



HARRY BRIDGES CENTER FOR LABOR STUDIES
UNIVERSITY *of* WASHINGTON

POWER in a PENSION

Labor, Private Equity, and the Climate Crisis

A report on private equity's fossil fuel assets, the role of labor's retirement capital, and the impacts on marginalized communities and the environment.

ABOUT THE HARRY BRIDGES CENTER FOR LABOR STUDIES

The Harry Bridges Center for Labor Studies supports students and faculty at the University of Washington in the study of labor in all of its facets. Through education and research, our mission is to develop labor studies—broadly conceived to include working people everywhere—as a central concern in higher education. We cultivate connections with labor communities locally and around the world, and inform policymakers about issues confronting workers.

Labor Studies is interdisciplinary. Understanding how and why work is performed, organized, and divided in societies necessitates multiple scholarly perspectives. It demands recognition that labor occurs everywhere under many conditions—at home, in the workplace, waged and unwaged, organized, and unorganized. Conceiving labor studies broadly also demands that we conceive labor movements broadly—to encompass struggles against oppression and hierarchy based on race, gender, sexuality, citizenship status, nationality, ability and more, in their particularities and their many intersections.

The Center is located jointly in the departments of Political Science and History at the University of Washington Seattle, but works with students and faculty in departments and schools across all three University of Washington campuses.



Published: August 2021

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We would like to thank the forum panelists and communities profiled in this report, as well as the Director of the Harry Bridges Center for Labor Studies, Kim England, and the Center's staff, Visiting Committee, and supporters. Refer correspondence to hbcls@uw.edu.

Cover photo: The site of LNG Canada's \$30-billion liquefied natural gas (LNG) export terminal in Kitimat, British Columbia. Private equity firm, KKR's Coastal GasLink pipeline is planned to connect northeast British Columbia's gas field with this LNG export terminal. Photo: Courtesy of LNG Canada. Source: [National Observer](#), July 7, 2020.

We, at the Harry Bridges Center for Labor Studies in Seattle, Washington, acknowledge that our lives and our institutions occupy the unceded ancestral homelands of the Duwamish, Suquamish, Snoqualmie, and Puyallup Peoples past and present, as well as the tribes of the Muckleshoot, Tulalip, other Coast Salish peoples, and their descendants. We honor with gratitude the land itself and the Native and Indigenous people who have stewarded it through the generations and continue to honor and bring to light their ancient heritage. This land acknowledgment is one small act in the ongoing process toward true allyship and we commit to uplifting the voices, experiences, and histories of the Indigenous people of this land and beyond.

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EXECUTIVE SUMMARY

On May 19, 2021, the University of Washington's Harry Bridges Center for Labor Studies hosted a forum, [Power in a Pension \(tinyurl.com/PowerInAPension\)](https://tinyurl.com/PowerInAPension), to discuss the relationship between public pension funds, private equity, the climate crisis, and impacts on front line communities and the environment. The forum brought stakeholders together to discuss how labor unions, pension fund trustees, and Indigenous rights and grassroots organizations are working to effect change and explore avenues for further collaboration.

Pension fund trustees and representatives of dozens of investors and asset managers with more than \$10 trillion in combined assets participated in the forum.

Drawing on the forum discussion, it was acknowledged that the writing is on the wall—climate change is here, and we all need to take meaningful and urgent action. The day before the forum, the International Energy Agency (IEA), the world's leading energy adviser, called for an immediate ban on new oil, coal, and gas development approvals in order to meet the Paris Agreement's goal of halting global warming at 1.5 degrees Celsius. Amid urgent calls to mitigate climate change, private equity firms such as the Blackstone Group, Apollo Global Management, and the Carlyle Group continue to acquire fossil fuel assets. As a major private equity investor, labor's retirement capital—or public pension funds—are exposed to those same fossil fuel assets, some of which are the country's largest emitters of greenhouse gases.

Moreover, private equity's fossil fuel investments extend climate change's long legacy of extraction and capital accumulation, particularly from marginalized communities. During the forum, Wet'suwet'en leader Sleydo' (Molly Wickham) spoke about her community's ongoing resistance to private equity firm KKR's Coastal GasLink Pipeline (CGL) through their territory in British Columbia, Canada. The CGL will destroy Wet'suwet'en access to clean drinking water from the Wedzin Kwah river and will disrupt salmon populations, which are already under threat because of climate change. These infrastructure projects also increase the risks of gender-based violence from an influx of

temporary labor and the proximity of CGL work camps, also known as “man camps,” to the Wet'suwet'en community.

Forum panelists discussed what public pension funds and other institutional investment trustees, as major investor stakeholders, could do to effect change. Given the increasingly devastating impacts of climate change and the rapidly shifting market away from fossil fuels, pension beneficiaries, environmental and community activists, Indigenous leaders, and labor unions have come together to **build inclusive and persistent coalitions** that engage in a range of tactics to urge pension funds to transition towards a clean and just energy future. As a successful example of such efforts, New York State Comptroller Thomas DiNapoli announced in December 2020 that the \$226 billion Common Retirement System would be divesting from fossil fuel public stocks by 2040. Earlier, in 2018, New York City officials announced that three pension funds for city workers would divest an estimated \$4 billion from fossil fuel companies to promote clean energy use. Although these efforts focused primarily on public market equities, there are lessons that can be applied to private market efforts.

Panelists also discussed the common practice of labor-affiliated pension fund trustees deferring investment decisions to financial experts. Panelists urged pension fund trustees to instead **be better informed** about private equity investments and **manage climate risk comprehensively** by mandating robust climate risk reporting standards that take community and environmental impacts into account. Assessing a private equity fund's performance by financial benchmarks alone underestimates the full costs associated with these energy investments.

To manage climate risks comprehensively, there is a strong need to **demand greater transparency and accountability** from private equity firms. As opposed to public market equities, private equity firms are subject to far less scrutiny from regulatory agencies like the Securities and Exchange Commission and investors are exposed to higher amounts of risk through private equity's heavy use of debt and aggressive cost cutting measures. Although private equity firms continue to promote their commitment towards clean energy investments through sustainability reports, the industry has invested billions in fossil fuel assets and continues to expand these investments. As a result, private equity firms have shifted the long-term externalities of fossil fuel infrastructure disproportionately onto marginalized communities and the environment. That can no longer continue. Private equity firms should be held accountable for their past and future energy investments. But to do so, stakeholders and regulators need to know what the climate risks within a private equity portfolio actually are.

As a potential model, the Private Equity Stakeholder Project (PESP), and various climate justice organizations, developed a list of actions that institutional investors, like public pension funds can take to: **generate a plan to shift towards a pollution-free energy portfolio; disclose fund-level and sectoral exposure to fossil fuel emissions; plan for a just transition for workers and communities impacted by current fossil fuel holdings; and disclose all political spending in alignment with the Paris Agreement** (see *Appendix I*). Failing to comprehensively account for climate risks in a private equity firm's portfolio could underestimate the costs associated with



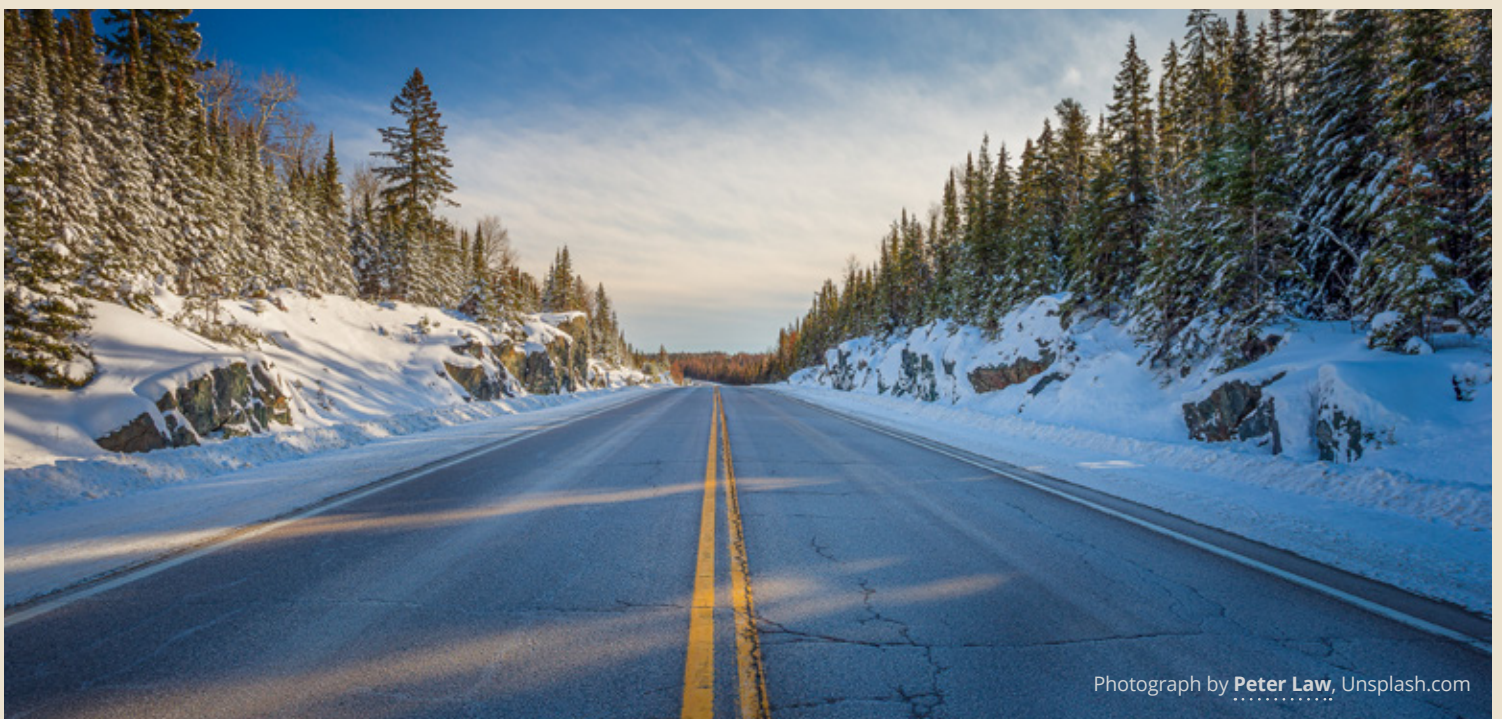
that investment and have consequential impacts on pension fund returns and eventually, pension fund benefits.

Arguments supporting continued fossil fuel investment are increasingly on shaky ground. Oil- and gas-focused private equity funds have underperformed comparable buyout funds over the past ten years. While private equity firms have made various statements in support of anti-racist sentiments, marginalized communities (many of which are communities of color) remain on the front lines of the climate crisis. The private equity industry's continued expansion of fossil fuel infrastructure supports the expansion of environmental racism throughout our energy infrastructure. The moment to challenge this financially irresponsible and morally unjust investment practice is now.

It is time for pension fund trustees to demand comprehensive risk assessments that go beyond the financial bottom line. Front line community and environmental impacts should be considered credible investment risks. It is time that private equity firms are more transparent about their climate risks throughout their portfolios. It is time for pension fund trustees and other stakeholders to hold private equity managers accountable to their impacts on communities and the environment.

And finally, given the International Energy Agency's recent report urgently calling for an end to any future fossil fuel development, private equity firms should take immediate steps to transition away from fossil fuels and ensure labor's retirement capital is deployed towards a clean and renewable energy future.

Drawing on the testimony of panelists featured in the *Power in a Pension* forum, this report outlines the climate and investment risks associated with private equity's continued investment in fossil fuel assets. Furthermore, the report highlights the devastating impacts of private equity's fossil fuel investments on marginalized communities and underscores actions stakeholders (including workers, retirees, labor unions, Indigenous Peoples, and environmental organizations) can take to ensure that public pensions are not expanding fossil fuel infrastructure and other drivers of the worsening climate crisis.



Photograph by [Peter Law](#), [Unsplash.com](#)

INTRODUCTION

In May 2021, the University of Washington's Harry Bridges Center for Labor Studies hosted a forum that explored the relationship between public pension funds, private equity, the climate crisis, and the impacts on communities and the environment.

You can view a recording of the *Power in a Pension* forum [here \(tinyurl.com/PowerInAPension\)](https://tinyurl.com/PowerInAPension).

In the race to mitigate the effects of climate change, there is growing urgency to interrogate the role private equity investments in fossil fuels play in exacerbating the climate crisis. Even as publicly traded companies begin to commit to net-zero emissions, private equity firms—such as the Blackstone Group, Apollo Global Management, or the Carlyle Group—continue to acquire fossil fuel assets. As a major investor in the private equity industry, public pension funds—labor's retirement capital—are stakeholders and investors in fossil fuel energy assets. Private equity's continued expansion of our fossil fuel infrastructure, when transitioning away from those investments could not be more urgent, exposes workers and their retirement capital to concerning climate and investment risks and further devastates front line communities and the environment.

On May 19, 2021, the University of Washington's Harry Bridges Center for Labor Studies hosted a forum, [***Power in a Pension***](#), to explore the relationship between public pension funds, private equity, the climate crisis, and the impacts on communities and the environment. The forum brought stakeholders together to discuss how labor unions, pension fund trustees, and Indigenous rights and grassroots organizations are working to effect change and explore avenues for further collaboration.

Pension fund trustees and representatives of dozens of investors and asset managers with more than \$10 trillion in combined assets participated in the forum. Drawing on the panelists' presentations and forum discussion, this report provides a summary of the key arguments raised and lessons learned.

Public pension funds represent the retirement future for 20 million Americans, many of whom are labor union members such as teachers, public finance professionals, landscapers, firefighters, and others. Collectively, public pension funds manage \$4 trillion, almost 20 percent of the country's GDP.¹

One of the primary mechanisms by which a pension fund generates revenue to meet its obligations is through investment returns. Investment returns are determined in large part by a pension fund's investment portfolio. A pension fund can invest in publicly traded assets like stocks and bonds, real estate, timber or other natural resources, or various private market assets like private equity funds, venture capital, or hedge funds.

Climate justice organizations continue to call upon public asset managers like Blackrock to divest from fossil fuel companies such as Exxon and Chevron. They also call on insurance companies like Liberty Mutual or banks like JP Morgan Chase to halt financing of fossil fuels.² As activist campaigns have urged institutional investors to reduce their exposure to fossil fuels in the public markets, little attention has been paid to their increasing fossil fuel exposure in their private market portfolio, thereby nullifying any progress on reducing climate change impacts. In fact, some of the private equity-owned fossil fuel companies are the country's largest emitters of greenhouse gases.³ And compared to their public market counterparts, private equity-owned fossil fuel companies are subject to less public or regulatory scrutiny. A March 2021 article in *Politico* summarized this trend as "utilities, oil producers and others, in their bid to meet investor and societal demands, are simply shifting plants, pipelines and other polluting assets to private firms that are less accountable."⁴

To address this oversight, the Bridges Center hosted the *Power in a Pension* forum to call attention to the impact private equity-owned fossil fuel assets have in communities while using labor's retirement capital. In a timely reminder of the urgency of the issue, the day before the forum, the International Energy

Agency (IEA), the world's leading energy adviser, called for an immediate ban on new oil, coal and gas development approvals, in order for the world to follow a narrow path towards meeting the Paris Agreement's goal of halting global warming at 1.5 degrees Celsius.⁵ Only focusing on public market fossil fuel investments misses a significant part of a much larger story—a story that involves a multi-billion dollar private equity industry that faces lax regulations and oversight, uses heavy debt loads, and employs aggressive cost-cutting measures.

POWER IN A PENSION

The panelists included Sleydo' (Molly Wickham), spokesperson for the Gidimt'en check-point on Wet'suwet'en territory; Alyssa Giachino, Climate Director at the Private Equity Stakeholder Project; Eileen Moran, a long-time activist in the Retiree Chapter and the Environmental Justice Working Group of the Professional Staff Congress at City University of New York; Paul Finch, a British Columbia General Employees' Union (BCGEU) member and Treasurer; and Mitch Vogel, a long-time labor-affiliated trustee on the Illinois State Universities Retirement System. The forum was moderated by Michael McCann, the Gordon Hirabayashi Professor for the Advancement of Citizenship at the University of Washington.

NO PRIVATE EQUITY FUTURE IN FOSSIL FUELS

Private markets manage approximately \$7.4 trillion globally.⁶ Private equity firms have invested billions across the fossil fuel industry, including pipelines, LNG export terminals, coal plants, and fracking and drilling companies. However, private equity firms are very different from their public equity counterparts like BlackRock, Fidelity, or Vanguard, who also invest in energy companies like Chevron or Exxon.

First, private equity firms are subject to far less scrutiny from regulatory agencies like the Securities and Exchange Commission. Second, private equity investments are far more illiquid—thus divesting from private equity funds is not as feasible as selling shares on a stock exchange. Additionally, although private equity firms promise much higher returns compared to the stock market, investors are exposed to higher amounts of risk through private equity's heavy use of debt and aggressive cost cutting measures, and they are subject to significantly higher fees.⁷

Notably, forum panelist Alyssa Giachino, Climate Director at the [Private Equity Stakeholder Project](#), observed that, “Fossil fuel assets have been bad investments for a long time—even before COVID-19’s impacts on oil pricing and demand.” The majority of private equity energy funds have lost money for investors over the past decade.⁸ And the heavy debt that private equity firms typically load onto their portfolio companies resulted in private equity-owned oil and gas companies dominating the unusually high number of bankruptcies in the energy sector last year.⁹

Although oil demand is expected to recover somewhat in 2021 from the depths of 2020, it will remain about 4 to 7 percent below pre-pandemic levels, *Deloitte* reported based on forecasting by Rystad Energy last year.¹⁰

“ Fossil fuel assets have been bad investments for a long time — even before COVID-19’s impacts on oil pricing and demand.”

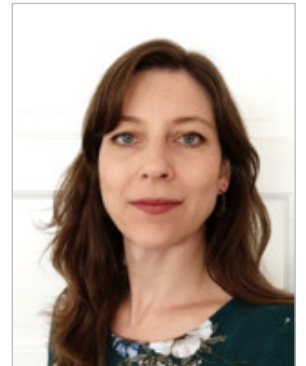
- Alyssa Giachino, Climate Director, Private Equity Stakeholder Project

Even major oil companies are acknowledging a permanent shift in oil demand. In February 2021, Royal Dutch Shell joined other oil majors in saying that the world

reached peak oil production in 2019, and going forward, it expects annual declines.¹¹ In September 2020, British oil giant BP came to the same conclusion that oil demand peaked in 2019.¹²

Yet private equity firms fail to see the writing on the wall and continue to invest in multi-billion dollar fossil fuel deals. For instance, in 2019 Blackstone invested \$6.3 billion in Tallgrass Energy, an oil and natural gas transportation and storage company.¹³ In the same year, Kohlberg Kravis Roberts (KKR) invested in a \$6.6 billion deal to construct the Coastal GasLink Pipeline through Wet'suwet'en Nation territory in British Columbia, Canada.¹⁴ And in early 2021, KKR invested in a \$3.4 billion Sempra Infrastructure Partners' natural gas portfolio.¹⁵

These continued investments in fossil fuel assets stall our ability to meet the measures agreed to in the Paris Agreement, and they have immediate and devastating consequences on front line communities and the environment.



"Break Free from Fossil Fuels" by **John Englart** (Takver) CC BY-SA 2.0

PRIVATE EQUITY'S DEVASTATING ENVIRONMENTAL AND HUMANITARIAN COSTS



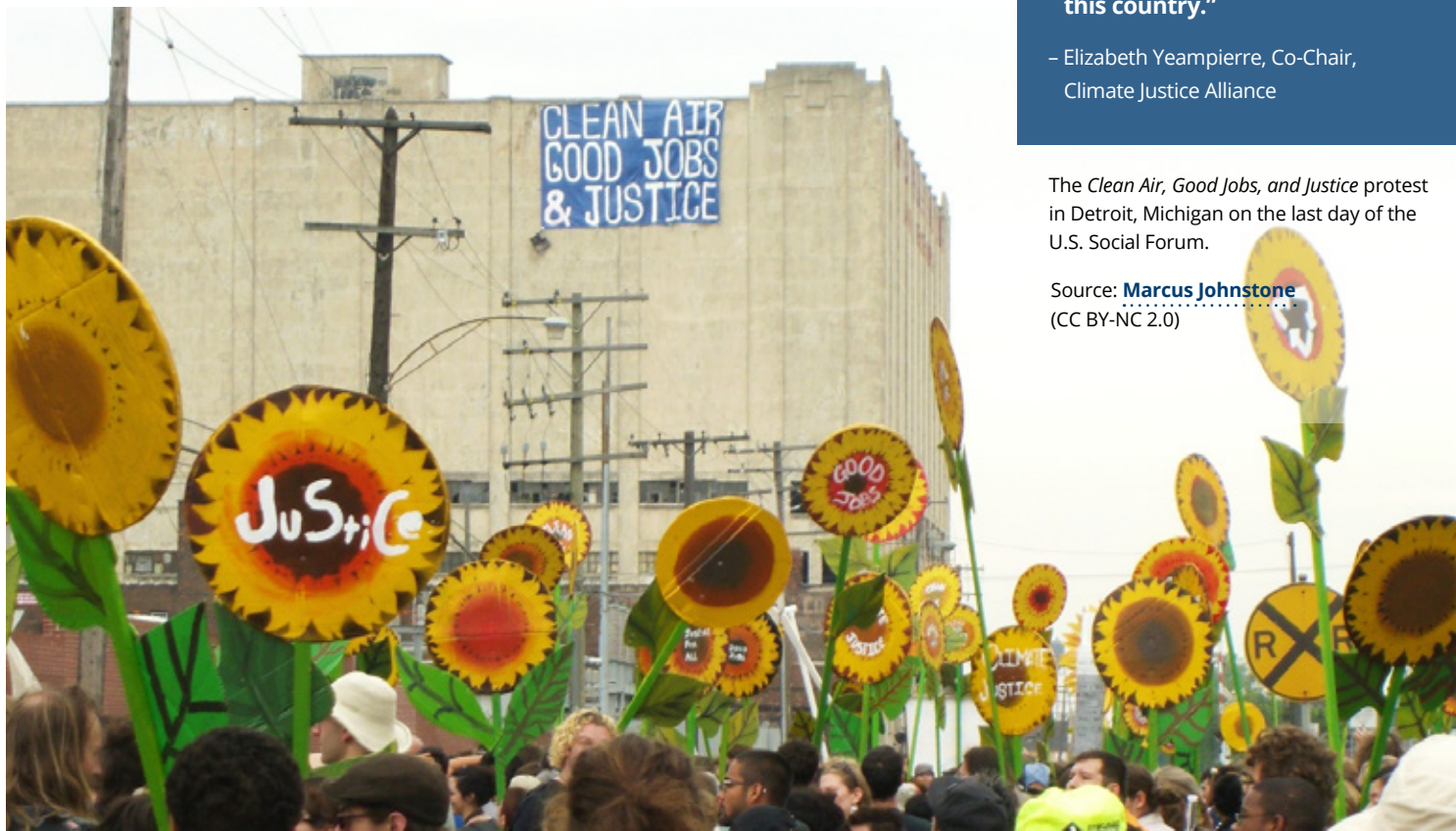
Forum moderator Michael McCann, the Gordon Hirabayashi Professor for the Advancement of Citizenship at the University of Washington, stated that, “Climate change is here and is having a wide range of impacts, particularly on those who are most marginalized in our societies. Climate change is the result of a legacy of extraction and capital accumulation.”

McCann quoted co-chair of the Climate Justice Alliance, Elizabeth Yeampierre, who says, “A lot of times when people talk about environmental justice, they go back to the 1970s or ‘60s. But it is important to think about the slave quarters—to think about people who got the worst food, the worst health care, the worst treatment,

and then when freed, were given lands that were eventually surrounded by things like petrochemical industries. The idea of killing Black people or Indigenous people, all of that has a long, long history that is centered on capitalism and the extraction of land and labor in this country.”¹⁶

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– Elizabeth Yeampierre, Co-Chair,
Climate Justice Alliance



The *Clean Air, Good Jobs, and Justice* protest in Detroit, Michigan on the last day of the U.S. Social Forum.

Source: [Marcus Johnstone](#)
(CC BY-NC 2.0)



“ This project threatens our water, our livelihoods, as Wet’suwet’en people, and the future for our Wet’suwet’en children. We will never stand down and will continue to resist this project and others like it, that do not gain consent from our people. It is a bad investment that will never see the returns that pensioners deserve.”

– Sleydo’ (Molly Wickham), spokesperson for the Gidimt’en check-point on Wet’suwet’en territory

That history continues with investments that expand fossil fuel infrastructure for decades to come.

During the forum, Sleydo’ (Molly Wickham), spokesperson for the **Gidimt’en check-point on Wet’suwet’en territory**, described the ongoing Indigenous resistance to the construction of the Coastal GasLink Pipeline (CGL) through her community’s territory. The 675 kilometer-long gas pipeline would feed LNG Canada’s liquification and export facility on the British Columbia Coast. It is estimated that the CGL project will release up to 3.5 megatons of carbon dioxide per year, about 5.5 percent of British Columbia’s and 0.5 percent of Canada’s total emissions from the year 2017.¹⁷

One of the largest private equity firms in the world, KKR, and the Alberta Investment Management Corporation (which is the investment manager for nine Canadian public pension plans) are the majority investors in CGL.¹⁸ The project has faced significant construction and cost delays due to major resistance from the Wet’suwet’en Nation and allies. According to Sleydo’, the CGL owners “have failed to receive free, prior, and informed consent from the proper title holders of the Wet’suwet’en territory. This project has failed to establish any sort of meaningful policy to deal with Indigenous consent. As a result of not gaining consent and not having proper policies to deal with Indigenous consent, we have seen unprecedented resistance within our territories. We are upholding our Wet’suwet’en law by any means necessary.”

Supporters of the Wet’suwet’en hereditary chiefs who oppose the Coastal Gaslink pipeline take part in a rally in Smithers B.C., in January 2020.

Source: Jason Franson/The Canadian Press File
Photo/[Toronto Star](#), February 5, 2020

Multiple clans of the Wet’suwet’en have occupied their own land. “We are forcing change through direct action and grassroots resistance. In the winter and spring of 2020 supporters and allies shut down major Canadian infrastructure during what was dubbed as ‘Shut Down Canada.’ This movement crippled the Canadian economy for months,” Sleydo’ said.

CGL management have themselves admitted to the costs associated with these direct actions in various court filings. “We know that the Coastal GasLink project has been delayed for at least one year and many seasons due to direct action and the requirement of added infrastructure through the pipeline route. In 2018 and 2019, Wet’suwet’en resistance cost Coastal GasLink 22 days of lost work, wages, and infrastructure.

In 2020, it cost them 28 days of losses and other grassroots direct action has caused them several seasons of delays that were argued in court by CGL themselves,” Sleydo’ elaborated.

In June 2021, Ted Nace, the Executive Director of the Global Energy Monitor, told *The Tyee* that with each delay, the cost of the CGL project increases. “It really undermines the overall economic feasibility of the project. So if anything, they’re in worse shape than when they started. And often a project like this will flounder around for a while, more money will get sunk into it, and in the end, it doesn’t happen anyway.”¹⁹

One of the most problematic aspects of the CGL pipeline is that it plans to run through Wedzin Kwah and other unstable terrain. “Wedzin Kwah is our headwaters





Ts'akë ze' Howihkat, Freda Huson, passes an installation of red dresses as she waits for police to enforce Coastal GasLink's injunction at the Unist'ot'en healing center on Feb. 9, 2020. The red dresses symbolize thousands of missing and murdered Indigenous women and girls. Photo: Amber Bracken. Source: [Intercept](#), February 23, 2020.

LOWER LEFT:

Installations of the Limetree Bay petroleum refinery are seen in St Croix, U.S. Virgin Islands June 28, 2017. Photo: Reuters/Alvin Baez. Source: [Reuters](#), June 3, 2021.



Such projects create significant instability and risk to investors. As Sleydo' concluded, "This project threatens our water, our livelihoods, as Wet'suwet'en people, and the future for our Wet'suwet'en children. We will never stand down and will continue to resist this project and others like it, that do not gain consent from our people. It is a bad investment that will never see the returns that pensioners deserve."

The Wet'suwet'en are not alone in their exposure to environmentally hazardous fossil fuel infrastructure. For instance, private equity fund ArcLight Capital Partners, which invests the retirement savings of Maine public sector employees and Ohio teachers, along with other individuals, lost hundreds of millions of dollars betting on a Caribbean oil refinery. ArcLight's Energy Partners Fund VI, along with other investors, purchased the Limetree Bay refinery in St. Croix in the U.S. Virgin Islands out of bankruptcy in 2016 for \$190 million, hoping to renovate and restart it. But the refinery never ran smoothly. In May of 2021, the U.S. Environmental Protection Agency ordered the plant to close for at least 60 days after the refinery sprayed nearby neighborhoods with a petroleum mist.²²

Linda Woods, a retired English teacher in Maine, told *Reuters* she never liked the idea of her retirement dollars funding investments in fossil fuels. But she said she hopes the problems at Limetree Bay will encourage the state legislature to limit oil and gas investments by the pension plan in the future. "This could be a watershed moment," Woods said.²³

to our most important watershed and is home to the Pacific coho salmon spawning ground along with all the other species of salmon that we rely on as a people. This is integral to who we are, to our identity as Wet'suwet'en people. We rely on the Wedzin Kwah for clean drinking water, and if this pipeline goes through, it will destroy our ability to drink the water from our river forever. It will disrupt our salmon populations, which are already under threat because of climate change. Our children and our grandchildren might never ever be able to taste the salmon that is integral to who we are, as a nation," Sleydo' said.

The Wet'suwet'en have received international support highlighting the racial injustice associated with fossil fuel infrastructure projects through their territory. Sleydo' noted that, "The United Nations Committee on the Elimination of Racial Discrimination sent letters to Canada in both 2019 and 2020

condemning the work of Coastal GasLink, the Site C Dam Project, and the Trans Mountain pipeline project because of the impacts they have on Indigenous communities and because the Indigenous communities have denied consent for these projects."²⁰

The Wet'suwet'en argue that these infrastructure projects also pose harmful risks to Wet'suwet'en women and girls. Women and girls are subject to various safety concerns from an influx of temporary labor and the proximity of Coastal GasLink work camps, also known as "man camps," to their communities. The concerns are supported by the 2019 final report of the National Inquiry into Missing and Murdered Indigenous Women and Girls, which found a direct link between work camps for resource projects and the increase of gender-based violence against nearby Indigenous communities.²¹

THERE IS POWER IN A PENSION

Pension funds—the labor movement’s retirement capital—are one of the private equity industry’s major investors. Institutional investors, such as pension funds and sovereign wealth funds, have increased their allocations to private market assets to an average of 22 percent in 2020, up from 10 percent in 2008.²⁴

Pension fund investment boards often have representation from unions, various governmental agencies, and financial experts. In some cases, such as New York, Connecticut, and North Carolina, the state comptroller or state treasurer is the sole fiduciary of some pension funds. The representative membership of these pension investment boards means that union members and the public can have significant input in how pension funds are governed and invested.

WHAT CAN LABOR DO?

The forum panelists also included three union members who shared their thoughts on investments in fossil fuel assets. All three of these panelists spoke from their individual experiences and not on behalf of the organizations of which they are members.



Eileen Moran is a long-time activist in the Retiree Chapter and the [Environmental Justice Working Group \(EJWG\) of the Professional Staff Congress \(PSC\)](#), a union that represents 30,000 faculty and staff at the City University of New York (CUNY), which is an affiliate of the American Federation of Teachers (AFT).

In December 2020, New York State Comptroller Thomas DiNapoli announced that the \$226 billion Common Retirement System was divesting from fossil fuel public stocks by 2040.²⁵ In 2018, New York City officials announced that three pension funds for city workers would divest an estimated \$4 billion from fossil fuel companies to promote clean energy use.²⁶

1. BUILD INCLUSIVE AND PERSISTENT COALITIONS

Moran summarized the key organizing efforts leading up to these New York victories. “The entire process took over eight years and a very broad coalition of environmental activists from 350.org, Food and Water Watch, People’s Climate Movement, community and faith groups, Indigenous groups, and a small number of unions such as AFSCME,



Protesters demand New York state pension funds divest from fossil fuel assets. Photo: 350.org.
Source: [Gotham Gazette](#), May 5, 2020.

CWA, New York State Nurses Association, DC 37 City Employees, and PSC. It also took a wide array of tactics that included demonstrations, ticketing, lobbying, letters to the editors, emails, and calls.” Other tactics also included proposed state-level legislation mandating pension fund divestment from fossil fuels and various union resolutions calling on fossil fuel divestment. In the end, this

network of unions, community groups, and environmental groups persisted together, over the long haul.

Although it will take years for both New York state and city pension funds to fully comply with their fossil fuel divestment commitments, these are promising examples for others to learn from and adapt to campaigns in the public and private markets.

Surprisingly, Moran noted that one of the challenges to advance fossil fuel divestment campaigns arose from pension fund trustees deferring to financial experts, who are thought to have more knowledge to make investment decisions.

“There are many risks on the ground that are not accounted for when you only look at performance against a benchmark in an asset category.”

– Paul Finch, Treasurer, British Columbia Government Employees’ Union



Paul Finch, a **British Columbia General Employees’ Union (BCGEU)** member and Treasurer, shared his experience helping manage his union’s strike fund and general reserves. He spoke directly to Moran’s struggles with pension fund trustees deferring to financial experts. He urged “less blind trust of agents of investment managers. We need to appoint more critical thinkers to pension boards who are equipped and educated with the tools to be able to understand the risks that exist.”

2. BE INFORMED AND MANAGE CLIMATE RISK COMPREHENSIVELY

In 2014, as a labor-affiliated trustee, Finch was successful in pulling \$20 million from fossil fuel equities and bonds in his union’s funds.²⁷ Since divesting from fossil fuels, the union has earned 12.5 percent, net of fees, on average—approximately the average market return—every year. Prior to the divestment commitment, Finch conducted an analysis of the risks in the oil markets and predicted a crash in price. He noted that the rationale for fossil fuel divestment “was based purely on our fiduciary responsibility—to seek the best return while minimizing the risk for our members.” Not only did Finch and the union manage their risk comprehensively, but they also took meaningful action to mitigate the impacts of climate change on the planet.

In relating his experience in the public markets to those in the private markets, Finch commented that the divestment effort was successful in large part due to the accurate and more comprehensive measurement of what risk and volatility is in the fossil fuel asset class. But to accurately account for this risk, particularly in the opaque private equity industry “we need better reporting” to educate union members and trustees about the risks.

Finch also encouraged pension fund trustees to not “simply accept the metrics and performance reports that are being presented by investment managers, but instead trustees should come up with their own benchmarks. They should ask for their own metrics and reports and make sure that they are measuring risks comprehensively. And boards should have responsible investment committees,

because there is serious, ongoing reputational risk associated with a lot of investments that are overlooked.” Speaking to panelist Sleydo’s recounting of the risks associated with KKR’s CGL pipeline project, Finch noted, “There are many risks on the ground that are not accounted for when you only look at performance against a benchmark in an asset category.”

Pension fund trustees, including labor-affiliated trustees, have an opportunity to play critical roles in the investment decision-making process, particularly in ensuring that investment risks are comprehensively and seriously considered. However, for that role to be fully realized, it is important for pension fund trustees and staff to be educated on the impacts their investments have in communities.

3. DEMAND GREATER ACCOUNTABILITY AND TRANSPARENCY

Given the inadequate provision of necessary information to make informed decisions about the environmental and humanitarian costs associated with private equity energy investments, Sleydo' advocated for "greater responsibility and legislation mandating relevant community and environmental information be provided to investors, and mandating investors and asset managers have direct contact with the communities that are directly impacted by their investments."



Mitch Vogel, a long-time labor-affiliated trustee on the [Illinois State Universities Retirement System \(ILSURS\)](#), provided an example

of the risks associated with fossil fuel investments that are not typically accounted for in investment manager reports. ILSURS was invested in a private equity firm that bought an old Goodyear rubber plant in southern Illinois, close to the Illinois River. The private equity firm promised great returns from the investment, but soon ILSURS "learned that they got those returns by laying off all the union employees in the factory and hiring scab labor. They were also able to get permission from a local mayor to dump toxic waste into the river." The ILSURS soon pulled out of the investment.

"It cost us a lot of money to pull out of the investment, because you can't leave these private equity funds without a penalty, if you terminate your investment agreement early," Vogel recounted. "We decided not to invest in non-renewable energy investments that were detrimental to the whole society. Even if we make a little bit of money from a private equity fund which is hurting the environment, we are going to lose more money from Illinois state because they are going to be spending millions, if not billions of dollars, cleaning up the river, just so we can make a little money."

Panelist Alyssa Giachino noted that within the fossil fuel asset class, both in the public and private markets, "companies have shifted the externalities, the responsibility of their climate and community impacts, off their own books. But communities and our planet are paying the price."

Thus, Giachino stressed, "It is absolutely critical that trustees, institutional investors, and regulators press for more transparency about what the impacts are, what the risks are. Because so much of that information is not being measured, institutional investors do not have the necessary information to make informed decisions."

As part of the effort to hold investment managers accountable, the panelists also touched on the financial industry's trend towards greenwashing. Greenwashing refers to the practice of conveying a false impression that a company's product or investment portfolio is environmentally sound. Several private equity firms regularly release sustainability or environmental, social, and governance (ESG) reports that espouse their renewable or sustainable investments, but make no mention of their growing investment in fossil fuel infrastructure.

For instance, the Blackstone Group claims that "Environmental, Social and Governance principles have been integral to Blackstone's corporate strategy since our founding. We are committed to responsible investing practices and incorporate them into everything we do."²⁸ But in 2017, it invested \$1.6 billion in the Rover Pipeline, a controversial 700-mile oil pipeline, which has been beset by multiple industrial spills (see *Figure 1*).²⁹

KKR claims that "we invest and believe that our understanding of ESG issues can improve our opportunities to create shared value. In line with this belief, we have made a public commitment to formally incorporate the consideration of ESG factors into our investment processes."³⁰ But in 2019, it invested in the multi-billion dollar CGL pipeline.³¹

Apollo Global Management claims that "we have a long-term practice of using ESG factors in our investment management strategy and believe that

careful attention to such factors makes good business sense."³² But in 2018, Apollo committed to investing nearly \$1 billion in Northwoods Energy, an upstream oil and gas company focused on the Powder River Basin in Wyoming and Montana—an investment Apollo still holds in its portfolio.³³

Since 2010, private equity has invested about \$41 billion in renewable energy, whereas it has invested nearly four times that amount—\$154 billion—in oil, gas, and coal, according to the American Investment Council, a private equity trade organization. In 2020, private equity invested about \$17 billion in both renewables and fossil fuels.³⁴ Greater awareness of how to spot greenwashing

"We decided not to invest in non-renewable energy investments that were detrimental to the whole society. Even if we make a little bit of money from a private equity fund which is hurting the environment, we are going to lose more money from Illinois state because they are going to be spending millions, if not billions of dollars, cleaning up the river, just so we can make a little money."

– Mitch Vogel, Trustee, Illinois State Universities Retirement System





“ Fossil fuel companies have shifted the externalities, the responsibility of their climate and community impacts, off their own books. But communities and our planet are paying the price. It is absolutely critical that trustees, institutional investors, and regulators press for more transparency about what the impacts are, what the risks are. Because so much of that information is not being measured, institutional investors do not have the necessary information to make informed decisions.”

– Alyssa Giachino, Climate Director, Private Equity Stakeholder Project

and the placement of critical thinkers on pension fund investment boards, Paul Finch argued, “can subject private equity firms to a tremendous amount of public scrutiny, which can generate reputational risk, and thus provide grounds for trustees to better evaluate the manager and its investments.”

Public pension funds have incredible power in our economy. And, as the forum panelists argued, public pension fund trustees share in that power and responsibility to ensure that they are educated on the comprehensive risks associated with their investment strategies. They cannot only rely on financial experts for a comprehensive account of the investment risks and should advocate for greater transparency and accountability from their investment asset managers. In addition, they should seek information

from front line communities and various grassroots organizations who are directly impacted by their investment decisions.

As a model, the Private Equity Stakeholder Project, along with various climate justice organizations, developed a list of actions for institutional investors to take that would generate a plan to shift towards a pollution-free energy portfolio; disclose fund-level and sectoral exposure to fossil fuel emissions; plan for a just transition for workers and communities impacted by current fossil fuel holdings; and require the disclosure of all political spending in alignment with the Paris Agreement (see *Appendix I*).

If public pension fund investors fail to take a comprehensive account of private equity investment risks, particularly from voices most impacted by their investments, pension fund investors run the additional risk of underestimating the costs associated with their investments. As Sleydo’ demonstrated, the investment and climate risks associated with Indigenous and allied resistance to fossil fuel infrastructure are detrimental to pension fund returns. Not accounting for these risks comprehensively could have consequential impacts on pension fund returns, and eventually pension fund benefits.



Figure 1: Workers assess a spill by Rover Pipeline affecting approximately 500,000 square feet of wetlands on April 27, 2017 in Stark County, Ohio. Photo: Ohio EPA. Source: [NBC News](#), May 11, 2017.

THE MOMENT TO ACT IS NOW



“We believe hanging on to fossil fuel assets is a financial risk. That is why we will have made our \$13.4-billion endowment “fossil free” as of the end of this month, and why our \$70-billion pension will soon be that way as well.”

– Jagdeep Singh Bachher, the University of California’s chief investment officer and Richard Sherman, the chairman of the UC Board of Regents’ Investments Committee, September 2019

Nearly a week after the forum, a Dutch court ruled in a case against Royal Dutch Shell, ordering the oil company to drastically cut emissions 45 percent by 2030, in line with the goals of the Paris Agreement.³⁵ Exxon Mobil lost three board seats to an activist hedge fund aiming to drive the oil company towards a cleaner energy strategy.³⁶ Over 60 percent of Chevron’s shareholders voted in favor of an activist program to force the company to cut its carbon emissions.³⁷ And nearly half of its shareholders voted for a report on Chevron’s political lobbying to learn about the ways Chevron is influencing the political process.³⁸

Faced with a growing understanding that fossil fuel assets are too risky, institutional investors are taking note. Aside from the New York state and city funds, Georgetown University³⁹ and the University of California have committed to exit fossil fuel investments.⁴⁰ Jagdeep Singh Bachher, the University of California’s

chief investment officer, and Richard Sherman, the chairman of the UC Board of Regents’ Investments Committee, wrote in a September 2019 Los Angeles Times op-ed, “Our job is to make money for the University of California, and we’re betting we can do that without fossil fuels investments.” They observe that “hanging on to fossil fuel assets is a financial risk. That is why we will have made our \$13.4-billion endowment “fossil free” as of the end of this month, and why our \$70-billion pension will soon be that way as well.”⁴¹

Governments and auto manufacturers are following suit. For instance, last year California, one of the largest markets for vehicle sales, established a gasoline-powered car phaseout goal of 2035. The United Kingdom also revised its goal to 2035 and mandated that any car sold after 2030 must have at least a hybrid drivetrain capable of running on a battery

(see Figure 2).⁴² In January 2021, General Motors, Detroit’s largest automaker, announced plans to completely phase out vehicles using internal combustion engines by 2035. It also plans to use renewable energy for its U.S. factories by 2035 and overseas by 2040.⁴³

Arguments supporting continued fossil fuel investment are increasingly on shaky ground. Oil- and gas-focused private equity funds have under-performed comparable buyout funds over the past ten years.⁴⁴ While private equity firms have made statements in support of anti-racist sentiments,⁴⁵ marginalized communities, many of which are communities of color, are on the front lines of the climate crisis.⁴⁶ The private equity industry’s continued expansion of fossil fuel infrastructure supports the expansion of environmental racism throughout our energy infrastructure. The moment to challenge this financially irresponsible and morally unjust investment practice is now.

It is time for pension fund trustees to demand comprehensive risk assessments that go beyond the financial bottom line. Front line community and environmental impacts should be considered credible investment risks. It is time that private equity firms are more transparent and truthful about their climate risks throughout their portfolios. It is time for pension fund trustees and other stakeholders to hold private equity managers accountable for their impacts on communities and the environment.

And finally, given the International Energy Agency’s recent report urgently calling for an end to any future fossil fuel development,⁴⁷ private equity firms should take immediate steps to responsibly transition away from fossil fuels and ensure labor’s retirement capital is deployed towards a clean and renewable energy future.

The Big Ban Theory

California joined 12 countries setting an end date for new fossil-fuel vehicles, and the U.K. moved its target forward from 2040

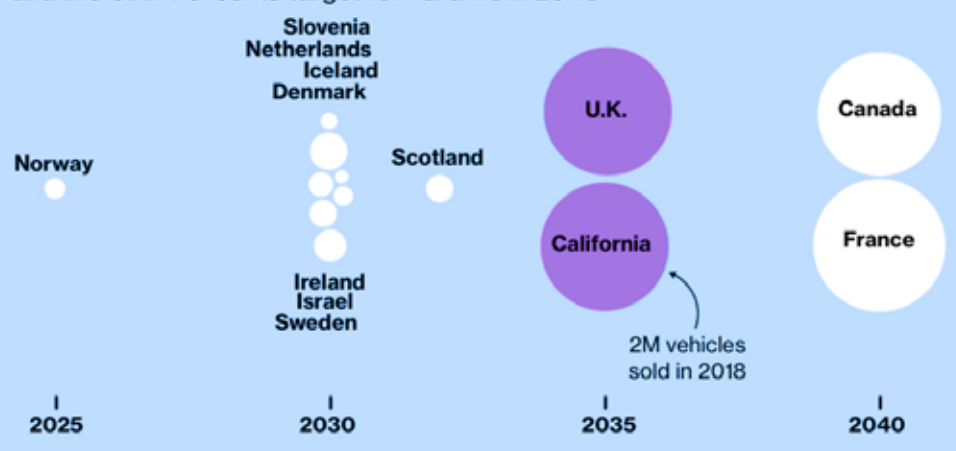


Figure 2: Countries and states sized by vehicle sales in 2018. Scotland is covered by the U.K. ban but has set a more aggressive timeline for itself. Source: [BloombergNEF](#), [HIS Markit](#), [CNCDA](#)

APPENDIX I:

QUESTIONS FOR INVESTORS TO ASK PRIVATE EQUITY FIRMS

As a model, the Private Equity Stakeholder Project, along with Greenpeace, the Sierra Club, and various climate justice organizations, developed a list of actions that institutional investors can press private equity firms to take so that stakeholders and regulators have a better understanding of a portfolio's climate risks. Actions can be taken to help generate a plan with clear benchmarks to shift towards a pollution free energy portfolio; disclose fund-level and sectoral exposure to fossil fuel emissions; plan for a just transition for workers and communities impacted by current fossil fuel holdings; and disclose all political spending in alignment with the Paris Agreement.⁴⁸

To understand how private equity firms are meeting these goals, investors should urge firms to adopt the following actions:

1. **Pollution Free Energy Portfolio:** Develop and disclose a plan with clear incremental benchmarks to shift your portfolio to be pollution free.
For current fossil fuel holdings and energy investments:
 - a. Disclosure of emissions and a plan to eliminate all emissions (Scope 1, 2, and 3) for energy and infrastructure funds, and energy holdings in all funds.For undeveloped capital and future funds:
 - b. Disclosure of emissions and a plan to eliminate emissions (Scope 1, 2, and 3) with specific targets.
 - c. Ensure that a majority of new capital deployed in energy investments is invested in renewable energy by no later than 2025, and 100 percent renewable by 2030.
 - d. Commit to no development of new oil, gas or coal assets or infrastructure by the end 2021, in accordance with the International Energy Agency's net zero pathway.⁴⁹
2. **Just And Equitable Transition:** Disclose a program to ensure a just transition both for the workforce and for communities impacted by current fossil fuel holdings with input from impacted workers and communities in the transition plan development.
3. **Political Spending To Mitigate Climate Change:** Publish company policy on political spending, disclose all political spending and whether it aligns with the [Investor Expectations on Corporate Climate Lobbying](#):
 - a. Disclose company policy on political spending.
 - b. Disclose corporate and executive political spending by the private equity firm and by portfolio companies and their executives, including lobbying and campaign contributions.
 - c. Align trade organizations with Paris Agreement goals: Review the lobbying positions taken by the organizations of which you or your portfolio companies are a member. If these lobbying activities are inconsistent with the goals of the Paris Agreement, engage the organization to ensure its positions are updated. If the organization fails to demonstrate alignment with the Paris Agreement, disassociate your company from the group.

APPENDIX II:

ADDITIONAL RESOURCES

The following are a list of resources about issues that were raised during the forum:

WET'SUWET'EN RESISTANCE AGAINST THE KKR-OWNED COASTAL GASLINK PIPELINE

[Alberta And South Korea's Pensions Just Bought The Coastal Gaslink Pipeline: 8 Things You Need To Know](#)

Zoe Yunker, *The Narwhal*, June 2020

['I Can Feel Your Breath': When COVID-19 And Environmental Racism Collide](#)

Raina Delisle, *The Narwhal*, March 2021

[KKR Energy Investments Troubled By Racial Injustice And Financial Losses](#)

Alyssa Giachino, *Private Equity Stakeholder Project*, April 2021

THE NEED FOR CLIMATE-SAFE INVESTMENTS

[Net Zero By 2050: A Roadmap For The Global Energy Sector](#)

International Energy Agency, May 2021

[No New Oil, Gas Or Coal Development If World Is To Reach Net Zero By 2050, Says World Energy Body](#)

Fiona Harvey, *The Guardian*, May 2021

ESG INVESTMENT AND THE TROUBLES WITH GREENWASHING

[Private Equity's ESG Journey: From Compliance To Value Creation](#)

PricewaterhouseCoopers, May 2021

[Financial World Greenwashing The Public With Deadly Distraction In Sustainable Investing Practices](#)

Tariq Fancy, *USA Today*, March 2021

PRIVATE EQUITY PERFORMANCE AND ACCOUNTABILITY

[Private Equity Energy Bets Burn Investors](#)

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[Private Equity at Work](#)

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[An Inconvenient Fact: Private Equity Returns And The Billionaire Factory](#)

Ludovic Phalippou, *University of Oxford, Saïd Business School, Working Paper*, June 2020

[Lifting The Curtain On Private Equity](#)

Samir Sonti, CUNY School of Labor and Urban Studies, *American Federation of Teachers | Americans for Financial Reform Education Fund*, May 2021

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In January 2020, climate justice activists demonstrated at the Capital Mall in Sacramento, California. They protested the California State Teachers' Retirement System's (CalSTRS) investments in fossil fuel holdings. The march and demonstration was led by Marge Grow-Eppard, the president of the Missing and Murdered Indigenous Women of California and co-organized by Earth Guardians Bay Area, Youth vs Apocalypse, 350 Sacramento, Climate Reality Project UC Davis, Fridays for Future Sacramento, Sunrise Movement Sacramento, Sunrise Movement Davis, and Fossil Free California.

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