



# The Future Can Be Bright

**A Guide to Fossil Fuel Free and Sustainable Investing**





“Join the thousands of individuals who are concerned about climate change and have aligned their investments with their values to make a difference.”

– Leslie Samuelrich, president of Green Century Funds



“We must take every step we can to move to a clean energy economy; fossil fuel free investing is a crucial strategy for a livable world.”

– Fran Teplitz, executive co-director for Business, Investing & Policy, Green America

## Introduction

**Climate change is reshaping our world in big and small ways.** From melting icebergs to erratic and extreme weather to changed ocean ecosystems, the repercussions of using fossil fuels are being felt here and around the world.

Last month, the Intergovernmental Panel on Climate Change (IPCC) released its sixth [Synthesis Report](#), which concluded that every increment of global warming will intensify and multiply the current hazards we face. The dire predictions compelled UN Secretary General António Guterres to call climate change a “ticking time bomb.”

Yet, there are reasons for hope. We have the ability to limit further global warming and have never been better equipped to solve the climate challenge.

But we must act quickly to defuse this time bomb. As Guterres said, “We must do everything we can, everywhere we can, all at once.”

[The Green Century Funds](#) and [Green America](#) are staunch supporters of fossil fuel free investing and that’s why we wrote this educational guide—to help you determine what is in your investments, align them with your values, and propel your interest in sustainable investing.

It is urgent to act—before our actions can no longer stop the worst effects of climate change. We hope this guide provides you with the requisite information and inspiration to help build a brighter future.

**Let’s get started!**





# Why Go Fossil Fuel Free?

## Moral alignment

It is clear that society must reduce its fossil fuel consumption and transition to a clean-energy economy as quickly as possible.

Unfortunately, fossil fuel companies seem intent on stopping or delaying this transition.

That's why so many people and institutions have taken action.

They simply do not want to support the industry and companies that misled the public for decades about climate change, ignored shareholder requests and made only small investments in renewable energy. They have taken a stand, signaled that they do not support these polluting industries and joined with thousands of others to make their investments reflect their concerns and values.

## Fossil fuel free investing may offer financial advantages

While the moral case for divestment is clear, there are also financial and strategic reasons to consider:

**Performance:** A common question is “What will happen to my investment performance if I don’t invest in fossil fuels?” While no one should guarantee performance for any company or industry, we can share some facts and some observations.

**A leading global index provider, MSCI, has tracked the performance of one of their global indexes, both with and without fossil fuels, for years. In the chart to the right, the yellow line represents the index with fossil fuels. The blue line indicates the same index but without fossil fuel companies. The majority of the time, the index without fossil fuels had stronger performance.**

*Past performance is not a guarantee of future results and the performance quoted does not represent the performance for any Green Century fund.*

Jeremy Grantham is a leading asset manager and co-founder of Grantham, Mayo and van Otterloo who is described by *Institutional Investor* as having “an unusual knack for making prescient market predictions.” He stated in *The Mythical Peril of Divesting from Fossil Fuels* that “investors with long-term horizons should avoid all oil and chemical stocks on investment grounds.”

**Stranded assets:** Coal, oil and gas corporations are valued partially on their reserves, which are fossil fuel deposits

that have not yet been extracted. If companies are unable to extract and sell their reserves—for reasons such as changing demand, government regulation or lawsuits—they may be forced to prematurely “write off” those assets. This action can negatively affect a company’s valuation or share price.

The Carbon Disclosure Project, a nonprofit that runs a global greenhouse gas disclosure system, reported in 2019 that 215 of the world’s largest 500 companies could face \$1 trillion in costs from regulation and written off assets, such as reserves, starting in the next five years.

What we did not predict was how quickly this would happen.

In 2020, Shell\* wrote off \$22 billion and BP wrote off \$17.5 billion. While major oil companies may be able to absorb these losses, other oil and gas companies that

are ETFs (Exchange-Traded Funds) and mutual funds may not.

**Fossil fuel free investing may minimize volatility:** The energy sector was the most volatile sector of the 2010s. Volatility is when a stock or sector experiences periods of unpredictable, and sometimes sharp, price movements. As long-term investors seek to reduce volatility in an uncertain market, the elimination of potentially volatile fossil fuel stocks may offer a ballast.

**Allows for greater investment in clean and renewable energy:** If you don’t put your money into companies that degrade the environment, then you have the option of investing those same dollars in sustainable and clean energy companies. You can invest in individual stocks or move your money into a fossil fuel free ETF, a mutual fund, and even [Certificates of Deposit that support clean energy](#).



“We must stop climate change. And we can, if we use the tactics that worked in South Africa against the worst carbon emitters.”

– The late Archbishop of South Africa, **Desmond Tutu**

## CUMULATIVE INDEX PERFORMANCE – NET RETURNS (USD) (NOV 2010 – MAY 2023)



**Source:** MSCI ACWI ex Fossil Fuels fact sheet: MSCI ACWI EX FOSSIL FUELS INDEX (USD)

*\*See important disclosure information regarding MSCI ACWI ex Fossil Fuels and MSCI ACWI Index. Past performance is not a guarantee of future results.*

# How To Go Fossil Fuel Free

## Know what you own

To start, review your current investments. If you don't have any current investments or are making new investments and are ready to begin your fossil fuel free investment journey, you can skip ahead.

Many people who care about the environment continue to inadvertently invest in companies that harm our planet. That's because many people invest through shared investment vehicles, such as ETFs or mutual funds, which let you "mutually" buy stocks and bonds.

Whether you invest on your own or through a financial advisor, unless you have explicitly opted to screen out oil, gas and other fossil fuel companies, it is likely that you are supporting their environmentally harmful practices.



## Divest

If you invest on your own: Identify fossil fuel investments in your stocks, bonds, ETFs and mutual funds and decide which you want to sell first. If you own mutual fund shares, redeem your shares by contacting your mutual fund directly or your financial advisor. You could also liquidate them and donate the proceeds to your favorite nonprofit organization.

**Stocks and bonds:** Begin with a review of any stocks or bonds that you own. You may not be invested in ExxonMobil, Shell or ConocoPhillips, but hundreds of other companies explore, transmit and process fossil fuels. To find out if you own any of them, review your holdings against sector allocations in Morningstar and other online sources.

**Mutual Funds and ETFs:** Look up your mutual fund on its website or through Morningstar. Find the sector allocation on the website for your fund or if you are using Morningstar, click on "Portfolio" and look under "Exposure." A fossil fuel free mutual fund will have zero percentage (0 %) in the Energy category. (Clean energy is categorized across many other sectors.)

You can also look up your mutual funds on this [US SIF chart](#). Click the "Screening & Advocacy" tab. Look for funds that have an \* in the column under the first column of Climate/CleanTech to see which self-report as being fossil fuel free.



**Financial advisors:** If you have a financial advisor, you can ask her for a profile of your overall portfolio and inform her of your intention to divest.

Read Green America's information on fossil fuel free investing to find various investments or even financial advisors that can help you.

If you invest through a financial advisor:

Tell your advisor of your intentions. Some advisors may be relatively unfamiliar with or try to dissuade you from pursuing a fossil fuel free portfolio. If your advisor seems reluctant, remember that they work for you. Give them this guide and encourage them to investigate which investments fit your request.

If your advisor directly or subtly tries to dissuade you (more likely in 2023 since fossil fuel companies have benefited from recent energy demands), tell them that you may need to find one that is willing to help you. Then, if you do need to move, use these resources:

You can look through the [member directory](#) for US SIF: The Forum for Sustainable and Responsible Investment.

[Find an advisor](#) through Values Advisor.

Use the [search feature](#) by First Affirmative Financial Network.

Green America's [GreenPages Online](#) includes financial advisors.

*Please visit [Green Century Funds](#) for more sustainable investing information.*



# How To Search For Fossil Fuel Free Options

## Defining fossil fuel free

There is no universally accepted definition of fossil fuel free, but a strong standard includes avoiding:

- Any companies that explore for, extract, process, refine or transmit coal, oil and gas;
- Any companies with proven carbon reserves; and
- Any utilities that burn fossil fuels to produce electricity.

## Avoiding greenwashing

Don't let the name fool you. The Securities and Exchange Commission is cracking down on misleading names but these are examples to watch out for:

- **“Low Carbon” or “Climate Solutions”**  
*Example: One fund using this description invests in 53 fossil fuel companies including Halliburton, Hess, and Occidental Petroleum.*
- **“Fossil fuel reserves free”** This exclusion pertains to companies with carbon reserves, not fuels, so these products can invest in environmentally harmful corporations, such as fracking or coal. *Example: One fund eliminates the coal, oil and gas companies that have*

*reserves, or yet unburned fossil fuels but invests in 41 fossil fuel stocks including 10 in the coal industry.*

- **ESG or Environmental, Social and Governance.** Using environmental, social and governance data is an investing tool, not an exclusionary screen on an industry and “responsible” or “sustainable” investing descriptions do not necessarily apply to fossil fuels. *Example: The balanced fund for a firm that advertises itself as offering “responsible investing” holds \$26 million on oil and gas companies.*



# Add Fossil Fuel Free Options To Your Retirement Plan

Many employer sponsored retirement plans, such as a 401(k) or 403(b), may not offer environmentally responsible—let alone fossil fuel free—options.

Talk to your Human Resources or Payroll Department to address this issue and find out who makes decisions about available plan options.

Let the decision maker know that the Department of Labor has issued this [Interpretive Bulletin](#) to clarify how pension funds can consider these factors.

It is most effective if you join together with colleagues to present your case. Most importantly, follow up until you secure the options you want.

In the interim, ask the plan administrator if employees can self-select funds that are not currently on the offered list of investments, which is sometimes referred to as a “window option.”

For example, a number of fossil fuel free options are available on the Fidelity platform and can be accessed through the “Brokerage Link.”

Please contact [Green Century](#) if you would like more information or assistance on working with your retirement plan administrator.



*A sustainable investment strategy that incorporates environmental, social and governance criteria may result in lower or higher returns than an investment strategy that does not include such criteria.*

# Find Authentic Fossil Fuel Free Investments

**Look for the percentage in the Energy Sector.** It must be 0% for your mutual fund or ETF. If not, it contains fossil fuel companies.

**Find the fossil fuel definition in the mutual fund or prospectus** and make sure it matches your intention.

**Pay attention to exceptions.**

- One firm has a policy that allows its “fossil fuel free funds” to hold up to 10% of its stocks in the oil and fracking industries.
- Another firm states its screening avoids oil and gas distribution, i.e. gas pipelines, but also states that these companies “may be included” if certain conditions are met.

If you are looking for certainty, you may want to avoid options that have exceptions to their definitions.

Since the fossil fuel free investing movement started, some supporters have expanded their definition of fossil fuel free to include industries that are supporting coal, oil and gas corporations. For example, lending banks can play a key role in allowing new fossil fuel free exploration or gas pipelines to move forward.

In the 2022 [Banking on Climate Chaos report](#), researchers found that

the 60 biggest banks have provided \$4.6 trillion of financing in the six years to the fossil fuel industry. The authors report that JP Morgan, Chase, Citi, and Bank of America\* were the four largest fossil fuel lenders in 2020.

To exclude these companies from your investments, look at the individual stocks you own or in the listing of the Diversified Financials or Financials sectors of your mutual funds or ETFs.

Some people are also starting to consider the role of insurance companies in supporting the fossil fuel industry. The Green Century Equity Fund has been [pressing insurance companies](#) to stop supporting new fossil fuel projects by filing shareholder resolutions with three leading insurance companies in each of the last two years.

There also are a growing number of options if you want to invest in companies whose primary business is providing or supporting clean energy. If you are interested in putting some or all your investments in these companies, you can look for funds or ETFs that specialize in investing in them. As with other offerings, look behind the name of the fund to look at the specific companies and read the prospectus. If you invest directly in stocks of companies, note that renewable energy companies are not listed under the Energy sector and can be listed in multiple other categories.

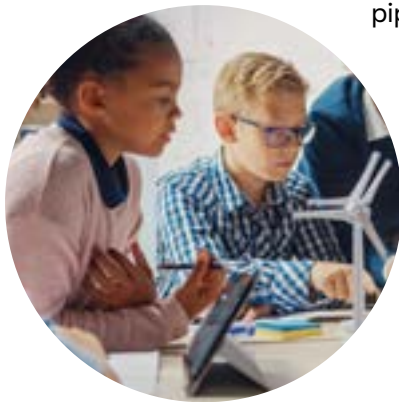


If you are interested in avoiding fossil fuels in your fixed income investments, you can check and, if needed, switch out of your bond funds. When you do, consider funds that include [green bonds](#). While the term “green bond” is not legally defined in the United States, many issuers abide by voluntary third-party standards that determine what projects are eligible and follow the green bond principles. Green bonds can be issued by companies, governments and supranational institutions to help finance environmental and climate change mitigation projects around the world. [The Green Century Balanced Fund](#) includes green bonds that follow these guidelines.

If you are interested in how your investment not only can align with your values, but also directly change corporate behavior, look for firms or funds that also

conduct shareholder engagement or [shareholder advocacy](#). While many forms of activity fall under this category such as proxy voting, the most direct way is through negotiations with companies on environmental or social equity topics of concern ranging from curbing greenhouse gas emissions to promoting safe and equitable working conditions.

For example, for many years the [Green Century Funds](#) have worked to protect tropical forests from being destroyed to grow palm oil, advocating for zero-deforestation policies. As part of our negotiations, the Funds have secured policies that led to palm oil trees being grown on repurposed land, which dramatically reduced plumes of smoke and related health problems that affect plantation workers and nearby community residents.





# Reinvest: Fossil Fuel Free

Once you’ve identified and verified the fossil fuel free investments that are most appealing to you, and divested from fossil fuel companies, then it is time to reinvest.

**Stocks and bonds:** If you want to directly invest in specific stocks or bonds, you can do it yourself or through a financial advisor. To do it yourself, you can open an online brokerage account with firms such as TD Ameritrade. Once you have an account, simply search for the investment options you identified. You can search via the ticker symbol of the stocks or mutual funds. Another option is to open a brokerage account with a firm, such as Fidelity or Charles Schwab, which allows you to manage your account online or with a financial advisor.

**Mutual funds and ETFs:** If you’ve identified a fossil fuel free mutual fund or ETF that you want to invest in, you can contact them directly, through a brokerage account or via a financial advisor. While you are making changes, you may also want to consider investing in mutual funds or ETFs that avoid other industries that you want to avoid, such as tobacco or other social issues that matter to you.

**Green Century Funds:** Investing with The Green Century Funds is an easy and surefire way to go fossil fuel free, of course. Green Century is proud to be one of the first families of fossil fuel free and environmentally responsible mutual funds in the United States.

You can invest directly with Green Century, through your online brokerage account or with your financial advisor. There are three Green Century funds:

[Green Century Balanced Fund Individual Share Class/Institutional Share Class \(GCBLX/GCBUX\)](#)

[Green Century Equity Fund Individual Share Class/Green Century Equity Fund Institutional Share Class \(GCEQX/GCEUX\)](#)

[Green Century MSCI International Index Fund Individual Share Class/Institutional Share Class \(GCINX/GCIFX\)](#)



# About the Authors

**Green America** harnesses economic power—the strength of consumers, investors, businesses and the marketplace—to create a socially just and environmentally sustainable society. We work for a world where all people have enough, where all communities are healthy and safe, and where the abundance of the Earth is preserved for all the generations to come. Green America has supported the Divest-Invest movement since it began and offers information and resources on how to align your investments, bank account and credit cards with your values.

**Green Century Funds** are one of the first families of fossil fuel free, environmentally responsible and sustainable mutual funds. For more than 30 years, The Green Century Funds has been helping people save for their future without compromising their values. Our three-prong approach includes:

## 1. Employs sustainable investment strategies:

- **Screens.** All of the Funds avoid fossil fuels, tobacco, producers of GMOs (Genetically Modified Organisms), and nuclear energy and nuclear weapons. The Green Century Balanced Fund also screens out factory farms.
- **Environmental, Social and Governance (ESG) criteria.** The Funds use ESG criteria in seeking to avoid risk and enhance performance.

*Using ESG ratings may result in higher or lower returns than an investment strategy that does not include such criteria.*

- 2. Leads an award-winning shareholder advocacy program.** Green Century Funds negotiates with companies to improve their corporate sustainability practices by sourcing more clean and renewable energy, protecting ocean wildlife from plastic pollution and adopting sustainable agriculture policies. [Learn more here.](#)
- 3. Supports critical campaigns by environmental and public health nonprofit organizations.** Green Century Funds is wholly owned by nonprofit organizations and 100% of the profits Green Century earns managing its Funds can be used to support their critical work to protect the environment and public health. [Learn more here.](#)

For more information, please email [info@greencentury.com](mailto:info@greencentury.com), or call 1-800-934-7336. To get started, visit [www.greencentury.com](http://www.greencentury.com)

To learn how the fossil fuel free investing movement has exceeded all expectations, read the [Green Century Funds fact sheet](#).

*\*Green Century Capital Management, Inc. (Green Century) is the investment advisor to the Green Century Funds (the Funds).*



# Disclosure

**\*\*The MSCI ACWI ex Fossil Fuels Index is based on the MSCI ACWI Index, its parent index, and includes large and mid-cap stocks across 23 Developed Markets (DM) and 23 Emerging Markets (EM) countries.**

The Index represents the performance of the broad market while excluding companies that own oil, gas and coal reserves. It is a benchmark for investors who aim to eliminate fossil fuel reserves exposure from their investments due to concerns about the contribution of these reserves to climate change. The Index is a member of the MSCI Global Fossil Fuels Exclusion Index family. The Index is unmanaged and it is not possible to invest in the MSCI ACWI ex Fossil Fuels Index. The MSCI ACWI Index captures large and mid cap representation across 23 Developed Markets (DM) and 23 Emerging Markets (EM) countries. With 2,484 constituents, the index covers approximately 85% of the global investable equity opportunity set. The Index is unmanaged and it is not possible to invest in the MSCI ACWI Index.

**You should carefully consider the Funds' investment objectives, risks, charges, and expenses before investing. To obtain a Prospectus that contains this and other information about the Funds, please click here or visit [www.greencentury.com](http://www.greencentury.com), email [info@greencentury.com](mailto:info@greencentury.com), or call 1-800-934-7336. Please read the Prospectus carefully before investing. Diversification does not ensure a profit or protect against a loss in a declining market.**

Stocks will fluctuate in response to factors that may affect a single company, industry, sector, country, region or the market as a whole and may perform worse than the market. Foreign securities are subject to additional risks such as currency fluctuations, regional economic and political conditions, differences in accounting methods, and other unique risks compared to investing in securities of U.S. issuers. Bonds are subject to a variety of risks including interest rate, credit, and inflation risk.

A sustainable investment strategy which incorporates environmental, social and governance criteria may result in lower or higher returns than an investment strategy that does not include such criteria.

The views expressed and any forward-looking statements are as of the date of the publication and are those of the portfolio managers and/or the Advisor. Future events or results may vary significantly from those expressed and are subject to change at any time in response to changing circumstances and industry developments.

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