

On Campuses, a Fossil-Fuel Divestment Movement

Steven Mufson | Nov. 25, 2013

A divestment movement is marching across U.S. college campuses, borrowing tactics from the 1980s anti-apartheid campaign and using them against oil, gas and coal companies to fight climate change.

Students are teaming with investment advisers to convince universities, pension funds and institutional investors that they can take a stand against fossil-fuel companies without hurting their returns.

"We have a government that has been taken over by the fossil-fuel industry, so we're going to pressure the fossil-fuel industry itself," said Chloe Maxmin, a junior leading Divest Harvard. She added that students, spurred by forecasts of dire climate change in "a time frame well within my generation's lifetime," have organized divestment groups on about 400 campuses.

Eight small colleges and nearly two dozen towns and cities have pledged to sell their shares in fossil-fuel firms.

Yet many academic institutions are rejecting the divestment argument, including Harvard and Middlebury College, home to climate activist and professor Bill McKibben. They say that divesting shares of fossil-fuel companies would politicize universities and have little to no impact on the companies, or on society's reliance on fossil fuels.

On Tuesday, D.C. Council Chairman Phil Mendelson (D) will hold a hearing on the Fossil Fuel Divestment Act of 2013, which would direct the District's retirement board and chief financial officer to sell off holdings that the District's retirement funds and Health Annuity Trust have in the 200 publicly traded companies with the largest reserves of fossil fuels.

"We need to look at different ways we can positively affect climate change," Mendelson said, but added, "I certainly don't want to hurt the retirement program." He said that fossil-fuel companies make up "a fraction of 1 percent" of the retirement fund's holdings.

Mendelson is sponsoring the bill along with council members Jack Evans (D-Ward 2), David Grosso (I-At Large), Muriel Bowser (D-Ward 4) and Tommy Wells (D-Ward 6). Mendelson owns \$40,700 of Chevron stock and \$154,400 of Exxon Mobil stock, according to his 2012 disclosure forms. He said he inherited the shares from his late mother. Asked if he had considered selling them, he said, "I've given that some thought, but the issue before the council is the policy of the District government."

Advocates of selling fossil-fuel stocks say the campaign rests in part on moral issues similar to divestment pushes of the past.

In a Nov. 18 editorial, the Yale Daily News quoted the university's "Ethical Investor" guidelines, which support the sale of investments causing "grave social injury." The paper said that the endowment sold off shares of companies operating in South Africa during the apartheid era and limited investment in Sudan in 2006 as fighting intensified in Darfur.

Now, the paper said, "We are in a unique position to pioneer a new front on an existing powerful environmental movement."

Maxmin said students want to treat fossil-fuel companies like tobacco companies, ostracizing them because they capitalize on businesses that have bad health effects.

The climate activists have been joined by investment experts such as Thomas Van Dyck, a senior vice president at RBC Wealth Management and founder of **As You Sow**, a shareholder advocacy group.

Van Dyck argues that in order to limit global warming to 2 degrees Celsius (3.6 Fahrenheit), a target endorsed by every major government, it will be impossible for oil, gas and coal companies to use up more than a third of the reserves on their balance sheets. The rest — what Van Dyck and other analysts call “the carbon bubble” — will remain in the ground and become “stranded,” bringing no value to shareholders.

Van Dyck points to a chart drawn by analysts at the Aperio Group, a consulting firm. It shows that since 1997, a “carbon free” stock index fund that excluded shares of fossil-fuel companies would have had a higher annual rate of return — 6.08 percent — than the widely used Morgan Stanley Capital International index, which rose 5.43 percent a year.

The push to dump fossil-fuel stocks resonates with universities that have increasingly prided themselves on environmental stewardship and responsibility. “If you’re going to green the dining hall, what’s the point of not greening the endowment portfolio,” McKibben said earlier this year.

Yet Middlebury’s president, Ron Liebowitz, said the college will not divest. Liebowitz wrote an open letter saying that the trustees had considered questions such as whether divestment will ever be more than a symbolic statement and whether further divestment demands might emerge in the future.

Middlebury, like other small colleges, does not make its investment choices. It has turned over that job to a firm called Investure, which manages the endowments of 13 small colleges, universities and foundations with a total of \$10 billion in assets.

Harvard’s president, Drew Faust, said in an open letter that if Harvard divested, its shares would “find other willing buyers,” have “negligible impact” on the companies and “diminish the influence or voice we might have.”

“I also find a troubling inconsistency in the notion that, as an investor, we should boycott a whole class of companies at the same time that, as individuals and as a community, we are extensively relying on those companies’ products and services for so much of what we do every day,” Faust wrote.

A difference between the anti-apartheid and fossil-fuel movements is that the former had guidelines, the Sullivan Principles, to which U.S. companies operating in South Africa could adhere and be removed from the divestment list.

“This is just different,” McKibben said earlier this year. “It’s not that there is a flaw in their business plan. The flaw is their business plan.”

Harvard’s Maxmin said, however, that she has been pressing fellow organizers to draw up guidelines for oil and coal companies, including ways to cut investments in traditional areas and either put money into renewables or return money to investors in dividends. “We would reinstate their social license when they came up with a business plan to keep global warming within two degrees,” she said.

That course could win some support from university administrations. Faust wrote, “In the case of fossil fuel companies, we should think about how we might use our voice not to ostracize such companies but to encourage them to be a positive force both in meeting society’s long-term energy needs while addressing pressing environmental imperatives.”