

SOME ARGUMENTS AGAINST DIVESTMENT, WITH REBUTTALS

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

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LACK OF IMPACT: *Divestment doesn't have any impact. It is merely a symbolic action. So it is not worth doing. In fact, it is a distraction from doing things that have real impact.*

- History shows that divestment campaigns do work by removing the social license of the companies and casting them as social pariahs that run counter to social values. This results in a country or industry running into serious difficulties. As Nelson Mandela and Bishop Tutu have insisted, the divestment campaign in the 1980s was critical to the overthrow of apartheid in South Africa. In the 1990s a divestment helped bring major changes in the tobacco industry after decades of denial.
- As a recent Oxford University study has shown,¹ 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.
- One of the goals of a divestment campaign is to generate discussion on campus about the role of fossil fuels in global warming. It thus helps to educate the community about this principal cause of our climate crisis. This in turn will help in efforts to convince our society seek alternatives to the use of fossil fuels.
- A divestment campaign on an individual campus does not function in isolation. It helps the spread of divestment initiatives on other campuses and other institutions (municipalities, religious organizations, etc.). This amplifying effect greatly expands the impact of an individual divestment campaign.
- A divestment campaign also generates discussion in the media. The campus divestment movement has been covered by a variety of media outlets. This also helps to educate the public about the devastating role of fossil fuels and the urgency of the climate crisis.
- An energetic and inspiring campaign for a critical social, environmental, and moral cause is not a distraction from other initiatives. Because it informs people of the urgency of the climate crisis, it is an encouragement and inspiration to engage in other activities, including those that might have even greater impact.

INAPPROPRIATE ACTION: *The missions of a university are teaching and research, and it is with them that a university should respond to the climate crisis. It should not engage in direct social and political action.*

- Yes, the primary missions of colleges and universities are teaching and research. But like all institutions, they are also active members of society and what they do and fail to do have real impacts on people and the planet. This creates social and environmental responsibilities for the university in all of its functions and relationships. A university can't legitimately claim that it exists inside a bubble without any responsibilities beyond teaching and research
- The social and environmental responsibility of U.W. Oshkosh has been recognized and acted upon in a number of ways: officially endorsing the values of the Earth Charter,² committing to be a national leader in sustainability, becoming the first Fair Trade University in the country,³ and signing the Presidents' Climate Commitment.⁴ Divestment from fossil fuels is a logical next step in affirming the university's social and moral responsibility to the broader community 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.

MORAL & SOCIAL ISOLATION: The purpose of university investments is to gain financial resources for the university's mission. It should be isolated from moral, social, and political concerns. We can't keep calling for divestment from whatever is the social problem of the day.

- If it is wrong to wreck the planet, then it is wrong to profit from the wreckage of the planet. By investing in fossil fuel companies, UW Oshkosh is sponsoring the oncoming climate catastrophe, and that is morally unacceptable. What if we made a good return on investing in a company that made its profits through child slavery? Hopefully we would reject profiteering off of that. The coming climate catastrophe will have far, far more egregious impacts on children and other living things.
- Part of the mission of U.W. Oshkosh is to promote social justice and environmental responsibility. That is why the university endorsed the Earth Charter (2002), became the first Fair Trade University in the country (2008), and signed the Presidents' Climate Commitment. If the Foundation is to support the mission of the university, it should guide its investments by its principles of social justice and environmental responsibility.
- Like any social institution, a university is a member of the larger social and ecological communities. What it does and does not do has impacts on people and the planet. This includes the investments a university has. We can't draw a magic circle around investments and claim that no moral issues may enter. In fact, the urge to separate economic issues from social and environmental ones has enabled us to do so much damage to the earth, and one of the principal tenets of sustainability is that economic, social, and environmental issues are interwoven and interdependent.
- The climate crisis is of a different order – of quality and magnitude – than particular social and environmental issues. Global warming threatens the life and well-being of billions of people and a vast range of species and ecosystems for generations to come. It also exacerbates virtually every other social and environmental issue. Global climate catastrophe is by far the greatest threaten humankind has ever faced.

NEGATIVE FINANCIAL IMPACT: Fossil fuel divestment will result in loss of return and increase in risk, which is unacceptable.

- 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.⁵
- 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.⁶ This is already happening with coal companies. Fossil fuels are not a sound investment.
- 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.⁷
- 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.⁸ They determined that divestment would not involve loss of return or increase of risk.

FIVE YEAR DEADLINE: Given the nature of investments, divestment within five years is too short of a timeframe. It should be longer, for instance ten years, or there should be no deadline.

- Most supporters of divestment want divestment to happen much quicker than five years. If it is wrong to wreck the world, it is wrong to profit from that wreckage, and so we should divest as soon as possible. However, it has been decided that to maximize the chance of getting universities to divest, we need to give them a large window of opportunity to divest in a financially prudent way. Five years is ample time for a skilled fund manager to divest from fossil fuels.
- A timeline of over five years quickly becomes meaningless because it is so far in the future. In fact, one of the most effective ways to stop real change from happening is to agree to it ... and then have a long or indefinite timeline in which no action needs to be taken.
- The ten campuses and around twenty municipalities that have committed to divestment found no problem with divesting within five years. The 17 foundations controlling nearly \$1.8 billion in investments mentioned above saw no problem with the five-year timeline. In fact, Pitzer College announced in April that they plan to divest from almost all of its fossil fuel investments by the end of this year.⁹ If a five-year timeline is acceptable to all these institutions, it is difficult to see why our institution would find it unacceptable.

LACK OF ALTERNATIVES: *There are no financially sound alternatives to investing in fossil fuels.*

- 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.
- There are a wide variety of SRI investments possibilities to choose from.¹⁰

ENMESHED AND HIDDEN: *Fossil fuels are thoroughly enmeshed in equities, bonds, and commingled funds. There is no way to discover and remove all investments in the fossil fuel industry.*

- This is true, but it is possible to identify a substantial amount of investments in fossil fuels – thus enabling us to eliminate most of our financial support of the fossil fuel industry. The Carbon Tracker Institute has created a list of the top 100 coal companies and top 100 oil companies based on their carbon reserves. The investment firm MSCI¹¹ has identified a different list of fossil fuel investments, and we could use their list as an alternative guide. If we target these companies, we can get rid of most of our investments in the fossil fuel industry.
- The fact that fossil fuels are so enmeshed in the financial world is not a reason to do nothing but rather shows how dependent our current economy is on this industry that is recklessly leading us to a climate catastrophe. The fact that this industry is so ubiquitous is, in fact, a compelling reason to extricate ourselves from it as much as we can from it, even if we can't achieve 100% divestment.

COMPLICITY AND HYPOCRISY: *The university continues to use fossil fuels and therefore is complicit in the greenhouse gases that fossil fuel companies emit. It is hypocritical to argue that we should divest all investments we have in the fossil fuel industry.*

- In general terms, in responding to complex moral situations for which a diversity of actions could be taken, it is not necessary to be morally pure in one type of response before one can make a moral response of another type. One can respond on various fronts at the same time. Specifically in regards to UW Oshkosh, the university is, in fact, committed to and is taking exceptional efforts toward becoming climate neutral. Committing to divestment over a five-year period is simply another action we can take in fighting global warming caused by fossil fuels. There is no logical or moral reason that we have to wait until we cease all use of fossil fuels before we take action on another front.
- The argument presented should be turned upside down. The very fact that fossil fuels are thoroughly enmeshed in our economic practices – at social, institutional, and individual levels – is a reason to do whatever we can to move away from that dependency. The very difficulty we have in extricating ourselves as individuals and institutions from complicity in the terribly destructive impacts of fossil

fuels is all the more reason to do whatever we can to extricate ourselves in whatever way we can. And we can divest from fossil fuels.

WE'VE DONE ENOUGH: The university is already doing a lot to reduce our carbon footprint. We don't need to do any more.

- The climate crisis is not like other social and environmental problems. Its impact will be far more severe and widespread and it will make every other social and environmental problem worse. U.W. Oshkosh may be doing more than most universities, but given the urgency of the climate crisis, it should be looking for different ways of doing more.
- Most importantly, we need to do a different kind of action in response to global warming: systemic action at the producer end. Individual people and institutions should do as much as they can, but even if they do, the fossil fuel companies could simply turn to other markets to keep selling fossil fuel. We need to create major change not only in the consumption of energy of end-users like universities but also—and more importantly—we need to make changes in the production. We have to force the fossil fuel companies to limit their production and selling of coal, oil, and gas.

FOSSIL FUELS ARE VERY DIFFERENT THAN OTHER TARGETS OF DIVESTMENT SUCH AS APARTHEID AND TOBACCO. Energy production is essential to our way of life and is not comparable to apartheid and tobacco, which served no redeemable social good.

- True, fossil fuel is not in itself a social evil the way apartheid or tobacco addiction are. However, the impact or global warming caused by fossil fuels is far more extensive than apartheid and tobacco. And that impact will be hardest for developing countries and the poor, and the devastating social injustice that will result outstrips the terrible consequences of apartheid. Similarly, the health impacts of global warming will be more deadly than tobacco addiction.
- Fossil fuel companies are aware of the devastating harm they are causing and will cause. Yet they are working very hard to continue profiting from the use of fossil fuels and they are fighting against the promotion of renewable energy that we need. While the production of energy itself is a social necessity, to knowingly continue the production of energy that will cause vast pain and destruction for the financial gain of a few is indeed evil.

Lack of expertise: Who are faculty and students to say what makes a good investment? The people making these decisions know what they're doing and we have no place in it.

- Faculty and students cannot direct a fund manager in the choice or timing of individual investments. But they and the university community as a whole can guide the fund manager's decisions by stipulating general parameters, specifically to invest in ways that conform to the university's stated values.

¹ <http://www.smithschool.ox.ac.uk/research/stranded-assets/SAP-divestment-report-final.pdf>

² 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>

³ For information about Fair Trade and UW Oshkosh becoming the first Fair Trade University in the country, see <http://www.uwosh.edu/fairtrade>

⁴ 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>

⁵ 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>

⁶ For links to financial reports and news accounts about this issue, see <http://www.uwosh.edu/es/climate-change/divestment/carbon-bubble>

⁷ "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

⁸ <http://dealbook.nytimes.com/2014/01/29/foundations-band-together-to-get-rid-of-fossil-fuel-investments/>

⁹ [Pitzer College and Robert Redford Announce Breakthrough Fossil Fuel Divestment-Climate Action Model](#). 12 April 2014.

Pitzer College.

¹⁰ For a long list of options as well as news accounts about them, see <http://www.uwosh.edu/es/climate-change/divestment/reinvestments>

¹¹ 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