

Emissions Impossible: why divest to invest?

An editable paper template to support student campaigners articulating the arguments for fossil fuel divestment and renewable reinvestment to university committees.

If you are campaigning on divestment from other sectors alongside fossil fuels, such as the arms trade or tobacco companies, please have a look at our new [NUS policy](#) (Motion 502) and feel free to [get in contact](#) with us about how to argue these in an intersectional way.

Executive Summary

The fossil fuel divestment movement pushes for the removal of money from extractor fossil fuel companies into positive, socially responsible ones, such as renewable energy companies.

At both the 2016 and 2015 National Union of Students' (NUS) national conference a mandate was created for NUS to collaborate with and build upon the work of People & Planet and their Fossil Free Campaign. NUS national conference is the world's biggest democratic meeting of student leaders¹ and as such the support for fossil fuel divestment and renewable reinvestment as a priority is incredibly meaningful.

It is evidence that the student movement believe the current investments of the Higher Education sector into fossil fuel companies are in contradiction with the messages of health, sustainability and multiculturalism that universities communicate to the public. Financial investment into companies like Shell and BP are in direct opposition to on-campus renewables and other environmental policies. With two-fifths of universities predicted to fall short of their internal carbon emission reduction targets,² this raises the question of why universities are failing to respond to their own climate change research outputs.

As our universities contribute to shaping the societies of the future, NUS strongly encourage them to reconsider their investments and join the worldwide fossil free movement in favour of ethical and sustainable investment. Universities have a major role to play in the transition to a low-carbon economy, providing microcosms of society within which transformative financing initiatives can take place. Investors are increasingly acknowledging that delivering on the Paris Agreement presents a \$13 trillion opportunity.³ Shifting the \$5 trillion worth of

¹ <http://www.independent.co.uk/student/news/nus-national-conference-hundreds-gather-in-brighton-for-world-s-largest-democratic-gathering-of-a6990761.html>

² <http://www.nus.org.uk/en/news/25-universities-to-miss-carbon-targets/>

³ <https://www.greenbiz.com/article/we-mean-business-paris-accord-13-trillion-opportunity>

fossil fuel company investments into sustainable financial solutions across the globe indicates how this can be achieved and a low-carbon future realised.⁴

Whilst there are a myriad of reasons why divestment from fossil fuels should take place, it is not within this paper's capacity to outline them all. Instead, it will focus on the divestment and reinvestment debate through the lenses of morality, finance, health and reputation. It will also debunk the myth that there are no fossil free alternatives for reinvestment, as recent research has explicated quite the opposite.

The Moral Case

Investment into companies which negatively impact people across the globe, as well as the environment with which they co-exist, cannot be seen as anything but a contradiction as to what our educational institutions are for. Universities exist for the public good, from conducting life-changing research to educating the global citizens and leaders of tomorrow.⁵ This indicates the level of responsibility that our educational institutions have in the public sphere - especially important to consider when only 22% of those surveyed by the NUS (baseline 3,700) believed their university was good at considering the public benefit of their investments.⁶ A commitment to divest from fossil fuels and reinvest in a socially responsible manner thus provides a valuable strategy through which universities can acknowledge the fundamental role they play in society and act accordingly.

From increasing sea levels and global temperatures to shrinking ice sheets in Greenland and Antarctica,⁷ anthropogenic climate change *is* happening. July 2016 was the hottest month since records began in 1880 and the Intergovernmental Panel on Climate Change (IPCC) has found that 97% of climate scientists agree that climatic changes are extremely likely to result from human behaviour.⁸ NASA highlights the burning of fossil fuels as a major contributing factor,⁹ with research from UCL concluding that the overwhelming majority of fossil fuels must stay in the ground to avoid catastrophic climate change.¹⁰ It is research happening at the very UK universities deliberating divestment that have contributed to the global investigations of these climatic changes and it is time that there was a sector-wide response.

Morally, the argument for fossil fuel divestment is indisputable. Educational institutions have an ever increasing responsibility to communities in the Global South, who have already started to experience the devastating impacts of climate change.¹¹ They also have a responsibility to future generations to invest in energy sources that are carbon neutral, rather than those that contribute to devastating

⁴ http://www.bbhub.io/bnef/sites/4/2014/08/BNEF_DOC_2014-08-25-Fossil-Fuel-Divestment.pdf p 4

⁵ <http://www.universitiesuk.ac.uk/facts-and-stats/Pages/impact-of-higher-education.aspx>

⁶ <http://www.nusconnect.org.uk/resources/divest-invest-report-attitudes>

⁷ <http://climate.nasa.gov/evidence/>

⁸ <http://climate.nasa.gov/scientific-consensus/>

⁹ <http://climate.nasa.gov/causes/>

¹⁰ <https://www.ucl.ac.uk/news/news-articles/0115/070115-fossil-fuels>

¹¹ <http://reliefweb.int/report/world/climate-change-compounds-humanitarian-crises-global-south>

environmental degradation. In December 2015, 195 countries committed to a legally binding international commitment to keep global warming between 1.5 and 2 degrees – the first deal of its kind. But as global carbon emissions increase, and the current UK government continues to launch attacks on the renewables sector¹² whilst subsidising the carbon-intensive,¹³ those with reputational power need to challenge this.

Alongside the presentation of climate change as a social justice issue, there is another moral argument important to consider within this: the fossil fuel industry has a well-documented history of human rights abuses across the globe.¹⁴ A pertinent case study of this is in Nigeria, where oil giants Shell and Chevron have been accused of waging “ecological war”¹⁵ on the Nigerian people. Despite Nigeria being the top oil-producing country in Africa, with an abundance of human labour, they remain one of the most impoverished in the region due to the detrimental reliance the Global North has on extracting wealth and resources from the Global South. The Niger Delta is where the major oil companies predominantly operate, where children play on crude oil soaked beaches, people drink and fish from oil contaminated waters (Shell has admitted that it has spilt 55,809,000 litres of oil into the Niger Delta since 2007, a figure that Amnesty International calls “a massive underestimate”¹⁶) and peaceful environmental and human rights activists, such as Ken Saro-Wiwa, are executed.¹⁷ While shareholders and executives make a fortune, Shell’s promises of job creation are in stark contrast to the reality of tens of thousands of livelihoods destroyed.¹⁸

Worryingly, Shell is the top fossil fuel extractor company investment across the Higher Education sector.¹⁹ Investments into oil companies which wage environmental, social and economic war in order to continue their lucrative extraction operations overseas are incongruent with the presentation of UK universities as positive, globally significant entities, with a true commitment to a multi-cultural student body. How can an institution seek to recruit and educate students from countries they tacitly support the impoverishment and destruction of?

On top of this, fossil fuel companies have been found to financially support the spreading of disinformation about and the denial of climate change. Similar to the tobacco company funding health scepticism, “fossil fuel companies’ fund “skeptics”

¹² <http://www.independent.co.uk/news/uk/home-news/britains-renewable-energy-industry-is-about-to-fall-off-a-cliff-says-new-research-a6818186.html>

¹³ <https://www.theguardian.com/environment/2015/nov/12/uk-breaks-pledge-to-become-only-g7-country-increase-fossil-fuel-subsidies>

¹⁴ <http://priceofoil.org/thepriceofoil/human-rights/>

¹⁵ <http://www.mintpressnews.com/niger-deltans-plenty-avenge-yet-us-media-ignores-context-terrorism-oil-companies/217030/>

¹⁶ <https://www.amnesty.org/en/latest/campaigns/2015/11/shell-clean-up-oil-pollution-niger-delta/>

¹⁷ <http://www.mintpressnews.com/niger-deltans-plenty-avenge-yet-us-media-ignores-context-terrorism-oil-companies/217030/>

¹⁸ <https://www.amnesty.org/en/latest/campaigns/2015/11/shell-clean-up-oil-pollution-niger-delta/>

¹⁹ NUS’ Investments report, <http://bit.ly/2aSKzXr> , p 12

to create the appearance of scientific controversy where none exists.”²⁰ Exxon Mobil are a pioneering example of how the industry fosters this misinformation. Whilst they have been aware of climate change since 1977,²¹ between 1998 and 2012 they funnelled an estimated £27 million to no less than 66 organisations in order to create a non-existent debate about the scientific evidence of global warming²² – the reason they are currently being investigated by 17 US state attorney generals.²³ Exxon Mobil’s use of Stanford’s branding in a New York Times advert which suggested this “lively debate” reveals how the fossil fuel industry legitimises itself with its links to our educational institutions. This type of advertising not only allows their ‘social license’ to be reinforced at a societal level but also keeps up the appearance that they are scientifically sound.²⁴

Alongside the coal magnate the Koch brothers Exxon Mobil have also funded The Heartland Institute, who spread mistruths about both the effects of fossil fuels on climate change and the role of renewables as a viable alternative.²⁵ Heartland have not only denied there is a “scientific consensus” on climate change,²⁶ but also that increasing carbon dioxide levels are necessary to “help plants thrive, leading to greater biodiversity”.²⁷ Never mind that The Centre for Health and the Global Environment, a collaborator with the UN’s Environmental Programme, state the opposite: “Climate change alone is expected to threaten with extinction approximately one quarter or more of all species on land by the year 2050, surpassing even habitat loss as the biggest threat to life on land.”²⁸

Nationally, UK universities have known endowment investments of about £100 million in extractor fossil fuel companies like, and including, those previously mentioned.²⁹ This figure is meagre in the context of global capital. However divestment in the institutional sense is principally a moral and social strategy, intended to take away the ‘social licence’ of fossil fuel companies to operate as they currently do. With NUS’ research finding that 86% of students, student officers and staff were concerned about climate change and 62% saying the government is not doing enough to support the use of renewable energy,³⁰ it is time for universities to lead by example.

The Financial case

²⁰ <http://www.globalwarming.org/2014/03/21/do-skeptics-reposition-warming-as-theory-or-do-alarmists-reposition-fear-as-fact-revisiting-an-urban-legend/>

²¹ <https://www.theguardian.com/commentisfree/2016/may/27/exxonmobil-climate-change-bunker>

²² <https://www.theguardian.com/commentisfree/2015/apr/08/until-universities-divest-from-fossil-fuels-they-will-undermine-all-they-stand-for>

²³ <https://www.theguardian.com/commentisfree/2016/may/27/exxonmobil-climate-change-bunker>

²⁴ <https://www.theguardian.com/commentisfree/2015/apr/08/until-universities-divest-from-fossil-fuels-they-will-undermine-all-they-stand-for>

²⁵ http://www.ucsusa.org/global_warming/solutions/fight-misinformation/global-warming-facts-and-fossil-fuel-industry-disinformation-tactics.html#.V6tlpE0rLIU

²⁶ <https://www.heartland.org/topics/climate-change/consensus/index.html>

²⁷ <https://www.heartland.org/topics/climate-change/biological-impacts/index.html>

²⁸ <http://www.chgeharvard.org/topic/climate-change-and-biodiversity-loss>

²⁹ <http://www.nusconnect.org.uk/resources/divest-invest-report-investments>

³⁰ <http://www.nusconnect.org.uk/resources/divest-invest-report-attitudes>

Furthermore, the financial risks, particularly of fossil fuel investments, are increasingly recognised. Investigations into this include those carried out by the Bank of England and HSBC into the potential looming economic crisis associated with the 'carbon bubble'.³¹ Ed Davey, Former Secretary of State for Energy and Climate Change, has also spoken of the risk of fossil fuel investment, calling upon companies to disclose their investments in fossil fuels and identifying a widespread "move from carbon capitalism to climate capitalism".³² Fossil fuels have also been identified as a "high risk" investment by the head of the UN's Climate Change Secretariat.³³

Mark Carney, governor of the Bank of England, has warned UK investors of the "potentially huge" losses associated with fossil fuel investments as climate regulations are enhanced, leading to reserves being "literally unburnable".³⁴ This is an implicit reference to the stranded assets theory: at present, fossil fuel companies are valued based on the extraction potential of their reserves, but these 'assets' will become 'stranded' when they are unable to be utilised due to regulation³⁵ rendering them worthless. Mercer's large scale research into climate risk management has corroborated this, making clear the necessity of having climate change included as a return variable in investment decisions.³⁶ In the context of the Paris Agreement, this is very much a risk that investors need to consider as a reality.

Many have already started to cut ties with fossil fuel companies on a financial basis, as well as out of a concern for action on climate change. For example, 125 leading US philanthropic foundations have declared their intention to divest from fossil fuels,³⁷ while Norway's sovereign wealth fund, the biggest in the world at an estimated \$864 billion, has moved its money out of 52 coal-related groups, with more fossil fuel companies to come this year,³⁸ and The World Bank has declared that it will not fund new coal.³⁹ This makes sense given the current state of the coal market, with the world's largest private coal producer, Peabody Energy, filing for bankruptcy in April, 2016.⁴⁰

³¹ <http://www.theguardian.com/environment/2014/dec/01/bank-of-england-investigating-risk-of-carbon-bubble>

³² <http://www.theguardian.com/environment/2014/dec/11/disclose-climate-risk-in-fossil-fuel-investments-says-uk-minister>

³³ <http://www.reuters.com/article/2014/12/02/us-climatechange-lima-idUSKCN0JF37320141202>

³⁴ <http://www.ft.com/cms/s/0/622de3da-66e6-11e5-97d0-1456a776a4f5.html#axzz472Mf9ATW>

³⁵

http://www.unhealthyinvestments.uk/uploads/1/3/1/5/13150249/unhealthy_investments_final.pdf
p 6

³⁶ <http://www.mercer.com/content/dam/mercer/attachments/global/investments/mercer-climate-change-report-2015.pdf> p 7

³⁷ <http://divestinvest.org/>

³⁸ <https://www.theguardian.com/environment/2016/apr/15/worlds-biggest-wealth-fund-excludes-52-coal-related-groups>

³⁹ King, L. (2014) World Bank Chief backs fossil fuel divestment drive. Online at:

<http://www.rtcc.org/2014/01/27/world-bank-chief-backs-fossil-fueldivestment-drive/>

⁴⁰ <http://www.bloomberg.com/news/articles/2016-04-13/peabody-majority-of-its-u-s-entities-file-for-chapter-11>

The oil industry has also been extremely volatile, with BP posting an annual loss of \$6 billion in February 2016, resulting in the loss of 7000 jobs,⁴¹ and Exxon being investigated for potentially misleading investors over the threat posed by climate change.⁴² Interestingly, even the Bill and Melinda Gates Foundation have moved their money out of BP and Exxon Mobil, despite Bill terming divestment a “false solution”. This decision has monumentally decreased their major oil and gas company holdings from \$2.4 billion to a \$200 million.⁴³ It is evident that concerns are increasingly being shared by serious investors, even those that are not traditional allies of the environmental movement such as the International Energy Agency⁴⁴, the World Bank⁴⁵ and the International Monetary Fund.⁴⁶

Whilst concerns are often raised about the financial sustainability of ethically investing, an MSCI report found that adding Environmental and Social Governance (‘ESG’) criteria to the process of stock selection instead displayed “a probability of outperformance over the longer term with investors having gained an additional [...] 1.6 per cent a year over just less than five years [...] by allocating to portfolios that invest in companies with above-average ESG ratings”.⁴⁷ Even more compelling is the performance of these types of ESG-conscious investments in difficult market conditions when “outperformance was seen across the range of global sectors and geographies” rather than being negatively impacted.⁴⁸ Furthermore, Impax Asset Management have displayed how over the past seven years, historical data has shown that removing fossil fuels from a global benchmark index would have had a small positive return effect and that “much of the economic effect of excluding fossil fuel stocks could have been replicated with ‘fossil free’ energy portfolios consisting of energy efficiency and renewable energy stocks, with limited additional tracking error and improved returns”.⁴⁹

Adding further credence to this argument, in January 2016 Deutsche Asset Management released the results of their research into the relationship between ESG considerations and investment performances, the most extensive study into this to date. Their research found that in 90% of the 2000 empirical studies they analysed there was no negative relationship between ethical investing and

⁴¹ <https://www.theguardian.com/business/2016/feb/02/bp-annual-loss-biggest-for-20-years-axes-thousands-of-jobs-deepwater>

⁴² <https://www.theguardian.com/environment/2016/may/12/bill-and-melinda-gates-foundation-divests-entire-holding-in-bp>

⁴³ <https://www.theguardian.com/environment/2016/may/12/bill-and-melinda-gates-foundation-divests-entire-holding-in-bp>

⁴⁴ IEA Press Release, ‘Progress towards clean energy has stalled’, April 17, 2013
http://www.iea.org/newsroomandevents/pressreleases/2013/april/name_36789.en.html

⁴⁵ The World Bank, Turn Down the Heat – Why a 4°C Warmer World Must Be Avoided, November 2012
http://climatechange.worldbank.org/sites/default/files/Turn_Down_the_heat_Why_a_4_degree_centrigrade_warmer_world_must_be_avoided.pdf

⁴⁶ Reuters, ‘Davos strives to make climate talk more than hot air’, January 25, 2013
<http://www.reuters.com/article/2013/01/25/us-davos-climate-idUSBRE9000LB20130125>

⁴⁷ https://www.msci.com/resources/pdfs/11_10717_RCMSWP_ET1907.pdf p 1

⁴⁸ https://www.msci.com/resources/pdfs/11_10717_RCMSWP_ET1907.pdf p 16

⁴⁹ Impax (2013) Beyond Fossil Fuels. Online at
<http://www.impaxam.com/sites/default/files/20130704%20Impax%20White%20Paper%20fossil%20fuel%20divestment%20FINAL.pdf>

financial returns and, perhaps most pertinently, a large majority of studies had positive findings.⁵⁰ The examination concludes that “the orientation toward long-term responsible investing should be important for all kinds of rational investors in order to fulfil their fiduciary duties and may better align investors’ interests with the broader objectives of society.”⁵¹

As the World Economic Forum has acknowledged, the climate crisis is now the number one risk to the global economy. This places huge responsibilities onto the shoulders of those investing on the behalf of others; the impact this has on their ‘Fiduciary Duty’ requires serious reflection.

Fiduciary Duty

‘Fiduciary duty’ exists to ensure that those who manage other people’s money act in the interests of beneficiaries, rather than their own.

Fiduciary Duty in the 21st Century - an 88-page report hosted on the United Nation’s Principles for Responsible Investment website and based on an analysis of investment practice and fiduciary duty in eight countries - elucidates two important facets to this responsibility:

1. Loyalty: Fiduciaries should act in good faith in the interests of their beneficiaries, should impartially balance the conflicting interests of different beneficiaries, should avoid conflicts of interest and should not act for the benefit of themselves or a third party.
2. Prudence: Fiduciaries should act with due care, skill and diligence, investing as an ‘ordinary prudent person’ would do.

Whilst traditional perceptions of fiduciary duty have centred on its narrow conceptualisation as financial in nature, recent policy discussions have widened the debate, arguing that “fiduciaries should take account of their beneficiaries’ views as to what constitutes their best interests”.⁵²

The *Kay Review of UK Equity Markets and Long-Term Decision Making: Final Report*, commissioned by the government off the back of the 2008 financial crash and published in July 2012, reinforced the need for:

“[...] a culture of long term decision-making, trust and stewardship to protect savers’ interests. The report recognised the essential role that fiduciary duties play in the promotion of such a culture but highlighted the damage being done by misinterpretations and misapplications of fiduciary duty in practice”.⁵³

In response, the government launched a further investigation, which resulted in the Law Commission’s publication of *Fiduciary Duties of Investment Intermediaries (2014)*. Part of its conclusion was that:

⁵⁰ https://www.db.com/newsroom_news/2016/ghp/esg-and-financial-performance-aggregated-evidence-from-more-than-200-empirical-studies-en-11363.htm

⁵¹ <http://www.tandfonline.com/doi/full/10.1080/20430795.2015.1118917>

⁵² http://www.unepfi.org/fileadmin/documents/fiduciary_duty_21st_century.pdf p 17

⁵³ http://www.unepfi.org/fileadmin/documents/fiduciary_duty_21st_century.pdf p 53

“(a) trustees should take into account wider factors relevant to long-term investment purposes, including ESG factors relevant to financial returns, and (b) while the primary focus of pension trustees should be the pursuit of financial returns, trustees were able to take into account wider considerations – including ESG issues relevant to financial returns, macroeconomic factors, non-financial factors (such as quality of life and ‘purely ethical’ concerns) and the views of beneficiaries – provided that such decisions do not cause significant financial detriment”.⁵⁴

This means that in the first instance it is important for governors and trustees to take into account campaigns by beneficiaries pushing for divestment from certain sectors in favour of reinvestment into socially responsible ones. By taking a wider definition of what ‘fiduciary duty’ means in practise, decisions made in the long term interests of those whom the surpluses seek to benefit (endowment funds for example) allow not only for more democratic governance processes, but also for more ethical decisions to be taken.

If ‘fiduciary duty’ is defined through the narrower paradigm of financial considerations, the case for divestment from carbon intensive sectors is stronger still when considering the risk of “stranded assets” (see section 2).

Provided “that the decision is based on credible assumptions and robust processes”,⁵⁵ divestment from fossil fuels would be very much in line with ‘fiduciary duty’. Indeed, failure to factor in divestment could result in a failure to practise due diligence and thus compromise the best interests of beneficiaries.

A legal opinion given by Christopher McCall QC in November 2015 provided nuance to this debate, highlighting a “conflict between fossil fuels and charities’ missions” which “could lead to a change in Charity Commission guidance and wider responsible investment practice. The opinion also lays particular emphasis on the need for fiduciaries generally to be alive to the possibility of financial risk in investments which might be described as stranded assets”.⁵⁶

Several US universities who have divested have cited fiduciary duty. This includes Dayton, Utah and Massachusetts, the latter of which positioned this explained their decision in the following way:

“The Foundation’s primary responsibility is a fiduciary one. Its primary mission is overseeing the endowment in an effort to maximize returns on funds donated for research, academic programs, financial aid and other purposes. That we took this step reflects not just our comfort as fiduciaries but the seriousness with which we see climate change.”⁵⁷

The Health Case

⁵⁴ Ibid

⁵⁵ http://www.unepfi.org/fileadmin/documents/fiduciary_duty_21st_century.pdf p 9

⁵⁶ <http://www.bwblp.com/file/summary-and-opinion-pdf>

⁵⁷ <https://www.umass.edu/newsoffice/article/umass-becomes-first-major-public>

The seriousness of the health argument in relation to fossil fuel divestment cannot be underplayed. Experts have warned that climate change *is* a “health emergency”,⁵⁸ and Healthy Planet’s report, *Unhealthy Investments*, presents some fundamentally uncomfortable truths about our reliance on fossil fuels. Annually, the international community loses an estimated 400,000 people to anthropogenic climate change, alongside 7 million premature deaths due to air pollution (the majority of which comes from the combustion of fossil fuels).⁵⁹ The latter isn’t restricted to the Global South, with 29,000 deaths (5% of all) a year in the UK attributable to this.⁶⁰ The ease of access to fossil fuelled transportation in the Global North has also led to high levels of physical inactivity, with longitudinal studies finding “that age-specific all-cause mortality is 30-40% lower amongst cyclists than those who do not use active travel, even accounting for confounding and road traffic accidents, whilst acquiring a car has been found to be associated with weight gain”.⁶¹

In the long-term, Healthy Planet’s report divides the health impacts of climate change into three categories: direct health impacts, such as heat waves and flooding, indirect health impacts mediated by ecosystems, such as food and water insecurity, and social system impacts, such as migration and health inequalities.⁶² In higher-end warming scenarios the collapse of eco-systems will lead to an increase in tropical diseases, as the barrier they provided in naturally containing such diseases from the wider masses will have been destroyed. A number of these viruses and diseases will significantly affect and alter the quality of life for the global population, spreading vector-borne diseases like hantavirus and water-borne diseases such as cholera.⁶³ Societally, sea level increases and climate change are likely to destabilise food chains, leading to food insecurity, malnutrition and starvation, increased migration and conflict and the exacerbation of poverty.⁶⁴ The current conflict in Syria is being exacerbated by climate related factors such as freshwater scarcity,⁶⁵ thus showing how these issues are already beginning to play out internationally.

The relationship between climate change, health and migration intersects in a multitude of ways. It is suggested that as the effects of climate change are more acutely felt, people will migrate in order to protect their health. However, the traumas and injuries of the dangerous journeys undertaken by migrants also

⁵⁸ <http://www.reuters.com/article/us-health-climatechange-idUSKBN0P22FG20150623>

⁵⁹ Ibid

⁶⁰ Ibid, p 9

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http://www.unhealthyinvestments.uk/uploads/1/3/1/5/13150249/unhealthy_investments_final.pdf
p 9

⁶²

http://www.unhealthyinvestments.uk/uploads/1/3/1/5/13150249/unhealthy_investments_final.pdf
p 8

⁶³ Ibid, p 8

⁶⁴

http://www.unhealthyinvestments.uk/uploads/1/3/1/5/13150249/unhealthy_investments_final.pdf
p 8

⁶⁵ <http://journals.ametsoc.org/doi/abs/10.1175/WCAS-D-13-00059.1>

present the reality of health issues arising in transit.⁶⁶ Therefore, health problems, in this context, are both a reason for *and* a consequence of migration and are important to be considered as part of the divestment narrative.

Domestically, the UK has already been affected by climatic change, with the economic repercussions of erratic weather conditions being felt in the farming industry for example.⁶⁷ Recent flooding events have also been found to severely impact people's mental health,⁶⁸ with the likelihood of this being more widespread as further flooding takes place.

For these reasons, in 2014 the British Medical Association voted to divest from companies involved in the extraction of fossil fuels in favour of funding those who work in the renewables sector and they suggest, as does the NUS, that in the name of global health we all do likewise.⁶⁹

The Reputational Case

In terms of reputational capital the case for divestment from fossil fuels is strong. Students are increasingly factoring ethical issues into their choices of university, and are more likely to choose an institution that is aligned with their values. For example, NUS research found that environmental considerations factored into over a third of respondents decisions of where to study at a Higher Education level.

When Glasgow University divested there was an array of positive media coverage.⁷⁰ This is similar in regards to the media coverage that *People and Planet's University League* receives. It has had significant coverage in the national press and some universities are publicising their success in this League prominently (see, for example, <https://www.plymouth.ac.uk/news/plymouth-university-tops-the-people-and-planet-green-league-2>). Low rankings increasingly tend to damage the reputation of universities wishing to display how they uphold strong ethical and environmental principles.

People and Planet's University League's ethical investment criteria were strengthened in 2014/15, reflecting demand from the sector, students and financial experts. Although no Universities were awarded 100%, many institutions scored highly for their ethical investment policies. To score on this section of the *People and Planet University League*, the institution is assessed on the following:

⁶⁶ http://climatemigration.org.uk/climate-migration-and-health-connections-and-challenges/?utm_content=bufferd4f61&utm_medium=social&utm_source=facebook.com&utm_campaign=buffer

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http://www.unhealthyinvestments.uk/uploads/1/3/1/5/13150249/unhealthy_investments_final.pdf

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http://www.unhealthyinvestments.uk/uploads/1/3/1/5/13150249/unhealthy_investments_final.pdf

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⁶⁹ <http://www.medact.org/news/uk-doctors-vote-end-investments-fossil-fuel-industry/>

⁷⁰ See: <http://bit.ly/1KD8a5i> ; <http://bit.ly/2bpy5TU> ; <http://bbc.in/1BVnprm> ;

<http://bit.ly/1pU8tPI> ; <http://bit.ly/2boujig>

1a. Does the institution have a robust and publicly available ethical investment policy reported on at senior level?

Essential:

- People & Planet will look for the policy on the university website
- Policy applies to the full scope of institution's investments and have equal standing to or be integrated within any other Investment Policy
- Policy is clearly signed off at senior level
- Policy clearly outlines a clear, annual reporting structure, including lines of responsibility for staff roles and committees – in relation to one another - who will implement, report on and oversee the policy.

1b. Specifics within the policy:

Additional scores will be added for each of the following areas included in the policy

- The university commits to including student representation on its investment committee(s) 10%
- The university outlines a clear process by which stakeholders can make representations about sectors/companies that breach ethical policy and a process for divestment decisions. AND a commitment to publicly list all investments annually (at minimum, what percentage invested in different sectors), evidence required: financial report and/or third party annual report for most recent financial year. 5%
- Commitment to screen out specific sectors:
 - Fossil fuel companies: partial commitment (i.e. coal and tar-sands) 5% or Fossil fuel companies: full commitment to all fossil fuel companies 20%
 - Arms companies 10%
 - Corporations complicit in the violation of international law 10%
- Commitment to use ethical fund manager (e.g. % of investments placed in "socially and environmental funds") or to increasing its proportion of positive investments - this would be contained within the policy 5%

Clarifications

- No score for 1a or 1b if all 4 essential points are not demonstrated
- If the university employs a third party fund manager it is still required to have its own ethical investment policy statement.

2. Has the institution evaluated implementation and progress towards its ethical investment policy objectives in the last financial year?

Clarifications

- Reporting on progress against the objectives of the policy has occurred at a senior level (i.e. university council, investment committee).
- This should include a framework or process to track changes and or progress against each objective within the policy.

People & Planet will look for:

- Accessible evidence of the reporting or uploaded documents i.e. minutes from a finance committee in which the policy was reported on since 1 April 2013.
- If the policy is new People & Planet will find a short, signed statement from a responsible party confirming the intended reporting structure and contact details of the responsible party.
- Relevant sections of minutes.

3. Are there ongoing opportunities for staff, students and other stakeholders to engage with the ethical investment policy?

Clarifications

People & Planet will look for the following:

- The institution website advertises live and ongoing opportunities provided by the university for staff, students and other stakeholders to engage with the institution's investment approach OR the university has uploaded consultation responses or minutes of meeting with student/staff representatives

4. The university has made a public announcement that it won't invest in fossil fuels and/or arms.

- People & Planet will find this statement on the university website.⁷¹

With these criteria, strong, robust and ethical investment policies can be cultivated, bolstering not only the environmental credentials of universities, but also their reputational capital, which has become more important as higher education has become increasingly competitive.

Where can the money be reinvested?

One of the main concerns of institutions debating fossil fuel divestment is where to move their money. In response to this, at the end of May 2016 NUS and

⁷¹ <http://peopleandplanet.org/university-league/methodology-2016/4-ethical-investment>

Community Reinvest published their Positive Investment Briefing, which was written with university investors in mind. The resource outlines a range of options for the reinvestment of divested funds, from on-campus renewables, community energy and energy efficiency projects to low carbon funds, impact and infrastructure investments.

To be prudent about Fiduciary Duty this position is even further strengthened. The creation of the investment briefing reveals how many lucrative options there are for the reinvestment of divested funds. Put simply, the argument that ethical investing is not financially viable is a mistruth, as previously discussed in section 2. It would do institutional investors well to think long-term in their investment strategies and consider the likely profitable sectors of the future – one of which is renewables. Mercer’s research demonstrates in the context of climate risk, the predicted impact on industry sector average returns is the “most meaningful” of all their findings, with coal, for example, declining by as much as 74% and renewables increasing by 54% over the next 35 years (depending on the climate scenario being used).⁷²

Mercer’s research further explicates this here:

“An energy transition is already underway. A record US\$329bn was invested in renewable energy in 2015, an increase of nearly 30% over 2014 (Bloomberg New Energy Finance). For the first time in, 2014, economic growth was decoupled from emissions growth (i.e. the economy grew, while energy-related emissions did not), a trend observed by the International Energy Agency again in 2015. This aligns with the rapid introduction of solar and wind power sources, with the latter taking over the fossil fuel based power installations in the US in 2015 (Bloomberg New Energy Finance). In the automobile sector, the market capitalisation of Tesla – whose mission is to accelerate the world’s transition to sustainable transportation – is now half that of General Motors.

The speed of take up of new technologies has increased significantly over the last century. It has happened faster than predicted by many analysts, suggesting we can expect to see the overall share of non-fossil fuel based energy technologies continue to accelerate at a swift pace – perhaps most rapidly where these technologies involve distributed generation more akin to ‘consumer products’ (e.g. portable solar panels you put on your roof).”⁷³

The move by the Rockefeller Brothers Fund to reinvest their divested funds into renewable energy in Africa, displays not only the moral impetus towards assisting communities on the frontlines of climate change through impact investing, but also the financial benefits of doing so. Stephen Heintz, President of the fund, summarised their decision thus, “it’s completely consistent and advances our philanthropic mission, but does so while supporting market-rate

⁷² <http://www.mercer.com/content/dam/mercero/attachments/global/investments/mercero-climate-change-report-2015.pdf> p 7

⁷³ http://divestinvest.org/europe/wp-content/uploads/sites/4/2015/05/2016.07.22_Mercer_Divest_Invest_Project-Overview_FINAL_Att.pdf p 6

investment and business solutions to climate change.”⁷⁴ This case is particularly important to highlight as part of the debate as they were founded by the profits of Standard Oil Company. As Mainstream Chief Executive Officer Eddie O’Connor stated, “the teaming up of the world’s leading independent renewable power developer with a foundation started by members of the family that effectively founded the global oil industry is a significant moment in the world’s transition to a new power system based on clean energy.”⁷⁵

Debates about the viability of renewable energy sources are incongruent with the sector’s *own* experiences. Lancaster University’s wind turbine, for example, produced 15% of campus electricity consumption between the 1st August 2013 and 31st July 2014,⁷⁶ massively contributing to their progression towards carbon emission reduction targets. On a wider scale, April and May 2016 saw UK solar out-powering coal for an entire 24 hours,⁷⁷ the UK energy mix completely omitting coal for the first time since the industrial revolution,⁷⁸ Germany being powered by almost 100% renewable energy for a day⁷⁹ and Portugal for four whole days.⁸⁰ Research by the University of Stanford has also shown that 100% of energy being sourced from wind, sun and water is possible by 2050, and with no impact on economic growth. It outlines an abundance of positive benefits too – millions of jobs for example – and the fuel cost, climate damage and environmental savings amount to nearly \$5 trillion.⁸¹ And perhaps most importantly this shift promises the near elimination of “air pollution morbidity and mortality and global warming, net job creation, energy-price stability, reduced international conflict over energy because each country will be energy independent”.⁸²

This undeniable rise of renewables marks an important transition from the ‘brown’ economy to the ‘green’. As Mercer’s research for Divest-Reinvest outlines, University managers could and *should* be working to create new products and strategies that work for the institution with climate change in mind. As such fossil fuel considerations are very much a reality that universities need to act on in the interests of their students, the global population and their finances.

⁷⁴ <https://www.bloomberg.com/news/articles/2016-07-27/rockefeller-fund-divesting-from-oil-takes-first-renewables-stake>

⁷⁵ <https://www.bloomberg.com/news/articles/2016-07-27/rockefeller-fund-divesting-from-oil-takes-first-renewables-stake>

⁷⁶ <http://www.lancaster.ac.uk/sustainability/low-carbon-technologies/wind-turbine/>

⁷⁷ <https://www.theguardian.com/environment/2016/apr/13/solar-power-sets-new-british-record-by-beating-coal-for-a-day>

⁷⁸ <https://www.theguardian.com/environment/2016/may/13/uk-energy-from-coal-hits-zero-for-first-time-in-over-100-years>

⁷⁹ http://www.pv-magazine.com/news/details/beitrag/germany-raises-renewable-bar-again-clean-energy-meets-nearly-100-of-demand_100024618/%20-%20axzz48uWUxqDH

⁸⁰ <https://www.theguardian.com/environment/2016/may/18/portugal-runs-for-four-days-straight-on-renewable-energy-alone>

⁸¹ <http://www.energypost.eu/stanford-world-can-go-100-wind-water-sun-2050-save-money/>

⁸² <http://www.energypost.eu/stanford-world-can-go-100-wind-water-sun-2050-save-money/>

As outlined in our 2016 NUS Policy, a further possible consideration is to reinvest into renewable energy projects in the Global South, which support those on the frontlines of climate change. Feel free to [get in contact](#) with us about how to present this aspect to university management and how to include this in your campaign aims.

Conclusion

The decision to divest from fossil fuels and reinvest into renewables is logical and necessary, as outlined by this paper, and the options are there for this to take place. With 50% of students saying that they would be more likely to donate to their university later in their career if they knew the institution had stopped investing in fossil fuels, there is much to suggest that divestment is the way forward for universities wishing to retain healthy endowment figures.⁸³ All that is needed is the commitment and willingness of the institution to respond to the campaigning of their students and staff on this issue. To do so would reinforce their democratic approach to institutional decision-making, as NUS research found that 87% of their staff and students agree that their university should invest in renewable energy and 85% say their university should buy or generate more renewable energy.⁸⁴ Comparatively, the finding that only 26% say their university is good at considering the views of students displays the need for divestment to be properly considered,⁸⁵ providing a way in which positive relationships within the university community could be established, truly constructing students as partners in the decisions their universities take. The reinvestment of funds into socially positive projects and sectors could contribute to well-founded perceptions of universities as truly existing for the public good, respondent to their own research outcomes on climate change and committed to the future generations of students they hope to educate on their campuses.

As a group of Stanford University Professors have written in a letter to their institutions:

"If a university seeks to educate extraordinary youth so they may achieve the brightest possible future, what does it mean for that university simultaneously to invest in the destruction of that future?"

⁸³ <http://www.nusconnect.org.uk/resources/divest-invest-report-attitudes>

⁸⁴ <http://www.nusconnect.org.uk/resources/divest-invest-report-attitudes>

⁸⁵ <http://www.nusconnect.org.uk/resources/divest-invest-report-attitudes>

Appendix 1

Timeline of key achievements of the ethical investment movement in the UK:

- September 2016 – King’s College London commits to divert their endowment from fossil fuels into clean energy investments
- June 2016 – University of Cambridge commit to divest their direct holdings in coal and tar sands (they don’t actually have any investments in these areas) and reject fossil fuel divestment in favour of ‘engagement’ with the industry. The campaign continues
- May 2016 – the Universities of Newcastle, Queen Mary, London and Southampton commit to fossil fuel divestment, with Southampton being the first to Divest-Invest by moving their money into an ethical fossil free fund managed by Kames Capital. Lancaster University commits £1million to environmentally sustainable investments, but refuses to pass comment on divestment commitments
- January 2016 – Sheffield Hallam University commit to not invest in fossil fuels
- December 2015 – both London School of Economics and the University of Sheffield divest from fossil fuels, coinciding with the commitment by world leaders at the Climate Talks in Paris to reduce carbon emissions
- November 2015 – the Universities of Surrey, of Arts in London (UAL) and Oxford Brookes commit to divest their endowment investments from fossil fuels in the lead up to climate talks in Paris. Six universities are announced to have divested from coal and tar sands due to their fund manager, CCLA, moving their money out of these shares: Birmingham City University, Cranfield University, Heriot-Watt University, the University of Hertfordshire, the University of Portsmouth and the University of Westminster
- July 2015 – University of Warwick divests from fossil fuels
- June 2015 – Wolfson College (Oxford) adopt the University of Oxford’s stance and commit to divest direct holding investments in fossil fuels
- May 2015 – London School of Hygiene and Tropical Medicine commit to divestment from coal, with campaigners stating it to be “the first health research organisation in the world to do so”. The University of Oxford commits to divesting its direct holdings in coal and tar sands companies (despite not having any), but rejects full divestment, leading to 70 alumnus, including George Monbiot and Jeremy Leggett, giving their degrees back in protest. The University of Edinburgh commit to divest from the three biggest fossil fuel companies in their portfolio as part of a company-by-company approach, following a 10-day student occupation
- April 2015 – SOAS becomes the first university in London to divest from fossil fuels, and the third in the UK to do so

- January 2015 - Bedfordshire University commits to not invest in the fossil fuel industry
- October 2014 - Glasgow University Court votes in favour of fossil fuel divestment, becoming the first UK university to make this commitment and Queen Margaret University management initiate fossil fuel divestment discussions and choose to exclude fossil fuel investments from their portfolio as part of their commitment to sustainability
- September 2014 - Oxford City Council becomes the first UK authority to pass divestment motion, pledging to make no direct investments in fossil fuel companies
- July 2014 - SOAS agrees to a temporary freeze to fossil fuel investments, while exploring the possibilities for full divestment
- June 2014 - the British Medical Association votes to end its investments in fossil fuel companies and increase investments in renewable energy
- May 2014 - the NUS votes to support the Fossil Free campaign
- September 2013 - University of Edinburgh divests from Ultra Electronics, a company that manufactures components for drones

Universities in the UK that have committed to divestment from fossil fuels in some form:

- | | |
|---|--|
| 1. Birmingham City University | 14. University of the Arts, London |
| 2. Cranfield University | 15. University of Bedfordshire |
| 3. Glasgow Caledonian University | 16. University of Cambridge |
| 4. Heriot-Watt University | 17. University of Edinburgh |
| 5. King's College London | 18. University of Glasgow |
| 6. London School of Economics (LSE) | 19. University of Hertfordshire |
| 7. London School of Hygiene and Tropical Medicine | 20. University of Oxford |
| 8. Newcastle University | 21. University of Portsmouth |
| 9. Oxford Brookes | 22. University of Sheffield |
| 10. Queen Margaret | 23. University of Southampton |
| 11. Queen Mary University, London | 24. University of Surrey |
| 12. School of Oriental and African Studies (SOAS) | 25. University of Warwick |
| 13. Sheffield Hallam University | 26. University of Westminster |
| | 27. Wolfson College (University of Oxford) |

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This template is based on a paper written for the [Ethical Investments campaign](#) at Lancaster University which was submitted to university management in 2015. It was written by Laura Clayson and Emily Winter. To view the original text please [get in touch](#).