

## **Economics, Finance and Fossil Fuels**

Fossil fuels are bad for business. The fossil fuel industry has been the worst performing sector of the economy for the last decade. Our future prosperity depends on transitioning to clean energy.

## **Context**

The fossil fuel industry likes to position itself as an integral part of the economy, a jobs and profit behemoth that can't possibly be displaced by renewables. The truth is that for the last decade, the fossil fuel industry has been the worst performing sector of the market. Overleveraged and underperforming, the industry is hemorrhaging jobs and putting our entire economy at risk. Meanwhile, the clean energy sector has added jobs 70% faster than the overall economy. The bottom line? Making the transition away from fossil fuels will be as good for the economy as it is for the environment.

## **Fossil Fuels Pose a Major Risk to the Economy**

- People think that fossil fuel companies are an essential part of the US economy: they're not. The real opportunity now is in clean energy.
- Clean energy is cheaper for consumers, better for investors, and creates more jobs than fossil fuels.
- The fossil fuel industry is in an irreversible decline and it threatens to take the entire economy with it.
- Fossil fuels are in the same position as typewriters during the age of computers: an out of date, antiquated technology.

- Fossil fuels are the past, clean energy is the future.
- Apple is now worth more than the oil and gas majors combined.
- As the world moves to clean energy, fossil fuel investments worth trillions of dollars will lose their value. If that change happens rapidly, because the industry has tried to hold it off, for example, it could cause this “carbon bubble” to burst, destabilizing the broader economy.
- Major investments in fossil fuel infrastructure -- pipelines, drilling wells, refineries -- will become “stranded assets,” worthless pieces of junk that the public is left to clean up as companies go bankrupt.
- When fossil fuel companies go bankrupt, the CEOs get a golden parachute and workers and communities are left behind.
- Without a just transition to a clean energy economy, many workers and communities are going to get dragged down with the fossil fuel industry. We need to make the right investments today to protect our communities tomorrow.

## **Fossil Fuels Are Expensive**

- Drilling and mining for coal, oil and gas is expensive, whereas the sun and the wind are free, abundant, and renewable.
- Continuing to operate coal plants is really expensive. That means ratepayers are being asked to pay more expensive electricity bills to keep running coal.
- 74% of coal plants in the US could be replaced with renewables at a lower cost to consumers. By 2025, the number is expected to jump to 86%.
- Bloomberg New Energy Finance estimates that by 2030 renewables will be cheaper than coal and gas “nearly everywhere.” It’s already the case in many states across the country.
- These costs don’t even take into account the serious environmental and public health costs of continuing to burn fossil fuels.
- The bottom line: it’s cheaper to switch to renewables.

## **Fossil Fuels Are a Bad Investment**

- Fossil fuel companies have been losing value for years.

- Fossil fuels were the lowest performing sector of the market in 2019 for the worst performing sector for last decade.
- Oil and gas companies now account for just 4.4 per cent of the S&P 500, while in 1980 they represented more than 28 per cent of the index.
- Fracking has been a financial disaster. US fracking companies have lost \$280 billion over the last decade.
- Since 2015, over 200 drilling companies have gone bankrupt.
- The CEO of one of America’s largest gas producers called shale companies an “unmitigated disaster” for shareholders.
- CNBC’s uber-capitalist Jim Kramer recently said the industry was in its “death knell” phase and that he would never invest in oil and gas companies again.

## **The Real Opportunity is In Clean Energy**

- If you want to make money, invest in clean energy.
- Fossil fuel stocks have gone down 35% over the last year, while shares in major renewable energy stocks have gone up 35%.
- Clean energy is the fastest growing part of the energy sector.
- Over the last five years, the clean energy industry has added jobs 70% faster than the overall economy.
- The energy efficiency sector continued to produce the most new jobs of any energy sector in the U.S. in 2019 – 54,000 – with 2.38 million jobs in total.
- Unsubsidized renewable energy is now often the cheapest form of energy production in most places around the world.

## **It’s Time to Divest from Fossil Fuels**

- More than 1,200 institutions representing more than \$14 trillion in assets have made some form of fossil fuel divestment commitment.
- That includes major universities, like Stanford and the University of Massachusetts; religious organizations, like the World Council of Churches and the Lutheran World Federation; cities like New York, Oslo, and London; entire

countries, like Ireland; major pension funds, like the Norwegian Sovereign Wealth Fund; large foundations, like the Rockefeller Brothers Fund; and more.

- In 2020, the Pope issued a declaration urging Catholics around the world to divest from fossil fuels and the Queen of England divested from tar sands and coal.
- Fossil free portfolios have consistently outperformed portfolios that continue to stay invested in coal, oil and gas.
- There is no evidence that screening for coal, oil and gas increases portfolio risk, just the opposite: holding onto those assets is the risky move.
- The fossil fuel divestment campaign has succeeded in raising the issue of climate risk, dismantling the social license of fossil fuel companies, and constraining the amount of capital flowing to the industry.
- Thanks to the success of the fossil fuel divestment campaign there is now an increasing number of fossil free options for investors to pursue. The website Fossil Free Funds ranks those funds and provides information for individuals and institutions.