

# New York State Pension Fund Sets 2040 Net Zero Carbon Emissions Target

## Announcement Builds on Fund's Climate Action Plan Review of Energy Sector Investments to Be Completed by 2025, With Potential Divestment for Riskiest Companies

## Sponsors of Fossil Fuel Divestment Act Support Fund's Strategy

December 9, 2020

New York State Comptroller Thomas P. DiNapoli announced today that the New York State Common Retirement Fund (Fund), valued at an estimated \$226 billion, has adopted a goal to transition its portfolio to net zero greenhouse gas emissions by 2040. This process will include completion within four years of a review of investments in energy sector companies, using minimum standards to assess transition readiness and climate-related investment risk, with, where consistent with fiduciary duty, divestment of companies that fail to meet minimum standards.

On the eve of the 5th anniversary of the Paris Agreement, as the world increasingly moves toward net zero emissions targets by or before 2050, this goal will continue to ensure the Fund's portfolio is adapting to the anticipated transition. This ambitious and multifaceted effort continues State Comptroller DiNapoli's leadership on management of climate risk to investments, for which the Fund is already top-ranked in the United States by the Asset Owners Disclosure Project.

"New York State's pension fund is at the leading edge of investors addressing climate risk, because investing for the low-carbon future is essential to protect the fund's long-term value," **State Comptroller DiNapoli said.** "Achieving net-zero carbon emissions by 2040 will put the Fund in a strong position for the future mapped out in the Paris Agreement. We continue to assess energy sector companies in our portfolio for their

future ability to provide investment returns in light of the global consensus on climate change. Those that fail to meet our minimum standards may be removed from our portfolio. Divestment is a last resort, but it is an investment tool we can apply to companies that consistently put our investment's long-term value at risk. I am grateful for Senator Liz Krueger's focus on addressing climate risk, her recognition of our work, and her appreciation of the importance of the State Comptroller's independent, fiduciary duty and constitutional authority as trustee of the Fund for the benefit of our members, retirees and beneficiaries. My thanks as well to Assemblymember Felix Ortiz for his efforts on this issue."

Building on DiNapoli's [2019 Climate Action Plan](#), the Fund will continue its use of minimum standards for determining whether a company is well-prepared for the transition to a low-carbon global economy. The Fund has already set minimum standards for the thermal coal mining industry and divested from 22 coal companies.

The Fund is currently wrapping up its evaluation of [nine oil sands companies](#), and will develop minimum standards for investments in shale oil and gas. Those will be followed by; integrated oil and gas; other oil and gas exploration and production; oil and gas equipment and services; and oil and gas storage and transportation. Minimum standards for all of these sectors, and a determination of which companies are suitable to remain in the Fund's portfolio, will be completed by 2025. After completing initial reviews, the Fund will continue to reassess whether the remaining companies are meeting minimum standards and are on viable low-carbon transition pathways. The Fund will be hiring additional staff and engaging consulting partners to support these critical efforts.

**Senator Liz Krueger said:** "Today's announcement from the State Comptroller is an exciting, bold, and responsible leadership position, one that sets a high bar in a vital year for climate action. The New York State Common Retirement Fund is the third largest pension fund in the country, and when it takes action, people pay attention. Rigorous and timely review, with divestment for climate laggards across the energy sector, and a commitment to a net zero portfolio by 2040 will protect the Fund, current and future retirees, and taxpayers from unacceptable levels of climate risk. It also sends a clear message that the era of dirty fossil fuels must and will come to an end, and the smart money is getting out sooner rather than later. This announcement is a big deal, and it is a win-win for the Fund's bottom line, and the future survival of our society."

**Assembly Assistant Speaker Félix W. Ortiz said:** "The ambitious goal to transition the New York State Common Retirement Fund's portfolio to net zero greenhouse gas emissions by 2040 is a victory for the environment, fund investors, advocates and all New Yorkers. The steps announced today by the State Comptroller reflect New York's

commitment to sound environmental and fiscal policies, ensuring our role as a leader. As a lifelong environmental advocate, I have renewed hope for future generations.”

As part of its net zero commitment, the Fund will continue to increase its engagement efforts with companies across industries to encourage them to reach net zero carbon emissions more quickly, and will continue to vote against board directors at portfolio companies that fail to take steps to mitigate climate risks. The Fund is primarily a passive index investor in the public equity markets and its size gives it a prominent voice at companies across the globe. Major companies have already adopted net zero (or negative carbon) goals, including Microsoft (negative carbon by 2030), Apple (net zero by 2030), and Amazon (net zero by 2040), and more companies adopting these goals will further mitigate the risks of climate change on the Fund’s portfolio.

The Fund will also establish interim trajectory goals to measure progress toward its 2040 net zero target and institute transparency measures regarding the Fund’s progress, including annual progress reports, and updates at the outset and conclusion of each sector review.

The Fund’s strategies — to address climate risk to investments by achieving net zero carbon emissions by 2040 and comprehensively reviewing companies, with divestment from those that fail to meet minimum standards where it's consistent with fiduciary duty — go further, faster, than the goals outlined in the Fossil Fuel Divestment Act, sponsored by Sen. Krueger and Assemblyman Ortiz. Therefore, the legislators have indicated that the Fossil Fuel Divestment Act will not be reintroduced in January 2021.

**Senate Majority Leader Andrea Stewart-Cousins said,** "Climate change is real and we must be aggressive at combating it. In 2019, the Senate Democratic Majority took historic action to pass the most ambitious environmental protection legislation in the nation, the Climate Leadership and Community Protection Act. For years, Senator Liz Krueger has been an outspoken advocate and true leader in ensuring New York uses all the tools at our disposal to address climate change, including our state’s pension fund. With today’s announcement by State Comptroller Tom DiNapoli, our state is taking another huge step forward in this fight, as we put the New York State pension fund at the forefront of creating a low-carbon global economy. I thank State Comptroller DiNapoli for taking this bold step, and I applaud Senator Liz Krueger for her tireless commitment to achieving the goal of a cleaner, and greener New York State."

"New York has been a leader in the fight to combat climate change, taking bold and necessary steps to protect our planet while fostering a just transition," **said State Sen. Todd Kaminsky**, chairman of the Senate Environmental Conservation Committee. "I applaud State Comptroller DiNapoli's plan to transition the state's pension fund

portfolios to net-zero carbon emissions by 2040, as well as Senator Krueger for her leadership on this important matter, which will both go a long way in furthering our carbon-neutral goals."

"This is incredibly exciting news from the State Comptroller's office today," **said State Sen. Rachel May**. "The climate crisis requires bold and decisive action from all segments of government. The commitment to reach net zero carbon emissions in the New York State Common Retirement Fund by 2040 fulfills both the need for fiduciary responsibility to our state employees and the urgent action required to phase out dirty fossil fuel from our state's economy. I applaud State Comptroller DiNapoli for this decision and my colleagues Senator Krueger and Assemblymember Ortiz for their leadership on this critical issue."

**State Sen. Jen Metzger said**, "State Comptroller Tom DiNapoli has taken a historic step to put one of the country's largest pension funds on a sustainable path, both fiscally and environmentally. This is about minimizing climate risk and recognizing that what's good for the future of the planet is good for the health of New York's retirement system. Fossil fuels are a bad bet, period. I want to thank the State Comptroller for his leadership and continued vigilance in stewarding the state's pension fund. I also want to thank Senator Liz Krueger and Assemblymember Felix Ortiz, sponsors of the Fossil Fuel Divestment Act, for their work to elevate this issue and move us forward."

## **Summary**

[2019 Climate Action Plan](#)

[Summary of Next Steps in DiNapoli's Climate Action Plan](#)

## About the New York State Common Retirement Fund

The New York State Common Retirement Fund is the third largest public pension fund in the United States. The Fund holds and invests the assets of the New York State and Local Retirement System on behalf of more than one million state and local government employees and retirees and their beneficiaries. The Fund has consistently been ranked as one of the best managed and best funded plans in the nation. The Fund's fiscal year ends March 31.

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