

Reasons to Invest Fossil Fuel Free

As the peril posed by global climate change becomes increasingly clear, more and more investors are choosing to stop supporting the corporations that are most to blame. While we believe the moral case for divestment is strong, there are also sound financial and strategic reasons to stop investing in fossil fuel companies.

Divestment may help to avoid potential financial and performance risks associated with the fossil fuel industry.

Performance: Many studies have analyzed the impacts of fossil fuel free investing. One study by leading asset manager, GMO, and as stated in *The Mythical Peril of Divesting from Fossil Fuels* is that “investors with long-term horizons should avoid all oil and chemical stocks on investment grounds.”

Other financial and performance reasons to consider divesting from fossil fuels include:

Volatility: According to *Forbes*, in 2025 the energy sector finished with a total return of 7.9%. This significantly underperformed the broader S&P 500, which delivered a return of 16.4% for the year. This adds to the years of underperformance, where the fossil fuel sector underperformed the S&P 500 in 7 out of 10 years, according to the IEEFA.

Stranded assets: Fossil fuel reserves impact the valuations of coal, oil and gas companies. 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. Stranded assets can negatively affect a company’s valuation or share price.

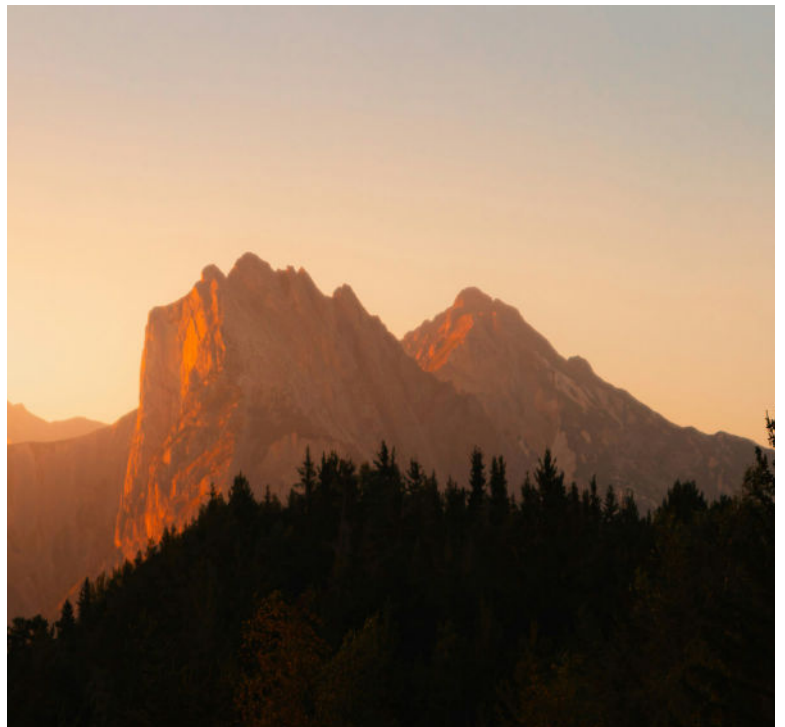


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When shareholder advocacy has not succeeded with a company and industry, divesting from fossil fuels as part of a larger effort can send a powerful signal. See other impacts on the back page.

More Reasons to Divest from Fossil Fuels



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Engagement cannot and has not changed the fossil fuel industry: Stakeholder advocacy has successfully changed company policies, but by design, it cannot change a corporation's core business. Asking an oil company to stop selling fossil fuels is like asking Starbucks to stop selling coffee. Shareholders can ask for reports about carbon but that's a very different engagement than getting it to stop processing oil or fracking for gas.

When an investor states that they want to stay invested because they have a "seat at the table," ask them for evidence of what they or others have been able to achieve. Unless and until they can demonstrate an impact that will reduce climate change, Green Century asserts that fossil fuel companies give investors a seat at the proverbial "children's table" in the next room, away from the adult conversations and decision-making. Green Century actively urged gas companies for years to change their policies. Even when we convinced the company to reduce their methane or toxic chemical leakage, they were still fracking, which is linked to polluted waterways, destroyed wild places and dead wildlife. That's why Green Century divested and instead put its time into advocacy with other companies that can be persuaded to act in an environmentally responsible way.

Align your investments with your values: Most mutual funds—even those marketed as "sustainable"—may still invest in oil, coal, and fracking companies because "fossil fuel free" and "sustainable" lack legal definitions. Green Century became fossil fuel free 12 years ago because we believe investors who care about the future should not support an industry that fails to take responsibility for its role in carbon pollution, extreme weather, and climate change.

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