Received: July 26, 2020
Tracking No. 1k4-9i1e-nc20
Comments Due: July 30, 2020
Submission Type: Web

PUBLIC SUBMISSION

Docket: EBSA-2020-0004
Financial Factors in Selecting Plan Investments

Comment On: EBSA-2020-0004-0002
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Document: EBSA-2020-0004-DRAFT-0422
Comment on FR Doc # 2020-13705

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General Comment

To perform their fiduciary duty, fund managers calculate risk : reward of each potential investment.

Fossil fuel companies have numerous risks that most other companies do not have. These are stranded assets,
being a defendant in climate change liability litigation (which many cities have filed), more stringent regulation due to historic highs of greenhouse gases, competition from renewable energy firms (some kinds of renewables generate electricity at a cost per kW that is less than the cost of fossil-generated electricity), and rising popularity of clean energy (over 70% of citizens prefer clean energy to dirty energy), the growing popularity of battery electric transportation, and increasing amounts of scientific research verifying that fossil extraction, oil refining, and combustion cause public health problems. Globally, 8.8 million people are killed by air pollutionannually and 80% of these deaths are due to fossil fuel use and associated toxic emissions.
Furthermore, at the Federal and state levels, carbon pricing legislation has been introduced or is being amended to set higher prices (of permits or taxes) for C emissions, which will decrease the net profit of fossil firms.
Since March 2020, oil prices and demand have tumbled globally and are currently (7/2020) near a break-even level. Unless oil prices rise significantly, the fossil industry is unsustainable. The risk of bankruptcies is high.

This is a formidable array of risk factors that are similar to those that have plagued the tobacco industry. Retirees seek stable investments with lower than average risk. Fossil firms fail to meet these criteria.

When levels of risks are so high for a sector, prudent fund managers would only invest if the projected rewards were significantly higher than other sectors. However, the fossil sector has had the worst performance of all sectors in the past 10 years. On purely financial terms, fossil firms are an investment that is inferior to investments in other sectors.

ESG factors are important to many investors, including retirees. To select investments that are promising on purely financial criteria and then narrow the list by selecting those with high ESG characteristics would benefit everyone. Firms with high ESG policies typically have lower workers' compensation claims, less litigation, improved employee retention/lower turnover costs, lower risks of being constrained by rising regulation, and attract more investors and consumers.

Fund managers should be permitted to use ESG criteria in their invest and divest decisions as long as financial factors are also used.