

Sustainable Banking and Investment Task Force Meeting Minutes

February 21, 2022

The Task Force (TF) meeting was held at 7 pm by Zoom. The meeting was open to the public. Present were Victor Thuronyi (Chair), Michael Ashford (Vice Chair), Rachel Fredman Lyngaas (Secretary), Christine Pendzich, Jessica Clarke (Deputy City Manager), Amber Cameron, Paul Gunter, William Girardo, Lesley Hunter, and David Bend.

1. Meeting Minutes

TF members unanimously approved the minutes of the February 7, 2022, meeting.

2. Review of the Draft Report

Victor proposed using the meeting to go through the TF's draft report section by section and approve it as a draft or suggest comments. TF members approved the introduction section, the sections on banking and investments, and the policy and legal framework section.

With respect to the report's section on the Police Pension Fund, Rachel suggested including more details about its investments. Paul asked if the TF should suggest including ESG criteria for the Police Pension Fund. Victor agreed that this would be good to include. Christine suggested including what percentage of the Police Pension Fund might be divested from nuclear technology. Rachel suggested looking at what percentage of the Fund was invested in equities, which could then be viewed against ESG criteria, including a negative screen for nuclear investments. Paul agreed, noting that the role of the TF should be to provide information about the Police Pension Fund so that its Investment Committee could consider making improvements.

Lesley noted that several sections reviewed would need to be copy edited later but agreed with their overall contents.

Michael asked if the draft report should include comments from Takoma Park's other committees. Victor said that we had asked for the Committee on Environment's proposals but had not yet received any information.

With respect to Section II on Sustainable Investing, Christine noted that the first paragraph was unclear, and she would try to come up with alternative language. Rachel asked about the bullet points at the end of Section II, which she noted seemed incomplete. Lesley responded that the bullet points and questions were initially intended for the TF members, and added that in the next draft, the TF should remove language that was intended to be internal.

Christine asked if what the TF was approving in the meeting would be intended for public review. Victor responded that it would be intended for public comment and review at the next TF meeting on March 7.

Returning to Section II, Michael noted that some of the language was unclear. Rachel added that divestment and ESG needed to be better differentiated. Lesley noted that the language on risk and impact could be removed, and she would work on alternative language. Victor added that the footnotes, which were not included in this draft due to a technical issue, had included more information

such as evidence that ESG portfolios had outperformed or performed as well as non-ESG portfolios. Michael noted that the footnotes could also discuss fees, addressing some of the issues with the language in Section II.

Will noted the reference to the Global Alliance for Banking on Values (GABV), emphasizing that it was a small organization with limited reach and managerial issues, thus relying on it as a focal point might be problematic, as it is not viewed highly by the investment industry. Christine noted that the paragraph referencing GABV noted that not many financial institutions had adopted these standards, and that GABV was a small organization. She added that with this context, the reference to GABV was coherent. Amber asked if including a reference to GABV might undermine the credibility of the draft report. Victor responded that City First Bank of DC was part of GABV, but maybe the organization itself was not effective. Lesley noted that in her research, GABV was mentioned often because there are not many organizations with a similar focus.

Victor proposed moving on to Section IV, which summarizes the Nuclear Free Zone Act (NFZA). Paul emphasized that the NFZA includes language against the use of civilian nuclear power and urges redirection away from it. Victor agreed that the report could include this language from the NFZA.

William and Rachel noted that they were uncomfortable with the paragraphs describing the advocacy of the Nuclear Free Takoma Park Committee (NFTPC), as this advocacy was not part of its mandate. William suggested removing the discussion of these activities and proposed removing the recommendation of advocacy for the NFTPC from Section 5. Paul noted that these activities could be better described as “networking” than advocacy. Christine added that if the NFTPC was providing information to other jurisdictions, at some level this could be considered “education.” She added that there may be a fine line between education and advocacy. Victor agreed and proposed to take out the recommendation that the NFTPC conduct advocacy in Section 5 and condense the descriptive language of the NFTPC in Section IV to frame its activities and networking or education. Michael agreed with the recommendation to take out advocacy from Section 5.

With respect to Section IV. F’s discussion of the NFTPC’s activities monitoring the transport of high-level nuclear waste, William asked why this was included, since the introductory sentence of the Section indicated that this was not currently an issue. Victor noted that it may be an issue in the future. William responded that a lot of things could be issues in the future, but the issue had not yet arisen, thus the TF should revisit this language, as it reads like advertising the activities of the NFTPC. Paul emphasized that the transport of high-level nuclear waste was indeed a current issue because the Nuclear Regulatory Commission had licensed two consolidated interim storage facilities in New Mexico and Texas, and that these were under a legal challenge in federal court – with an active case before the First Circuit. He added that some of this waste would be transported in the vicinity of Takoma Park. Rachel responded that the issue sounded more germane in how Paul framed it and suggested including this language in the report. Christine suggested removing the first sentence of Section IV. F, which stated that the transport of high-level nuclear waste is not a live issue. William agreed but noted that it would need to be edited to clarify why this issue is a concern for Takoma Park.

With respect to Section V on recommendations, Lesley noted that there was some redundancy in the first and third paragraphs regarding reasons for change, as the third paragraph was originally intended for Section II. Victor noted that he had moved the third paragraph to Section V because it was more of a justification. Lesley responded that it may be better to tie in the language to the City’s climate targets. She added that she would work on coming up with a fix with Victor. Lesley added that there were a few

unresolved issues, including whether the TF should recommend that Takoma Park fully divest from fossil fuels. Rachel asked if it might be worth including a timeframe for divestment. Paul emphasized the need for ambition, and in terms of power production, the City's is targeting 100 percent renewable energy. He added that the TF should urge follow-through by urging focused research on what full divestment would look like. Michael noted that recommending investment in upstream fossil fuel companies aiming to transition could be a better alternative. Christine noted that she was in favor of the divestment argument for the City, as it is not a radical strategy, and most divestment plans take around five years. Lesley noted her agreement with Michael's recommendation to focus on upstream companies.

3. Nuclear Power Question

Lesley asked if the TF would recommend divestment from both fossil fuels and nuclear power, adding that this may limit investment options. Paul referenced a briefing paper that Victor had circulated that starts by urging the City to implement the NFZA, which includes language on divesting from both nuclear weapons producers and nuclear power. He added that this language was not changed in an amendment that the City Council passed in 2021, so that the TF should establish its support for the NFZA, because we are not at liberty to argue what it in the NFZA. Lesley noted that there is some ambiguity, because the City has not been limited from investing in companies involved in nuclear power production to date.

Dave emphasized that if the TF's goal was nuclear nonproliferation, he might accept the argument against investing in nuclear power. But not investing in nuclear power is out of alignment with the City's climate change goals, as it removes one of the largest sources of carbon free power. Berkshire Hathaway has made large wind investments, but it also has a nuclear power facility, for example.

Michael noted that if we were going to divest in existing nuclear power, it would result in an increase in emissions. Ten percent of the power on the grid is from nuclear power. In that transition to a carbon-free grid, the timing of phasing out existing nuclear power plants might be considered as distinct from investing in future nuclear technology. Divesting from fossil fuels is not the same as divesting from utilities that use fossil fuel power. He added that what is more problematic is the future of nuclear power. If we look back at accidents and mortality rates, to simply shut down existing nuclear power would be counterproductive.

Paul noted that the investment community is looking at the future as revisiting the past. He emphasized that without banks, nuclear power generators could not get loans to build reactors. That has been the case today, even with private investment. There is a reticence to fully commit to nuclear power divestment, in part because the federal government is backing the limited liability of the nuclear energy industry. Small modular reactor manufacturers are looking for limited liability protection on what they claim is safe technology. He added that the United States is coming out of a period that was called the "nuclear renaissance." In 2005, the U.S. government put in place significant incentives to jump start the nuclear industry for new construction, fostering over 31 new applications. Today, 17 years later, he emphasized that there are still only two nuclear reactors under construction. The other 29 units have been suspended, canceled, or abandoned. This most recent example terrifies investors. Now, he added, we are venturing into fourth generation, small modular reactors. There is no experience that they will be any more successful than financial failures that preceded them. Building smaller will undermine economy of scale that did not work for nuclear power. He added that a document he circulated has two links people should look review. He emphasized that if you want to address climate

crisis, the formula is the greatest carbon reduction at least cost in least time. Nuclear power demonstrates that we have wasted the last 17 years.

Will emphasized that more work needed to be done on this issue, and he was in favor of not concluding or providing a recommendation. Victor agreed that this is a complex issue and the TF needed to think about its further study. Given that the TF is not ready to form a considered opinion on nuclear power today, he proposed coming up with some language for the report that he would circulate.

Paul noted that he would recommend doing intensive research on the ESG indexes that are most aggressive on climate. He took note that Vanguard's ESG index takes an aggressive approach to divesting from both nuclear weapons and nuclear power.

Lesley suggested the group move forward, emphasizing that more research is needed.

4. Recommendations for NFTPC

TF members agreed to take out the recommendation to include advocacy as one of the NFTPC's activities.

William noted that the NFTPC had very specific tasks: conduct an annual review and collect information for public use. It has never done these two things, thus the City needs to require it to carry out the tasks it was supposed to do and hold them accountable.

5. Next Steps

Victor noted that he had taken notes and was making edits to the draft report. He would then circulate it to everyone with tracked changes. Two weeks from today, the TF would hold another meeting for public input. Lesley asked if the TF should ask the public to circulate comments in writing ahead of the meeting. Victor agreed that this would be useful, but the public can also make comments or ask questions at the public meeting.

Paul asked if the City Council would participate in this public meeting. Victor noted that they would be welcome, but the TF could not require them to attend. Victor noted that the City Council would also get a copy of the draft report. Jessica added that after March 22, the TF should put a save-the-date on members' calendars for the presentation of the final report to the City Council.

TF members agreed with Victor's proposal to adjourn the meeting.