirement system initiated its first climate analyses some time ago. About two years before the decision was made to begin the process of divestment, the pension boards' Trustees issued a Request for Proposals that resulted in the retention of professional services firm Mercer to compile a report analyzing financial risk to the pensions from climate change.

"Whether it's coastal real estate, agriculture, or assets across many other sectors, calculating exposure to climate change risks involves cataloging how city investments will be affected under different scenarios," says Adler. At that time, the Trustees asked Mercer also to offer recommendations for a more climate-smart portfolio that mitigates risk to investments. Among the recommendations was to update the retirement system's corporate governance expectations to align with the Paris Agreement, to assess what external managers' perspectives were on climate change, and to consider allocating at least 1% of the portfolio to sustainability-themed investments. At the same time, the pension funds set out to calculate the retirement system portfolio's carbon footprint.



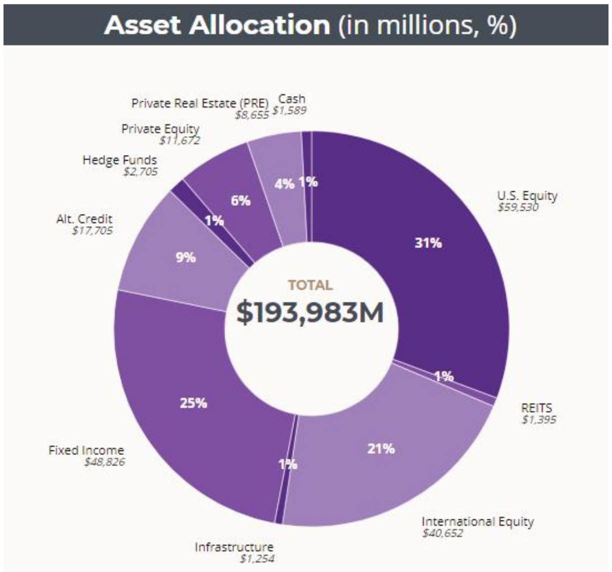
Top Contributors. The top 10 greenhouse gas emissions contributors in four of the retirement systems analyzed using the Trucost tool account for about 2% of holdings value but over 20% of total emissions. Source: Trucost by S&P Dow Jones Indices.

A carbon footprint for an investment portfolio approximates how many tons of carbon are being generated by the activities of companies held within a given portfolio. Despite that more than 200[6] financial institutions had done some sort of climate-impact portfolio analysis by last year, fewer than 10% of investors were tracking their portfolios' carbon footprints. This may be attributed, in part, to the fact that most leading financial tools will not calculate carbon emissions for investments.

The pension funds selected the corporate carbon-pricing tool TruCost, which tracks the carbon intensity of publicly traded companies, to calculate emissions. It found that across the five pension systems, the top 10 contributors to the portfolio's greenhouse gas emissions accounted for only about 2% of holdings value while contributing 20% of emissions. Of this, just three sectors - utilities, materials, and energy - accounted for more than three quarters of absolute emissions.

Fast-forward to just before the Mayor's January 2018 divestment announcement, and Zarrilli explains why it made sense to continue to consider only fossil fuel reserve owners in regards to choosing which sectors to divest from: "because that's where the stranded asset is. You own the reserves, you have the stranded asset and, therefore, you trigger the risk to the pensioners."

Decision-makers needed a way to filter for investments in reserve owners from the rest of the retirement system's portfolio. To do this, staff used Global Industry Classification Standard, or GICS, codes. The GICS structure categorizes all major public companies into coded sets of 11 sectors, 24 industry groups, 68 industries and 157 sub-industries. Oil exploration and production companies have a code, as do strictly energy companies. Because every investment tracks industries by GICS code, quantifying the proportion of the pension portfolio linked to fossil fuel companies was fairly straightforward, and allowed city staff to arrive at a preliminary pension amount wrapped up in fossil fuel reserve owners: $5 billion.



A retirement system portfolio will typically include investments across many asset classes, with any one having "green" and "dirty" options within.
Source: NYC Comptroller's Office

Then, there is the issue of where New York City's divested funds should shift to. While changes associated with transitioning to a lower-carbon economy present significant risk, they also create significant opportunities for companies focused on climate change mitigation and adaptation solutions. This is the logic behind the call to "Divest/Invest" - take the money out of coal, oil, and gas and put it right back into solar, wind, batteries, and other climate solutions. However, this approach is not so directly straightforward.

"If new investments do not expect similar risk-adjusted returns from what you switch from, you can skew your portfolio." Adler says. Fossil fuel reserves are held almost exclusively in publicly traded companies. On the other hand, cleantech and renewables firms are often privately held. Each operate under different risk-return profiles and often within separate investment indices. "It's generally riskier in the private markets."

A typical pension portfolio includes U.S., developed, and emerging market equities, fixed-income and alternatives. The alternatives may include investments in private companies, real estate or infrastructure. In any one of these categories, there will be green options. New York City's pension funds have an interest in finding opportunities to invest in low-carbon companies. "We estimate that 3% of the portfolio is invested in fossil fuels. What we are able to do, at least in the short term, is redistribute this portion across the remainder of the index," Adler says.

LESSONS LEARNED

New York City is still at the beginning of its divestment journey. Still, stakeholders relay a number of lessons in the process of getting from advocated idea to the official announcement.

C40's David Miller summarizes New York City's successful approach: "They did their homework. They engaged an active citizenry. They set a clear path. And now they are taking steps to execute." The City was successful in beginning the process, in part because it put months of effort into working with the pension board's trustees and other actors. These stakeholders were then in a position early on to understand the pension portfolio, accept a definition for fossil fuel companies, and decipher the proportion of City funds currently tied up in those companies. The process was data-driven and people-driven.

By April 2017, citywide solar capacity had surpassed 100 megawatts and supported more than 2,700 jobs.
Source: NYC Mayor's Office

For those communities ready to dive into fossil fuel divestment, New York City's experience offers a word of caution: Do not expect the fossil fuels industry to take news of municipal divestment lying down. The Monday before Mayor de Blasio's announcement, ExxonMobil pushed back against cities and counties in California that had filed a climate impact lawsuit against several top oil companies, claiming "abusive law enforcement tactics and litigation" and accused the local jurisdictions of omitting reference to climate change damages from their own bond disclosures. Several city and county staff were called out by name. Although this particular attack was in response to city-led lawsuits rather than divestment, they signal an industry willing to fight. Zarrilli claims these personal suits against mayors and city managers amount to "scare tactics"and explains that "this tactic has not worked on anyone in California and certainly would not in New York City."

Perhaps due to their confidence in the City pension program, so far no pensioners or other stakeholders have approached the Bureau of Asset Management or the Mayor's Office of Pensions and Investments with concern. From the activist groups' perspective, the divestment announcement resulted in opportunity for residents to further engage with city leadership on climate and economic action close to home. In some cases when a city or institution pulls its investments from coal companies, momentum surrounding divestment will subside and activists' priorities shift to another institution or focus. This was not the case in New York City. By the time the majority of the pension funds had divested from coal in 2017, climate activists in the city felt only full fossil fuel divestment was sufficient. "They had done their homework," 350.org's Richard Brooks says. "So they were able to highlight problematic investment funds for the Trustees to see. They intervened at pension board meetings when appropriate, and undertook a letter-writing campaign targeting decision-makers." The City was responsive to these actions early on. Comptroller Stringer spoke at a week of activities in May 2017 called Global Divestment Mobilization. "The top officials were there, because they felt a responsibility to listen to the constituents and pensioners," Brooks said.

Apart from the city leadership, however, a natural conservatism in the financial industry, which is sometimes substituted for prudent judgement, can prove to be an impediment to progress on divestment. Pension fund managers continue on investing in fossil fuel stocks, because they historically performed reliably. New York City recognized when this did not hold true. "When Mayor de Blasio was presented with the evidence that fossil fuels had decoupled from economic growth and had been underperforming for years relative to the S&P 500 and other stock market indices, he moved quickly on his obligation to protect the pensioners," says Zarrilli.

Another lesson addresses concerns local governments have about replicability. "There is an excuse that often comes up which says that, of the cities that had divested so far, their pensions are often so small that it's like comparing apples to oranges," says Brooks, pointing to similar excuses about European or Australian examples — that their divestment context is not similar enough to the U.S. "So there is a lot of attention on New York, to the size of its pension, the fact that it's a financial center of the world, the fact Donald Trump is from New York and divestment is a big contrast to what he is doing federally."

Still, In many cities and counties, direct control of pension funds lies outside the jurisdiction, such as with the state. In these cases, Miller reminds local elected officials of the powerful advocacy role they can play: "A mayor's role is a powerful position not always because of exact powers held by the Mayor's Office but because of their leadership and influence. Mayors can use their soft power and convening capacity — use that to connect with trustees and connect the trustees to the facts." What the case of New York City may prove is that, for smaller towns or those with more streamlined pension systems, fossil fuel divestment may be easier to begin. "If we can do this with an investment system that is in many ways one of the most complicated in the world, then a smaller fund can do this as well and would potentially have more maneuverability and nimbleness," Zarrilli says. "If you have one or two decision makers or trustees, you can move quicker on this — but it takes a champion."

"New York City shows that divestment as an action isn't scary — it's practical," says Bill McKibben, co-founder and Senior Adviser at 350.org McKibben says that all cities and towns, regardless of size, have an opportunity to act on climate through divestment, even in places where city government does not control a pension system. "Almost all cities have some investments in fossil fuels, aside from a pension. Pledging divestment of even modest funds is a powerful statement."

NEXT STEPS

For the rest of 2018, the many divestment stakeholders will coordinate the path from exploration to implementation. The Trustees at three of the City's five pension funds, comprising 70% of the system's assets, have instructed the Office of the City Comptroller's Bureau of Asset Management (BAM) to commission an analysis of the proposed divestment and advise the trustees as to the anticipated impact on the risk and return characteristics of the portfolio.

On April 19, 2018, the New York City Comptroller's Office issued a Request for Information to gather insight with the aim to develop a request for proposal on the analysis that will guide implementation over a five-year timeline. The Comptroller intends for a transparent process, seeking knowledge from academics to investors, Wall Street and nonprofits, to guide the process. The Trustees also will seek legal opinion as to whether carrying out the divestment process will be consistent with their fiduciary duties to beneficiaries. Assuming a positive legal opinion, the Trustees may then instruct BAM to carry out the divestment with specified steps and timelines. What implementation will likely entail is shifting billions currently tied up in fossil fuel stock to other, non-fossil investments within the index. These transactions would likely be carried out in stages in order to reduce transaction and implementation costs.

The more that you institutionalize climate action, and not make it about having big teams or lots of money, the more you get closer to what climate action truly means.

Dan Zarrilli, Senior Director of New York City Mayor's Office of Climate Policy and Programs and Chief Resilience Officer

Meanwhile, the City will continue to advance the other goals of its climate and OneNYC plans. The case of New York City's divestment experience shows promise for fossil fuel divestment to be a key component of any city's broader resilience strategy. As Zarrilli explains: "Even if your city doesn't have the size or scale of NYC, real success on climate adaptation or mitigation happens when climate-smart policy is built into your everyday activities," Zarrilli says. "You can replace vehicles with electric vehicles; you can build new facilities or regulate land use with flood protection in mind. The more that you institutionalize climate action, and not make it about having big teams or lots of money, the more you get closer to what climate action truly means."

RESOURCES

Find more resources at **Divest/Invest's local governments page**:
https://www.divestinvest.org/governments/

ICLEI Montréal Commitment and Strategic Vision 2018-2024

Divestment is a key activity under the Low-Emissions Development Pathway. The Montréal Commitment offers 130 concrete actions ICLEI cities are taking to promote low-emissions, circular, nature-based, resilient, and equitable development. **bit.ly/2MVBbpq**

Divestment Experience of Dunedin, New Zealand

In April 2015, Dunedin, New Zealand announced its pioneering fossil fuel divestment plan at the ICLEI World Congress in Seoul and has since finalized a policy on ethical investments and fully divested from fossil fuels. This blog post outlines the City's process and lessons. **bit.ly/2lLYRMB**

The Global Fossil Fuel Divestment and Clean Energy Investment Movement

(Arabella 2016). This report summarizes global fossil fuel divestment trends and provides links to further information. Total assets under management of divesting institutions was then $5 trillion and now exceeds $6 trillion. **bit.ly/2hlECG9**

Trillion Dollar Transformation: Fiduciary Duty, Divestment, and Fossil Fuels in an Era of Climate Risk

(Center for International Environmental Law and Mercer, 2016). Written for pension fund fiduciaries, this report details the financial and legal risks climate change poses to pensions as fund returns are impacted in climate-vulnerable sectors such as fossil fuels, as well as the legal implication for fiduciary duties owed by pension fund trustees to fund beneficiaries. (Summary) **bit.ly/2g5XcNI**

Financial Times' Tom Sanzillo article

(2018). Op-ed by Tom Sanzillo, former New York State deputy comptroller, calling for pension funds to divest from fossil fuels consistent with fiduciary duty. **on.ft.com/2IbDhwh**

Assessing the Prospective Investment Impacts of a Low Carbon Economic Transition

(Mercer 2017). Prepared by Mercer, this paper presents a risk/return analysis for institutional investors of positioning investment portfolios for a transition to a low-carbon economy by shifting assets away from fossil fuels and carbon-intensive industries and to fossil-free alternatives. Mercer found that fossil fuel free and sustainable asset classes can exhibit improved expected return outcomes versus their parent asset classes under a 2°C climate change scenario. (Summary) **bit.ly/2oEuU3R**

Divest Invest Introduction Presentation

(February 2018). This slide presentation provides a high-level overview of the implications of the Paris Agreement on institutional investments, the divest invest movement, why divestment and reinvestment is prudent and fulfills fiduciary duty, and options for every asset class. **bit.ly/2NhWHFc**

KEY CONTACTS

New York City Mayor's Office of Climate Policy and Programs

nyc.gov/climate

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350.org's Iconic Divestment Campaigns

https://GoFossilFree.org/divestment