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Fighting Climate Change, State by State

by Anne Moore Odell

A core group of state treasurers and controllers are moving their investments into environmentally friendly and clean tech funds, while thinking big about climate change.

SocialFunds.com -- State treasurers and controllers are doing something that the federal government hasn't been able to do yet: address the risks of climate change. Support for the environment and planning for the long-term consequences of climate change is gaining momentum as more states find creative ways to invest their state funds.

From California's proposed Green Bond to Pennsylvania's newly unveiled Keystone Green Investing Plan to Illinois' Green Reward program, states are taking a number of different approaches to addressing climate change through their investments.

The importance of states as investors cannot be overlooked as billions of investment dollars from pension funds and other state monies are at stake. California's two pension funds, CalPERS and CalSTRS, alone collectively manage more than \$500 billion in assets. New York and Florida each have \$160 billion under management, while many states manage \$80-\$100 billion in assets.

"It is great that the states are able to lead the way on investing in the environment. Each state can look at its own situation and develop investment strategies," said Pam Taylor, Director of the National Association of State Treasurers ([NAST](#)).

Randall Edwards, [Oregon State Treasurer](#), helped organize a half day conference on climate change for NAST last year. Edwards explained, "We should use our vast pools of state retirement funds to take advantage of investment opportunities connected to climate change. I believe we can both jump start new clean industries, as well as make money for pensioners."

State treasurers and controllers dance a complex dance with each other, other state officials, and, of course, with their constituencies. Some state treasurers are elected officials while others are appointed. In some states a treasurer's hands are tied by the state pension trustees, while in other states the treasurer is the sole trustee of their state's accounts.

Bill Lockyer, [California State Treasurer](#), told Socialfunds.com, "A state treasurer's role on climate change should be active and assertive. Treasurers, as fiduciaries, as managers of state debt and investments, as principals on the boards of pension funds, and as chairs of fiscal boards and authorities, can have a major effect both on state policy and on investment in green technologies. Treasurers should also be assertive in pressing for national policy action at the SEC to encourage corporate openness and should seek increased corporate responsibility."

[Connecticut State Treasurer](#) Denise Nappier explained, "State pension plans are, per se, long-term investors in the capital markets and must be concerned about the sustainability of their investments. As a consequence, climate change as a sustainability issue poses risks and presents opportunities for investors."

In addition to passing laws that work to slow down climate change, reduce carbon released into the atmosphere and reward their constituents who use clean energy, some states have instituted a variety of investment policies, strategies, and programs that address climate change.

For example, [Pennsylvania Treasurer](#) Robin L. Wiessmann recently announced the investment of \$15 million in environmentally responsible companies as part of Pennsylvania's Keystone Green Investment Strategy. The Keystone Green

Investment Strategy is part of the state's new Pennsylvania Investment Principles, which address the "next frontier of investing" by considering geopolitical, environmental, governance, and other strategic factors.

"These investments capitalize upon the advantages of the evolving clean, green technology sector to achieve prudent yet competitive returns for the Commonwealth," Wiessmann said. "As we continue to evaluate the impact of all strategic factors, we will be able to minimize risks and maximize nascent opportunities within the market."

California's public pension funds, CalPERS and CalSTRS, have so far committed over \$800 million in environmental technology investments. Lockyer said that the first \$200 million CalPERS committed has already helped catalyze \$1.8 billion of additional environmental investment.

Connecticut has invested \$25 million in a clean tech private equity fund of funds. The state is working on a fixed income opportunity relating to renewable energy debt instruments, looking at making its real estate portfolio more energy efficient and owns stock in companies that focus on clean tech.

The Illinois state treasurer's Green Reward program gives buyers of hybrid or fuel efficient vehicles a \$1,000 rebate. Participating Illinois banks and credit unions agree to accept a discounted deposit rate from the state in exchange for providing the \$1,000 rebates. The treasurer has committed \$2 million to this program to help reduce greenhouse gas emissions.

Florida, under the direction of CFO Alex Sink, was first state treasurer that required fund managers to disclose how they incorporate climate risk into prudent investment management.

Treasurer Richard Moore from North Carolina has been very active with the North Carolina Retirement Systems (NCRS) engaging companies to address climate change. NCRS has filed shareholder resolutions with ConocoPhillips to reduce its carbon emissions and invest in renewable energy research. Moore is also on the NYSE Regulation board of directors, helping to address corporate responsibility issues.

State treasurers and controllers are also working together on climate change issues through the Investor Network on Climate Risk ([INCR](#)), a program established by [Ceres](#).

State treasurers and pension fund leaders from California, Connecticut, Florida, Illinois, Maryland, Massachusetts, New Jersey, New York, North Carolina, Oregon, Pennsylvania, Rhode Island, and Vermont have joined with leading institutional investors and asset managers in signing the INCR Action Plan.

The Action Plan was unveiled on Valentine's Day 2008 at the Investor Summit on Climate Risk, hosted by Ceres and the United Nations Foundation. Signatories of the plan pledged \$10 billion in support of clean tech over the next two years.

The Action Plan also urges a comprehensive corporate response to climate risks and requires that signatory asset managers, consultants, and financial advisors consider climate risks and opportunities. The INCR plan calls on the Securities and Exchange Commission (SEC) to require companies to disclose more information on their climate risk, something investors with INCR have been calling for years. Although the SEC has not done so, companies are doing much more disclosure than in the past, in part due to pressure from INCR investors and other institutional investors.

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