

December 13, 2021

To:  
National Association of State Treasurers  
1201 Pennsylvania Ave NW  
Suite 800  
Washington, DC 20004

National Association of State Auditors, Comptrollers, and Treasurers  
449 Lewis Hargett Circle  
Suite 290  
Lexington, KY 40503

Dear Honorable Treasurers, Auditors, and Comptrollers,

We the undersigned are writing to urge you to disavow two pieces of model legislation crafted by the controversial American Legislative Exchange Council (ALEC) titled “Energy Discrimination Elimination Act” and “Resolution Opposing Securities and Exchange Commission and White House Mandates on Climate-Related Financial Matters.” In fact, we encourage you to heed the call of scientists, financial experts and the International Energy Agency (IEA) by moving state funds under your control to a 1.5°C-aligned pathway and decreasing the exposure of those funds to the fossil fuel and other carbon-intensive industries.

Firstly, what ALEC claims to be discriminatory action is instead prudent action to ensure the stability of our financial system and economy. Most major oil and gas producers are planning on increasing production out to 2030 or beyond, and several major coal producers are planning on continuing or increasing production.<sup>1</sup> This defies the findings of the United Nations *Production Gap* report: “global fossil fuel production must start declining immediately and steeply to be consistent with limiting long-term warming to 1.5°C.”<sup>2</sup> The IEA declared as much earlier this year when it affirmed “there is no need for investment in new fossil fuel supply in our net zero pathway.”<sup>3</sup>

Because oil and gas producers have refused to adapt their business models, at some point a huge number of fossil fuel projects will be retired prematurely or become “stranded assets.” This means that the market is now carrying a huge amount of “unburnable carbon” and that companies are raising money for projects that will not provide the return on investment envisaged under a business-as-usual scenario. This could result in financial shocks arising from unforeseen write-downs and bankruptcies that reverberate throughout the market. Financial actors including state governments that do not insulate themselves from these sorts of climate-related financial risks could be negatively affected.<sup>4</sup>

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<sup>1</sup> Stockholm Environment Institute (SEI), International Institute for Sustainable Development (IISD), ODI, E3G, and UNE: [“2021 Report - The Production Gap,”](#) accessed December 8, 2021

<sup>2</sup> Ibid.

<sup>3</sup> International Energy Agency: [“Net Zero by 2050,”](#) accessed December 8, 2021

<sup>4</sup> Carbon Tracker, [“Unburnable Carbon: Are the World’s Financial Markets Carrying a Carbon Bubble?”](#), accessed December 8, 2021

Fossil fuel firms will not voluntarily transform their business models to heed these warnings, just take Exxon as an example. Exxon knew about the threat of climate change as soon as 65 years ago,<sup>5</sup> yet the company has contributed tens of millions of dollars to groups like ALEC to spread doubt and misinformation about climate science.<sup>6</sup> ALEC argues that fossil fuel divestment will hurt workers and state pension funds. This flies in the face of reality: workers are already suffering the boom and bust cycles of the fossil fuel industry,<sup>7</sup> costs of operating fossil fuel plants already outweigh the costs of building renewables,<sup>8</sup> and stranded fossil fuel assets pose a gigantic systemic risk to our economy on par with what we experienced during the Great Recession.<sup>9</sup>

That is why the Biden Administration issued the Executive Order on Climate-Related Financial Risk in May of this year and why the Securities and Exchange Commission intends to propose and finalize regulations to “enhance registrant disclosures regarding issuers’ climate-related risks and opportunities.”<sup>10</sup> Ultimately, these regulations are necessary to safeguard the stability of our economy and the pensions of workers. Despite what ALEC and other politically-motivated organizations may claim, the global energy transition is underway. This is a market reality, not a political opinion. Fossil fuel companies and allied political officials who refuse to acknowledge this reality are putting fossil fuel workers and residents of fossil-fuel dependent local communities in unnecessary harm by delaying the inevitable. Proactive and deliberate economic planning that prioritizes the needs of workers and affected communities is the only way to ensure that workers are not disenfranchised and abandoned by companies who waited until it was too late.

It’s no surprise that this climate change-denying organization, long on the opposite side of workers and the environment, is mobilising once again to attempt to quell the people-centered movement for real action on climate change and financial regulation. 1,500 institutions with almost \$40 trillion in assets have committed to some form of fossil fuel divestment, including the states of Maine, New York, and Minnesota.<sup>11</sup> We know from the Great Recession that the financial sector won’t take responsibility. It’s up to regulators to protect people from the impact on climate and financial risk of fossil fuel investments.

Ensuring a managed decline of the fossil fuel industry and smooth transition to a clean and just economy at the rapid rate that science requires demands strong government regulation and your leadership. We hope we can count on your enthusiastic and levelheaded support.

Sincerely,

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<sup>5</sup> *The New York Times*: “[Pressure on Exxon Over Climate Change Intensifies With New Documents](#),” April 14, 2016

<sup>6</sup> Climate Investigations: “[American Legislative Exchange Council](#),” accessed December 8, 2021

<sup>7</sup> *The Houston Chronicle*: “[US oil and gas industry lost 107,000 jobs in the pandemic. Most will take years to return](#),” October 9, 2020

<sup>8</sup> *Bloomberg*: “[Building New Renewables is Cheaper than Burning Fossil Fuels](#),” June 23, 2021

<sup>9</sup> *GreenBiz*: “[The growing concern over stranded assets](#),” September 10, 2019

<sup>10</sup> Securities and Exchange Commission: “[Climate Change Discourse](#),” Spring 2021.

<sup>11</sup> Stand.Earth and 350.org: “[Global Fossil Fuel Divestment Commitments Database](#),” accessed December 8, 2021

### **International and National Organizations**

Friends of the Earth U.S.  
Rainforest Action Network  
Action Center on Race and the Economy  
Future Coalition  
Earth Guardians  
GreenLatinos  
Bold Alliance  
Positive Money US  
198 methods  
Oil and Gas Action Network  
Climate Hawks Vote  
EcoEquity  
Animals Are Sentient Beings, Inc.

### **State/Local Groups**

1000 Grandmothers for Future Generations  
Athens County's Future Action Network  
Baltimore, MD Phil Berrigan Memorial Chapter Veterans For Peace  
Center for Sustainable Economy  
Climate Action Rhode Island – 350  
Connecticut Citizen Action Group (CCAG)  
Divest Oregon  
Extinction Rebellion San Francisco Bay Area  
Extinction Rebellion Western Massachusetts  
Mid-Ohio Valley Climate Action  
Minnesota Interfaith Power & Light  
NJ State Industrial Union Council  
Wisconsin Climate Safe Pensions Coalition  
Terra Advocati  
350 Butte County  
350 Conejo / San Fernando Valley  
350 Eastside  
350 Eugene  
350 Hawaii  
350 Madison  
350NYC  
350PDX  
350 Seattle  
350 Silicon Valley  
Sunrise Twin Cities