AN ARGUMENT FOR FOSSIL FUEL DIVESTMENT

http://www.uwosh.edu/es/climate-change/divestment

David Barnhill, 2/27/14

The divestment proposal:

1. The U.W. Foundation immediately freeze any new investments in the fossil fuel industry.
2. Over the next five years, the Foundation divest from its holdings in the fossil fuel industry, as outlined by the Carbon Tracker's Top 200 Fossil Fuel Companies or an alternative list of fossil fuel companies by MSCI.[1]
3. The Foundation reinvest the money in investments that reflect the university's stated values, including green energy and Wisconsin-based community-building endeavors.

1. We are in a severe climate crisis, heading toward a climate catastrophe.

Climate science has demonstrated with overwhelming consensus that if we continue business as usual, our planet is heading toward a climate catastrophe of unprecedented and virtually unimaginable proportions. To avoid the worst scenarios, we must take immediate and substantial changes.[2] The Intergovernmental Panel on Climate Change (IPCC) has documented that the planet has a "climate budget": the amount of greenhouse gases (GHGs) created mainly by fossil fuel use that our atmosphere can absorb without causing such warming that would tip us into a climate cataclysm. The only way to stay within that budget is to keep approximately two-thirds of proven carbon reserves in the ground and not exploit unconventional or any new sources.[3]

2. Fossil fuel companies are ignoring their responsibility for danger they pose.

Despite these findings of climate science, the fossil fuel companies are following a reckless path toward burning their current reserves and looking for new ones. They will not stop this policy of putting profits above people and the planet unless society pressures them to do so.

3. As UW Oshkosh has recognized repeatedly, universities have a social & moral responsibility to society.

The primary mission of colleges and universities is teaching and research. But they are also active members of society with a variety of impacts on people and the planet. U.W. Oshkosh has recognized its social and environmental responsibility and acted upon it in a number of ways: officially endorsing the values of the Earth Charter,[4] committing to be a national leader in sustainability, becoming the first Fair Trade University in the country,[5] and signing the Presidents' Climate Commitment.[6] To seek new ways to fight against global warming is in line with our stated values and past practices.

4. In responding to the climate crisis, divestment is an appropriate and effective tactic of social change.

One way institutions can respond to the climate crisis is by reducing the consumption of fossil fuels, and UW Oshkosh has been a national leader in green, sustainable practices. But impacting *consumption* is not enough, because fossil fuel companies can continue to produce and sell carbon products – witness the coal companies now trying hard to increase the export of coal. In order to avoid the worst effects of global warming, we need to impact *production* -- the fossil fuel companies themselves -- to convince them to dramatically reduce their exploitation and sale of their carbon assets.

Divestment is one small but effective tactic colleges, municipalities, and other agencies have used in making social changes. As Nelson Mandela and Bishop Tutu have affirmed, in the 1980s divestment was critical to the overthrow of apartheid in South Africa. In the 1990s it helped bring major changes in the tobacco industry after decades of denial and refusal to sacrifice profits for the sake of social well-being. In 2006, the U.W. system divested from Sudan because of genocide in Darfur.

The grave danger and extreme urgency of the climate crisis gives even greater rationale for divestment from fossil fuels. There are currently divestment movements on over two hundred campuses. Seven have already committed to divestment, as have fifteen municipalities, including Madison and Bayfield.[7]

As a recent Oxford University study has shown,[8] even when divestment has no direct, substantial financial impact on companies, it helps to remove the social license of companies pursuing highly destructive practices. In doing so it helps

build a movement that harms the public image of these companies, reduces their political support, and thus impacts their financial interests. Such a campaign can thus help convince the companies to act in a more socially and environmentally responsible way. The campaign can also help convince governments to restrict the GHG emissions of the fossil fuel industry. By becoming one of the first campuses to commit to divestment, and the first Midwestern campus and first regional comprehensive university, UWO's decision to divest would inspire other campuses to follow our lead.

5. Divestment from fossil fuels makes sound financial sense.

a. Fossil fuel divestment does not necessarily lead to negative financial impact.

Several studies in 2013 by investment companies and financial experts have demonstrated that divesting from fossil fuel companies does not necessarily involve loss of investment return or increase of risk. Indeed, two studies have shown that if a portfolio had divested from fossil fuels five or more years ago, investment return would have been slightly higher.[9]

b. Investment in fossil fuels is becoming increasingly risky.

In addition, it is increasingly recognized that there is a "carbon bubble." The value of fossil fuel companies depends on their assets: fossil fuel reserves. With accelerating concern about the climate crisis, increased likelihood of expanded governmental regulation of fossil fuels, and the continuing advance of renewable energy sources, it is highly probable that, sooner or later, the companies' carbon reserves will become unburnable – "stranded assets" – and the value of fossil fuel companies will plummet.[10] This is already happening with coal companies. Fossil fuels are not a sound investment.

c. There are numerous financially sound socially and environmentally responsible sources for re-investments.

Sustainable and Responsible Investments (SRI), or those based on Environmental, Social and Governance (ESG) risk factors, are a growing sector in the investment field. As a result, our understanding of the performance and potential of such investments has increased dramatically and the variety of options available have greatly expanded.[11]

- *Because of these facts,* **former SEC commissioner Bevis Longstreth** *published an article on November 2, 2013*
- *detailing how it makes sense to divest from fossil fuel -- for strictly financial and fiduciary reasons.*[12]
- *On January 23 2014,* **World Bank President Jim Yong Kim** *declared his support for divestment from fossil fuels.*[13]
- *And on 30 January 2014***, 17 foundations controlling nearly $1.8 billion in investments** *announced that they have united to commit to pulling their money out of companies that do business in fossil fuels.*[14]

Divestment from fossil fuels is a logical next step in affirming the university's social and moral responsibility to the broader social and ecological communities it is part of. Our divestment would be another instance of the institution being a national leader and it would have a significant positive impact on the growing divestment movement.

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[1] For MSCI's approach to designating fossil fuel companies for divestments, see http://www.msci.com/resources/factsheets/MSCI%20ESG%20Research_FAQ%20on%20Fossil-Free%20Investing_June%202013.pdf

[2] The IPCC reports are the most comprehensive, and their Fifth Report is in the process of being published. But there are countless other studies by scientists of different disciplines and from different countries that draw the same conclusion. For links to some of these reports, see www.uwosh.edu/es/climate-change/reports and www.uwosh.edu/es/climate-change/listen-to-the-science

[3] See IPCC's comprehensive study *The Science of Climate Change* (2013) and its "Summary for Policy Makers"

[4] All four governance groups of UW Oshkosh endorsed the Earth Charter in 2002. To read the Charter, see http://www.earthcharterinaction.org/content/pages/Read-the-Charter.html

[5] For information about Fair Trade and UW Oshkosh becoming the first Fair Trade University in the country, see http://www.uwosh.edu/fairtrade

[6] UW Oshkosh is one of well over 600 campuses that have signed this commitment. For more information about the PCC, see http://www.presidentsclimatecommitment.org/index.php

[7] For a list of campuses and municipalities, see http://www.uwosh.edu/es/climate-change/divestment/the-divested

[8] http://www.smithschool.ox.ac.uk/research/stranded-assets/SAP-divestment-report-final.pdf

[9] For links to these reports as well as a *Chronicle of Higher Education* news account about one of them, see http://www.uwosh.edu/es/climate-change/divestment/analyses-of-divestment

[10] For links to financial reports and news accounts about this issue, see http://www.uwosh.edu/es/climate-change/divestment/carbon-bubble

[11] For a long list of links to information about reinvestments, see http://www.uwosh.edu/es/climate-change/divestment/fossil-free-sustainable-reinvestments

[12] "The Financial Case for Divestment of Fossil Fuel Companies by Endowment Fiduciaries." www.huffingtonpost.com/bevis-longstreth/the-financial-case-for-di_b_4203910.html

[13] http://www.worldbank.org/en/news/speech/2014/01/23/world-bank-group-president-jim-yong-kim-remarks-at-davos-press-conference

[14] http://dealbook.nytimes.com/2014/01/29/foundations-band-together-to-get-rid-of-fossil-fuel-investments/