



February 10, 2021

Joint Committee on Labor and Housing
100 State House Station
Augusta, ME 04333

Re: LD 99 - An Act To Require the State To Divest Itself of Assets Invested in the Fossil Fuel Industry

Dear Chairman Rafferty, Chairman Sylvester, and Members of the Committee:

Thank you for the opportunity to offer this testimony in opposition to LD 99. I am providing testimony on behalf of the American Petroleum Institute (API). API is a national trade association representing over 600 companies engaged in all aspects of the oil and natural gas business.

Introduction

One of the common themes proponents of fossil fuel divestiture use to justify their position stems from the theory that the industry at large should be punished for both past and ongoing activities. Divestiture advocates claim that oil and natural gas companies have historically minimized the risks of global warming associated with those fuels while continuing to produce them.

Discussion

Increased carbon dioxide emissions from multiple sources, including fossil fuel combustion, have raised global temperatures. But against this negative, society must weigh the positive fact that the industrial revolution and the development of our modern world has literally been fueled first by coal then by oil and natural gas. Without those energy sources, virtually all our progress – including the nearly doubling of life expectancy over the past two centuries – would have been impossible. And in our industrialized and modern society, we needed, and still need, oil and gas to fuel and heat power plants, vehicles, planes, trains, ships, equipment, homes, and factories. Having reaped the benefit this progress, it seems unreasonable to now ignore not only the benefits but society's collective responsibility in the use of fossil fuels. Moreover, until renewable energy can provide a significant amount of all the heat, electricity, and transportation fuel which our society depends, we will have to rely on oil and gas to meet those needs. This was true in the 1980s when the climate change issue gained recognition with the establishment of the Intercontinental Panel on Climate Change. It remains true today, and it will be true for the foreseeable future until alternatives to oil and gas become more available and affordable to use at scale.

And although many divestment advocates claim that the oil and gas industry's past advertising and communications campaigns were meant to deliberately deceive the public, they have yet to identify a single consumer-targeted communication urging the use of their products (*i.e.*, television commercials, billboards, print advertisements) in which the oil and gas industry down-played the threat of or otherwise discussed climate change.

Most people associate oil with transportation and natural gas with heating, but we are literally surrounded by thousands of everyday products (over 6,000 items) that are derived from oil and natural gas. In 2017, for instance, about 13 percent of total petroleum products consumed in the U.S. were for non-combustion use. Fertilizer for agriculture comes from natural gas. All plastic is made from petroleum and plastic is used almost everywhere - in cars, houses, toys,

computers, smart-phones, and furniture. Synthetic polymers are derived from petroleum oil. Examples of familiar household synthetic polymers include nylons in textiles, fabrics and clothing, Teflon in non-stick pans, Bakelite for electrical switches, polyvinyl chloride (PVC) in pipes, etc. The asphalt and tar used in road construction and roofing materials are petroleum products, as is the synthetic rubber used in tires and athletic shoes, and most inks and paints.

Remarkably, almost all renewable energy requires petroleum to be produced – polymers and carbon-fiber for wind turbine blades (along with metallurgical coal to make the steel) and polymers and carbon anodes for the wiring used in photovoltaic panels. Electric vehicles simply cannot be made without petroleum - 18 percent of a U.S. automobile's weight consists of plastic, while 2.7 billion car and truck tires were manufactured in 2011 alone. Both air and ground source heat pump systems involve the use of plastic and other polymers. Society may be headed toward the use of less carbon-intensive resources for power generation, heating, and transportation, but the need for both oil and natural gas and the products made from them in manufacturing is likely to increase for the foreseeable future.

As for renewable sources of energy, many of the companies that produce, refine, and sell oil and gas are also investing heavily in renewables. Norway's Government Pension Fund Global analysts predict that 90 percent of renewable energy investments world-wide between now and 2030 will come from "integrated oil firms." This nexus between fossil fuel and renewable developments has caused some investors to decide not to divest holdings from those companies, arguing that major oil firms have the scale and technological ability to shift toward renewable energy.

Furthermore, targeting the fossil fuel supply side for potential divestment largely on account of emissions by other actors downstream from them, while ignoring the direct contribution from those individuals, businesses and others that emit carbon dioxide by burning fossil fuels on the demand side seems to miss the mark.

Lastly, in previous instances where legislatures in the United States have divested from foreign governments or certain industries, both were inextricably linked to immoral and unethical actions and ideologies. The fossil fuel industry is a very different matter. The combustion of fossil fuels over the centuries has enabled the development of economies and the betterment of human welfare around the world. And at this moment there is no viable alternative to oil and gas with the requisite reliability and at the necessary cost and scale.

Conclusion

The divestment movement seems to present investors with two choices – show their displeasure with an entire industry by selling all of its shares or take the better course of action and remain invested but use their shareholder power to change the situation – to work with companies in good faith to reduce their emissions rather than hope that public shaming, punishment and discipline will achieve the same results.

I appreciate this opportunity to provide comments and would be happy to provide additional information at your request.

Very truly yours,

A handwritten signature in black ink, appearing to read "David J. O'Donnell". The signature is fluid and cursive, with a large initial "D" and "O".

David J. O'Donnell, Associate Director

David O'Donnell
American Petroleum Institute

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