

Divestment at a Glance

Interested parties are calling on CalSTRS to divest from fossil fuels. We agree climate change poses an urgent risk to our investments. Our belief is that remaining invested and engaging with companies results in better monitoring and increased reductions in greenhouse gases.

We consider the following factors when reviewing risk and return as they relate to our investments in fossil fuel companies:

Diversification

- Diversification is important because it protects the fund in different market conditions brought on by economic, social and political events.
- Divestment from an entire sector fails to distinguish that there are significant differences in individual company strategies, even within the same sector and sub-sector.

Global fossil fuel demand

- Population increases and economic progress in emerging economies are correlated with higher energy demand.
- Emerging economies continue to rely on fossil fuels to attain a basic level of services and a higher standard of living.
- The world will continue to rely on fossil fuels for several decades, despite significant increases in renewable energy.
- It's not plausible to immediately meet the world's growing energy demand from renewable sources.

Scaling of emerging technologies

- New technologies need to continue to evolve to make them viable on a global scale to support the transition to a low-carbon future.
- Significant infrastructure improvements are required to enable and support these emerging technologies.
- Investors are engaging fossil fuel companies to use their technical expertise, existing infrastructure, capital and global reach to support the realization and adoption of essential new low-carbon technologies.

Geopolitics and the role of state-owned oil and gas companies

- It's important to engage with publicly traded oil companies because their practices heavily influence state-owned oil companies that produce most of the world's oil.
- The world's response to climate change requires a transformation of the entire energy sector.

Climate change affects all sectors of the global economy

- A narrow focus on the fossil fuel industry only captures a portion of a much larger emissions reduction challenge.

Final reflections

- Divesting from fossil fuel doesn't reduce greenhouse gas emissions and doesn't address all the different factors that contribute to climate change. We are focused on actions that reduce emissions and support an orderly low-carbon transition.