Protecting Our Assets, Protecting Our Asses

Public and Pension Investments in a World of Climate Crisis

By Jeff Johnson

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With an Introduction by
Congresswoman Pramila Jayapal

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Introduction

The climate crisis is here. Devastating floods and heatwaves that claim innocent lives. Rampaging wildfires that destroy countless homes. Intensifying storms with the power to wipe out entire communities. This is what global warming looks like — but you wouldn't know that if you walked around the halls of Congress.

Donald Trump and the chaotic, cruel, and cultish MAGA Senate and House majorities are hellbent on wiping away any climate progress, paving the way for their Big Oil campaign donors to escalate the climate catastrophe.

It does not have to be this way. As both a member of Congress and a lifelong organizer, I know that meeting the urgency of this moment requires bold solutions. That is why the essays collected here from Jeff Johnson matter so much.

He has laid out the case for doing something both obvious and simple: Divest from fossil fuels in our state investment funds and public employee pension funds, and invest those funds in life-affirming projects that build stronger communities, not undermine them.

For decades, Jeff has stood at the crossroads of the labor and climate movements, insisting that the path to a livable planet runs through good union jobs and strong public investments. He writes with the clarity of someone who has bargained at the table and organized in the streets, and with the imagination of someone who knows a better future is possible.

As Trump ramps up authoritarian attacks on our democracy, citizenship, and our climate, we must do everything we can to stand up for our planet and people across the world. Instead of investing our tax dollars, workers' compensation premiums, and pension funds into assets that destroy our environment, we can invest in our people.

Together, we can act to protect our planet and our communities. I encourage you to take a few minutes to read these essays and then begin a robust discussion in your homes, unions, friends, and families.

Congresswoman Pramila Jayapal

Appreciation for *Protecting Our Assets, Protecting Our Asses*

Divesting Washington state's investment funds from fossil fuels is good investment, political and moral sense. As we see new examples of the climate crisis now almost daily—heat, fires, floods, union members should lead the way in sounding the alarm and taking action.

Larry Cohen, President Emeritus of CWA

The ongoing extraction, production and combustion of fossil fuels causes pollution that threatens our workplaces, our food supply, our personal health, and the places we call home. It harms the very air we all breathe. That's why our grocery store and healthcare workers demand we divest state money, including pension funds, from fossil fuel companies. Let's invest our tax dollars in places that will make our lives better and create a reasonable financial return.

Faye Guenther, President of UFCW 3000, endorsed by UFCW 3000's member-led Climate Justice Advisory Board. UFCW 3000 is Washington State's largest private sector union, representing more than 55,000 workers in grocery stores, healthcare, retail, cannabis, food processing, and other industries.

Thanks again for your sage wisdom Brother Jeff. I believe your recommendation - for public investments to be shifted away from industries driving climate chaos, poverty and genocide, and towards a just transition led by those frontline communities and workers most impacted and historically harmed - is one that is aligned with both Environmental Justice & Labor principles and practices of solidarity, mutuality and bottom-up leadership, as well as our shared goal of building an economy that centers the most critical needs of people and planet in these turbulent times.

Ananda Lee Tan, Director of Shaping Change Collaborative.

Jeff Johnson is a role model for organized labor. Jeff takes on the most challenging aspects of environmental and labor advocacy - bridging the gap between immediate economic needs and long-term sustainability. The tension between protecting jobs and protecting the environment has been a persistent challenge in progressive politics and within organized labor.

Jeff provides the pathway to directly addresses workers about the critical demand from destructive environmental industry jobs to individual job transitions which advance both workers' interests and environmental protections.

RoseAnn DeMoro, former Executive Director, National Nurses United/California Nurses Association

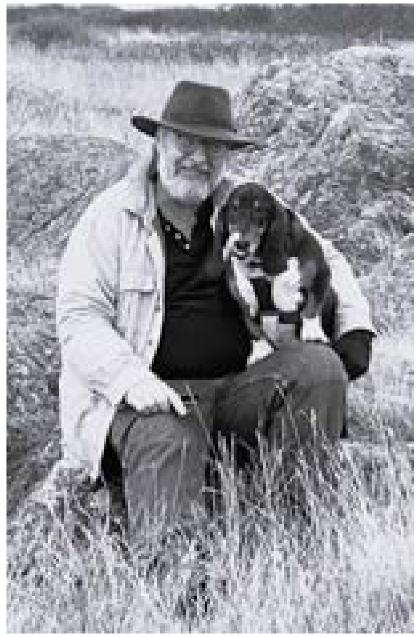
Fossil-free technologies are turning investments in fossil fuel industries into devalued "stranded assets." That is making the workers, communities, and public budgets that depend on those industries victims of industrial abandonment. Jeff Johnson's *Protecting Our Assets, Protecting Our Asses* shows how Investing now in the climate-safe industries of the future is the way to save our workers and our communities from that fate.

Jeremy Brecher, co-founder and Senior Strategic Advisor, Labor Network for Sustainability

The longtime visionary labor organizer and leader Jeff Johnson delivers a powerful combination of messages in these short essays: 1) The climate crisis is real and deepening; 2) We have to mount a full-scale Green New Deal program to save the planet; 3) This Green New Deal must be equally committed to advancing the well-being of working people globally; and 4) Coming out of his decades of in-the-trenches experience an organizer, Johnson presents a range of workable proposals on how to make this happen.

Robert Pollin, Distinguished University Professor of Economics and Co-Director, Political Economy Research Institute (PERI), University of Massachusetts Amherst

Forward



Climate change, brings into sharp relief the contradictions of modern capitalism. In an age when there is the greatest wealth the world has ever known, there is also the greatest inequality of wealth, income, and opportunity.

Climate disaster is increasingly creating food, health, water, and shelter insecurity. And those who did the least to cause the problem are the ones who disproportionately suffer the most.

It is time for us as labor leaders, elected public leaders, community and faith leaders to take extraordinary actions to address this existential crisis. The clarion call that the earth is sending us is getting increasingly loud. It is time for us to listen and to act both thoughtfully and urgently.

These essays ask us to take common sense action by rebalancing public funds (including public union pension funds) out of fossil fuels and to invest that money in life affirming investments. This is not a hard thing to do. In fact, by doing this, we can begin to protect both our assets and to protect our asses. And we send a message to other investors to do the same.

I ask you to begin deep dive discussions in your organizations about these ideas, and then to take action.

Thank you and in Solidarity,
Jeff Johnson
Labor Day 2025

P.S. I want to thank the editorial board of PSARA (Puget Sound Advocates for Retirement Action) for encouraging this set of essays and ideas. Rebecca Smith for helping me stay focused and within the bounds of respectable grammar. And for technical assistance on understanding the financial intricacies of investment markets, Dan Cohn, Institute for Energy Economics and Financial Analysis.

Protecting Our Assets, Protecting Our Asses Part 1

Reprinted from the Retiree Advocate, Volume XL, no. 3, March 2025

"We can choose to walk through it, dragging the carcasses of our prejudice and hatred, our avarice, our data banks, and dead ideas. Or we can walk through lightly, with little luggage, ready to imagine another world. And ready to fight for it."

Arundhati Roy, "The pandemic is a portal," Financial Times, April 3, 2020

Novelist Arundhati Roy likens the Covid pandemic to a portal which allows us the opportunity to make the same mistakes again and again or to envision a new world where we listen to and fight for our better angels. I believe her poignant imagery and prose brilliantly describe the choice we have facing climate change.

Scientists have discovered five past catastrophic events in our history where the diversity of life has plummeted – five periods of species extinction. Given the current rate of species decline and cataclysmic climate disasters, some are arguing that we are entering the Sixth Extinction.

The question is, are we just doomed? Or can we mitigate climate change?

I believe that if we act thoughtfully, focus on the common good, and act with sufficient urgency, we can go through the climate portal fighting for an equitable, just, and sustainable economy and world. "Protecting Our Assets and Protecting Our Asses" is the first in a series of articles making the case for divesting from fossil fuel assets and investing in Green New Deal solutions.

The Challenge

In January 2016, fresh from being part of the US labor delegation to the Paris Climate Accords, I testified before the Washington State House Environmental Committee, saying that "climate change is an existential crisis." Speaking as president of the Washington State Labor Council, AFL-CIO, I received raised eyebrows by a number of committee members and a few knowing nods from others.

Eight years later, the horrifying devastation caused by hurricanes Helene and Milton in the Southeast and the multiple forest fires around Los Angeles should have convinced even the most skeptical among us that human-caused climate change poses an existential threat to life as we know it.

Never, in our lifetimes, has the planet issued such a clear and resounding clarion call to do something.

It does not take a rocket scientist to figure out that we are being told to leave fossil fuels in the ground; to make massive investments in non-fossil fuel renewable energy sources; to electrify our transportation infrastructure; to practice large scale regenerative agriculture; to invest in systemic energy retrofits to public and private buildings; and to figure out a global plan to address the accelerating climate refugee crisis.

Unprecedented crises require unprecedented changes. We should invest in Green New Deal projects as if there were literally no tomorrow. Because if we don't, our tomorrows will be pretty bleak.

The Benefit

Washington State Initiative 1631 was an attempt to go through the climate portal in an equitable, just, and sustainable way. Had 1631 passed, about $1.5 to $2.0 billion of clean energy projects a year would have been decided by a majority vote of environmental justice, labor, tribal, and environmental community leaders. These projects would have created tens of thousands of jobs with high labor standards – project labor agreements, prevailing wages, apprenticeship utilization standards, and local hire provisions.

The initiative would also have created a "Just Transition" fund providing wage replacement, health care and pension benefits, and retraining benefits to displaced workers, keeping both workers and communities whole during the transition period.

And of course, carbon emissions would have dramatically fallen, and there would have been no dubious carbon offsets to deal with.

What Else?

Initiative 1631 was defeated by over $30 million contributed by the fossil fuel industry to sway the vote, and by not enough people recognizing the threat that climate change poses to our jobs, income, lives, and property.

What has become increasingly clear is that climate change is a job killer, a budget killer, and a species killer. Every additional dollar invested in fossil fuels contributes to arable land becoming increasingly scarce; shrinking fresh water reserves; a further loss of jobs, lives, and property; and tens of millions of climate refugees fleeing for their lives.

There is a moral imperative to divest from fossil fuels, since every dollar invested in fossil fuels accelerates climate disaster.

There is an economic and budgetary imperative to divest from fossil fuels, since every dollar spent cleaning up climate disasters is a dollar not spent on education, health care, addressing poverty and inequality, affordable housing, or public safety. This, of course, translates into thousands of lost jobs and a declining quality of life for most of us.

There is a fiscal imperative to divest from fossil fuels, since fossil fuels are consistently underperforming other assets. Sometime in the future, fossil fuel assets will become stranded assets. Financial prudence should, if nothing else, dictate replacing underperforming fossil fuel assets with climate-affirming assets with a promise of higher returns.

I have hope that in Washington State we are prescient and bold enough to go through the climate portal by investing in the clean energy economy as if there were no tomorrow. We should dramatically reduce our public and private consumption of fossil fuels and divest our state funds and public and private union pension funds from fossil fuels as well.

There is still time left to make good choices. How about we save our assets and our asses at the same time.

Protecting Our Assets, Protecting Our Asses Part 2

Reprinted from the Retiree Advocate, Volume XL, No. 4, April 2025

Pensions Matter

I grew up in a single-parent family in the 1950s and '60s. After my father died of a heart attack at work, my mother raised three children, aged 10, 7, and 2, by herself. Without her wages from state employment and ultimately her state pension, our family would never have been part of the middle class or accumulated any generational wealth.

Union wages and pensions have created opportunities for the American dream for many working-class families. You learn early on the value of union jobs and pensions. Pensions are wages deferred for future use. They were and are the major source of working-class savings.

Pensions matter! How they are invested, and in what, is serious business.

Financial Prudence

Washington State law RCW Title 43 grants authority to the State Investment Board to invest and manage the financial assets entrusted to it "with reasonable care, skill, prudence, and diligence" such that a prudent person would do under similar circumstances. The goal is to obtain a "maximum return at a prudent level of risk."

The statute and rules governing the Board, its staff, and trustees, allow such discretion as to create a diversified portfolio which weighs and balances risks and rewards from various asset classes.

This basic definition of financial prudence has pretty much been around for the last 100 years. But during this time, the world has changed dramatically. I suggest that in a world increasingly characterized and impacted by climate disasters, we need a broader and more comprehensive definition of financial prudence to determine into what assets our pension funds should be invested. Investing in fossil fuels raises the following types of questions. Is it financially prudent to invest in an asset class that causes widespread environmental and property damage, loss of jobs and lives, and associated costs? Fossil fuels go well beyond the economic definition of externalities, where the downstream costs of a product, or the way it was produced, is not accounted for in the cost of the product.

Is it financially prudent to invest in an asset class that stretches existing budgets beyond their breaking point in order to clean up the climate disaster that those products created?

Is it financially prudent to invest in an asset class that increasingly puts our members' jobs, safety, and lives at risk?

Every dollar invested in fossil fuels creates an exponential climate disaster cost. That means there are less existing public dollars in our budgets available to invest in education, health care, mental health, daycare, public safety, clean water, clean air, etc.

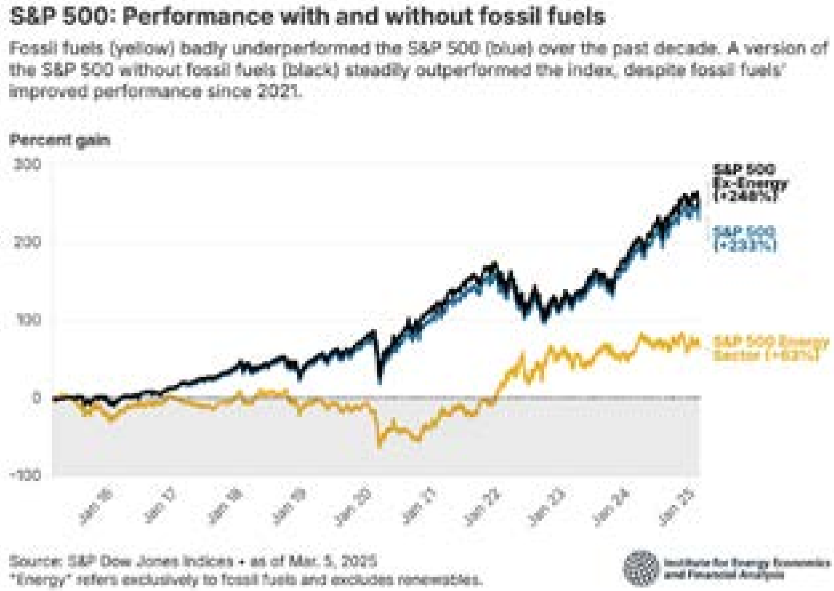
I would argue that State Investment Board investments in fossil fuels are not only wholly imprudent in a world characterized by climate disaster but are financially imprudent even when measured against the historic definition of financial prudence. Fossil fuel assets simply don't provide a very good return for our union pension funds.

Fossil Fuel's Fall from Grace

According to data published in a June 26, 2023, study by researchers at the University of Waterloo, Ontario (known as the MIT of Canada), the combined portfolio value of six major US pension funds would be $21 billion greater had they divested themselves of their fossil fuel assets 10 years ago and spread those investment dollars among their non-fossil fuel assets. (Note: I have been advised by a financial analyst I am working with to treat this $21 billion as an estimate rather than a hard number, given the difficulty of simulating investment portfolios.)

Nonetheless, this is not hard to believe. Fossil fuel assets used to be blue chip investments. This is no longer true. According to data by the Institute for Energy Economics and Financial Analysis, fossil fuels made up nearly 30 percent of the Standard and Poor's 500 Index in 1980. By February 28, 2025, fossil fuels made up only 3.3 percent of the S&P 500 Index.

Even more important, from the perspective of maximizing the return on our pension dollars for given levels of risk, fossil fuels have seriously underperformed the market during the last decade. As seen in the graph on Page 15, the value of fossil fuel assets began diverging from the value of S&P assets without fossil fuel assets about 10 years ago. And though the value of fossil fuel assets improved between 2020–2022, the value of non-fossil fuel S&P 500 stocks performed four times better than fossil fuel assets.



So, this is not rocket-science. Why would we want to invest even a small percentage of our pension funds in assets that are poorly positioned to succeed in the long term?

It should be noted that the rise in the value of fossil fuel assets in 2020–2022 can be attributed to increased travel once the COVID vaccine was available, and because of Russia's invasion of the Ukraine. The latter created a series of fossil fuel bottlenecks, sanctions, and uncertainty in the markets that bid up the price of all fossil fuels.

It is not a good investment strategy to count on geo-political interventions or wars to sustain a long-term positive return on fossil fuel assets. And if President Trump is successful in his energy strategy of "drill, baby, drill," then we are likely to see an oversupply of fossil fuels leading to further drops in fossil fuel prices and profits.

Market price volatility for fossil fuels and lower returns are not financially prudent for the core growth-oriented investments our pension funds make.

Rebalancing Our Pension Portfolios

Whether we use the traditional definition of financial prudence or a broader, more comprehensive definition, it is time to begin divesting our state investments from fossil fuels. It is time to rebalance our state investment portfolio and pension fund portfolios.

Protecting Our Assets, Protecting Our Asses Part 3

Reprinted from the Retiree Advocate, Volume XL, No 6, June 2025

"If all mankind were to disappear, the world would regenerate back to the rich state of equilibrium that existed 10 thousand years ago. If insects were to vanish, the environment would collapse into chaos."
E.O. Wilson

Naturalist Edward Wilson recognizes a fundamental truth. Humankind's penchant for hubris, our seemingly eternal quest to one up the natural world, has created the conditions for our own demise. As we continue to spew carbon into the atmosphere, we create climate chaos and species decline.

To put a point on it, this is not good.

And of course, while all of us will be impacted, not all of us will be impacted equally.

Those countries, communities, and individuals that did the least to cause climate disaster will be disproportionately impacted by the climate chaos as well as by the inability to recover from its effects.

I remember listening to a college lecture in 1971 from an analyst from either the Pentagon or the Department of State. She laid out a scenario of future climatic shifts that would reduce the amount of arable land and potable water, causing massive human migration, species decline, and geo-political unrest.

It is no longer hyperbole to recognize that we have crossed over the climate chaos threshold. While the ignorance of climate deniers and their disastrous policies make those pushing for carbon neutrality by 2050 seem reasonable, our hubris prevents us from recognizing the urgency of the moment, even as insects and birds vanish exponentially.

We can't wait for 2050 to act. We need to dramatically reduce carbon pollution and rapidly increase renewable clean energy now. Our planet is seriously out of balance, egregiously out of equilibrium.

I was struck by something I read from the Dalai Lama, that while humans "have the capacity to destroy the earth, so, too, do we have the capacity to protect it."

I believe that we can help the earth rebalance itself. But to do so we must act thoughtfully, equitably, and with a great sense of urgency and purpose.

Financial Rebalancing

There is an analogous concept of rebalancing in the financial world. Diversified financial portfolios are made up of a variety of assets in different risk classes, i.e., equities, bonds, real estate, hedge funds, government securities, etc.

The overall goal for the long-term health of your portfolio is to establish a range of asset allocations that provide the best return for the least risk. You develop a target asset allocation range for different asset classifications and then track how your portfolio values match up to your asset allocations. If you can keep your portfolio in this preferred range over time, your portfolio will be in balance, providing the best returns for the least risk.

Of course, as economic activity goes up and down and investment decisions change, asset values rise and fall on a daily, weekly, and quarterly basis. As a consequence, the values of your asset classes change from the targeted allocation you chose. Some will have grown higher than the target range and others fallen below the preferred range.

So now what do you do? Well, it's not rocket science. To rebalance your portfolio, to bring it back into equilibrium, you make strategic decisions to sell off certain assets from one classification and buy assets from another classification. [Note: It doesn't work quite the same way for private-equity type investments. Often it is more prudent to hold the private-equity type investments until their normal wind-down, but importantly to not invest more].

Financial rebalancing of portfolios is a usual and customary practice. It happens all the time.

Washington State Investment and Pension Funds

The Washington State Investment Board (WSIB) manages nearly $200 billion of state funds and public employee pension dollars. The WSIB has been a good care-taker of these funds for decades and has earned a positive national reputation as one of the best-managed state funds.

The WSIB has approximately $5.5 billion invested in fossil fuel assets. This represents about 2.5 percent of its total portfolio.

Given that fossil fuel assets have been significantly underperforming the broad stock market for quite some time; that the concept of financial prudence defined narrowly or more broadly, as laid out in article two of this series, warrants selling off fossil fuel assets; that financial rebalancing is standard practice in the financial industry; and given the continued decline in the value of fossil fuel assets, there is no good reason not to rebalance our state's Investment portfolio by selling off fossil fuel assets over the next several years and replacing them with assets that provide a better return for a lower risk.

So Now Where Are We?

In the first three articles of this series, "Protecting Our Assets, Protecting Our Asses," we laid out the moral, economic, fiscal, employment, and social needs bases for rebalancing our state funds out of fossil fuels. We made the argument that it is important for our state and our public employee unions to lead the way in countering the financial industry's $7 trillion investment in fossil fuels since the signing of the Paris Climate Accords. Rebalancing of fossil fuel assets will send a strong message to institutional investors to do likewise.

We have also shown that by any measure of financial prudence our state funds and pension funds are not being well served by fossil fuel investments.

Finally, we have shown that financial rebalancing is done as a matter of course in the financial industry. And that rebalancing our Washington State funds out of fossil fuels is not only a smart and financially prudent thing to do, it is a step towards rebalancing our earth – protecting both our assets and our asses.

Workers' Money Can Help Save the Planet

Reprinted from the Retiree Advocate, Vol XXXIX, no. 11, November 2024

The devastation caused by hurricanes Helene and Milton should have convinced even the most skeptical among us that human-caused climate change poses an existential threat to life as we know it. Over the past decade, climate change in the US was measured by the number of $1 billion loss storms. The losses from Helene and Milton are expected to cost over $50 billion each. And it will only get worse.

From this union leader's perspective, unions have a moral, economic, and member imperative to do everything we can to fight climate change and to divest and disinvest from fossil fuels. This imperative includes how we manage and invest our pension funds, how we use our political dollars to support candidates and issues, and the issues we organize around and bargain for. This piece will focus on the pension fund aspect of our opportunity.

As part of the US labor delegation to the 2015 Paris climate talks, I had a front row seat in both the historic and contradictory discussions happening inside the formal talks. I also attended the more profound and honest discussions happening in the shadow climate talks by civil society and environmental justice groups in forums throughout Paris.

While the formal talks hinged on keeping global temperature rise below 1.5 – 2.0 degrees Celsius (temperature increases that even at those levels pose catastrophic destruction to our planet), the shadow talks revealed the full spectrum of the climate crisis's magnitude and urgency, and its inextricable linkage to the crises of income and wealth inequality and racism.

The shadow talks posed the more important questions. If we are to avoid species extinction, how would countries be held accountable for carbon and methane reductions? How and who would pay for the transition to clean energy? How will we deal with massive migration of climate refugees? What does a just and equitable transition look like for workers impacted by climate change? What level of responsibility, both morally and financially, do the biggest polluters have to mitigate climate disasters in countries that did little to cause climate change but are being disproportionately impacted?

A leader of the French transit union stated plainly the contradiction of capitalist markets dealing with climate change – "If the planet were a bank, we would have already saved it."

The problem 10 years past the Paris talks is, the planet is not a bank, and we have not saved it. The magnitude of climate-caused devastation and the urgency of dealing with it has far exceeded the expectations of climate scientists. Our planet is imploding.

And in spite of the aspirational goals of the Paris Climate Accord, the financial industry has invested nearly $7 trillion in the fossil fuel industry (gas, oil, and coal) since 2016. Over three trillion of this has been invested in expanding the fossil fuel industry. Put simply, the banking industry and private equity firms are doubling down on financing climate destruction, human misery, and the loss of jobs.

There could not be a louder clarion call for unions to do something about climate change. And we have the means to do something about it. Total assets of US union pension funds are over $35 trillion dollars – with about $6 trillion dollars in public pension funds. Not one penny of this money should be invested in destroying our planet and our members' jobs.

When I studied finance in school, I remember learning the "prudent person" rule. This rule limited financial investments to those that a reasonable person would assume would provide a reasonable return and the preservation of capital. There is nothing prudent about investing in fossil fuels – as climate change worsens fossil fuel assets will continue to decline in value and before long become someone's stranded assets. As the Labor Network for Sustainability, has said for years, "There are no jobs on a dead planet."

We have the opportunity and means as unions, as a labor movement, to invest in the future well-being of our children, grandchildren, members, and communities by investing in socially responsible, equitable, and sustainable products and services which provide a reasonable return on our members' money.

For example, our pension funds could be invested in creating a state/public bank that invests in large-scale commercial, industrial, public, and residential building energy retrofits; invests in building and expanding clean energy mass transit; invests to scale in solar, wind, wave, geothermal, and other sources of clean energy; invests in climate mitigation infrastructure – both physical and social; invests in clean air and water and other natural resources for public use, and so many other useful investments.

As unions, we have the ability to provide for our members' futures while creating millions of non-fossil-fuel jobs. We can set up a revenue base for creating and expanding those things we consider part of the common or public good. We can start this by taking an honest look at what lies behind the ledger sheet. This is what a prudent person, prudent union should do in a world of rapidly accelerating climate change.

Resources

Labor Network for Sustainability
https://www.labor4sustainability.org/

Puget Sound Advocates for Retirement Action
https://www.psara.org/

Climate Justice Alliance
https://climatejusticealliance.org/

Indigenous Environmental Network
https://www.ienearth.org/

Third Act
https://thirdact.org/

Just Transition Alliance
https://jtalliance.org/

350.0rg
https://350.org/

Notes