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Vermont Practices Responsible Investment, To a Point

by Josh O’Gorman, Vermont Press Bureau

MONTPELIER — The managers of the state’s investment portfolios are looking to combat climate change — as long as that doesn’t mean divesting itself of companies in the fossil fuel business.

This week, the state treasurer’s office released a report outlining initiatives taken by the Vermont Pension Investment Committee — which manages \$4 billion in investments for teachers and employees at the state and municipal levels — to address climate change.

“As state treasurer, it’s important to me that we meet our investment targets while ensuring that our partners live up to the Vermont values of corporate and social responsibility,” said Treasurer Beth Pearce, who is also vice chairwoman of the Vermont Pension Investment Committee. “My hope is that this report will stimulate further discussion of ways Vermont may constructively engage with our partners,” she said.

The report outlines a win for the environmentally minded investor. In July, Vermont was one of several investors to successfully convince Krispy Kreme — a snack franchise found in 40 states, although not in Vermont — to only purchase its palm oil from distributors that do not engage in the exploitation of workers or harmful deforestation practices.

The treasurer’s office is also looking to leverage its investments to put pressure on lawmakers to provide greater transparency surrounding political contributions made by corporations.

In April, Vermont joined five other states in a call for the Securities and Exchange Commission to adopt a rule requiring all publicly traded companies to disclose their political giving.

Vermont is also calling for the fossil fuel companies in which the state is invested to adopt plans to address climate change. State officials have called on BP — one of the six largest oil companies in the world — to disclose its corporate strategy to deal with climate change by 2016.

The treasurer’s office has also joined 47 global investors in Exxon Mobil to call for the company to adopt “quantitative goals for reducing greenhouse gas emissions” and report to shareholders what those plans are by November.

Vermont’s investment portfolios include nearly 28,000 shares of Exxon Mobil stock, valued at just under \$2.5 million at the close of trading Friday afternoon.

Later this month, Pearce will travel to the Exxon Mobil annual shareholder meeting in Texas to speak on behalf of the Vermont Pension Investment Committee.

"The threats resulting from climate change are acute and global in scale, requiring efforts at all levels of government, the private sector and the public at large to make the transition to a low-carbon future," Pearce said.

One thing the Vermont Pension Investment Committee isn't calling for is to divest itself of companies whose business depends upon the extraction and burning of fossil fuels.

In 2013, House lawmakers introduced a bill calling for the state to divest itself of companies that extract, produce or refine fossil fuels. In February of that year, the Vermont Pension Investment Committee voted unanimously to urge lawmakers not to approve the bill, which died after being referred to the House Committee on Government Operations.

The Vermont Pension Investment Committee reaffirmed its opposition to a ban on fossil fuel company investments during a meeting in November.

Sen. Anthony Pollina, P/D-Washington, introduced a similar bill this year, calling for divestment within five years. That bill was referred to the Senate Committee on Government Operations, where it has sat untouched since January.

"To think corporations like Exxon Mobil will change because some investors want them to is ridiculous," Pollina said. "You can nibble around the edges, but as long as their industry is extracting and burning fossil fuels, that's not going to change."

Jillian Mayer, divestment organizer for the climate change advocacy group 350 Vermont, discussed the effectiveness of calling for fossil fuel companies to change their business practices.

"The BP resolution only commits the company to disclosing more information and further study of emissions scenarios, rather than setting firm emissions caps," Mayer said. "The Exxon Mobil proposal rests upon the company's willingness to set voluntary emissions caps. Both of these proposals illustrate the limits of shareholder engagement with companies that are unwilling to admit there is a problem with their business model."

Pollina noted a crucial difference between the pressure that was placed on Krispy Kreme and that being placed on BP and Exxon Mobile.

"With Krispy Kreme, their core business is not palm oil; it's doughnuts," Pollina said. "You can make Krispy Kreme make changes because they're in the doughnut business, but Exxon Mobil is in the oil business."

It appears that individual investors in the state's portfolios are not interested in divestment, either.

In 2014, the investors were given the option to put their money in portfolios free of fossil fuel companies. Out of approximately 48,000 investors, 171 have chosen to invest in the fossil-free portfolio.