February 20, 2020

State Investment Board

2100 Evergreen Park Drive S.W., Suite 100
Olympia, Washington 98502

To State Investment Board Members,

Thank you for providing the opportunity to comment.

A couple of weeks ago, Goldman Sachs put a “sell” rating on Exxon, once considered the world’s most valuable company. Exxon has been borrowing in order to continue paying dividends to investors, in hope they will hold on to their stock. The Washington State Investment Board (WSIB) continues to underestimate the potential rapidity of the transition off fossil fuels. At a 2018 Fiduciary Investors Symposium at Stanford, energy icon Amory Lovins said, “In the next 4-5 years, cheaper renewables will offset growth in all fossil fuels, tipping them into decline…when value propositions change, markets flip with breathtaking pace.” The IPCC report issued October 9, 2018 describes a transition without historical precedent, which could see fossil fuel use cut in half by 2030 (see Global Indicator “CO2 emission change in 2030,” on page 20 of the Summary for Policymakers). Coal, natural gas, and oil assets will be stranded.

WSIB continues to ignore that there are 4-7 million deaths per year due to air pollution, for the most part caused by burning of fossil fuels (World Health Organization), and that fossil fuels are acidifying the earth’s oceans and changing the composition of the atmosphere, with existential consequences for humanity (see, “Turn Down the Heat: Why a 4 Degree Warmer World Must Be Avoided,” World Bank, 2012, and subsequent reports in 2013 and 2014).

WSIB is considering risks created by climate change, for instance risk to real estate from flooding or risk to agriculture from drought; however, **WSIB is not considering (1) risk of an abrupt transition in the energy sector, (2) physical and economic harm to WSIB beneficiaries due to the effects of climate change caused by fossil fuels, and (3) risk of liability for that harm as managers of public funds.**

I’m sure you saw BlackRock CEO Larry Fink’s recent letter. Mr. Fink’s assumptions are shortsighted and based on obvious and limited climate change effects on investments such as coastal real estate and rising insurance costs due to flooding and fires, which he sees as predictable and manageable. For a deeper perspective, see the Green Swan report by BIS which states in the Executive Summary: “Climate change could . . . lead to ‘green swan’ events and be the cause of the next systemic financial crisis. Climate-related physical and transition risks involve interacting, nonlinear and fundamentally unpredictable environmental, social, economic and geopolitical dynamics that are irreversibly transformed by the growing concentration of greenhouse gases in the atmosphere.”

Mark Carney, former Governor of the Bank of England said, “the challenges currently posed by climate change pale in significance compared with what might come . . . broader global impacts on property, migrations, political instability and food and water insecurity.”

Our economic systems cannot withstand the more serious global effects of extreme climate change which will result if we continue to burn fossil fuels as we do now. These effects include but are not limited to severe and permanent water shortages, significant and permanent loss of agricultural capacity, the permanent loss of fish from the ocean as a protein source, killer heat seasons in some regions, sea level rise that permanently displaces hundreds of millions of people, larger and more destructive storms, floods, droughts and fires, mass migrations of people and resulting political instability. Worst of all, somewhere above 1.5C degrees of warming there are irreversible tipping points in natural earth systems. For instance, some natural systems may already be losing the capacity to absorb carbon dioxide, potentially dooming future generations to higher and higher CO2 concentrations in the atmosphere.

By investing in fossil fuels, WSIB is investing in the destruction of my grandchildren’s future. As the Board, you have the power to recognize that it is your fiduciary duty to act under the extraordinary and unique circumstances of a global climate emergency caused by the burning of fossil fuels, which threatens the future financial and physical well-being of all pensioners and their families. Please divest from fossil fuels.

World Bank Turn Down the Heat Series <https://www.worldbank.org/en/topic/climatechange/publication/turn-down-the-heat>

Letter by BlackRock CEO Larry Fink <https://www.blackrock.com/corporate/investor-relations/larry-fink-ceo-letter>

The Green Swan: Central banking and financial stability in the age of climate change, Bank for International Settlements, January 2020 <https://www.bis.org/publ/othp31.pdf>