



MEMORANDUM

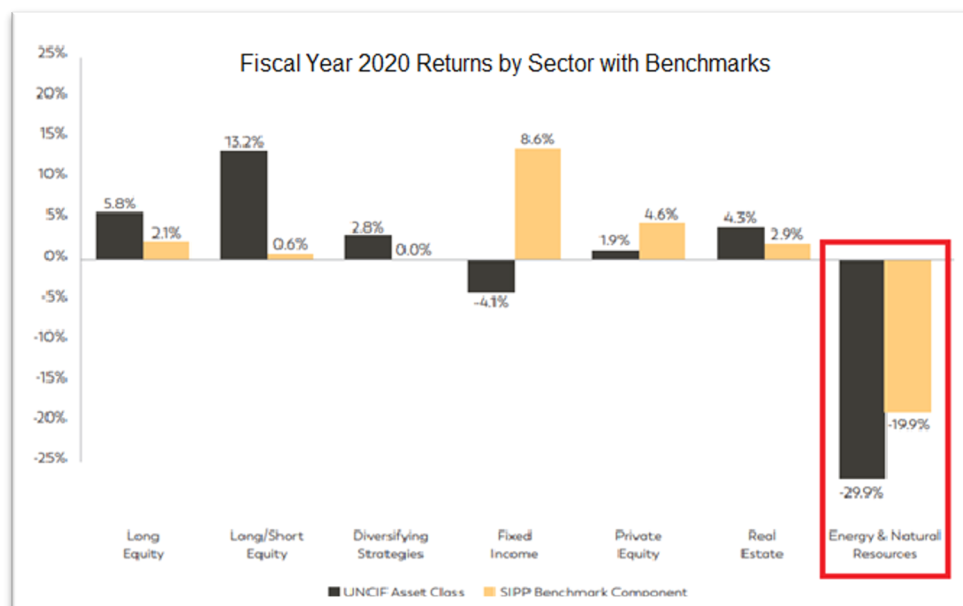
Tuesday, November 30, 2021

Dear all,

We must discuss why our University is invested in fiscally irresponsible and environmentally destructive assets. Instead of impeding our future, Carolina should invest in solutions that benefit our university and our sustainability goals. Fossil fuel investments stymie the UNC Management Company's frugality objectives and the Board of Trustees' 2014 resolution for sustainable investments. Tar Heel student activists have pushed toward divestment for more than a decade. Many organizations have come and gone, but from *Beyond Coal UNC*ⁱⁱ in the early 2010s to *UNC Reinvest*ⁱⁱⁱ now, their message has remained the same: Carolina cannot afford to fund the climate crisis any longer. Outside of Chapel Hill, our Public Peer Institutions have already taken action. Carolina has the opportunity to catch up to our peers and lead in sustainable growth for the South, but we must act now.

This is a call for divestment from fossil fuels in Carolina's endowment on the quickest possible timeline to secure our university's future and educational mission.

The numbers speak for themselves. *Energy and natural resources* comprise less than five percent of our endowment^{iv}, but produce an unmatched pattern of diminishing returns. For every dollar invested in *energy and natural resources* last year, our assets returned a **loss of nearly 30 cents**^v. And, since 2017, returns have steadily declined. 2017-2018 brought a **-4.5%** decrease^{vi vii}, followed by **-12.3%** in 2018-2019^{viii ix}, and then a **-35.4%** nosedive between 2019-2020^{x xi}. Over the last decade, the *energy and natural resources* sector has produced the smallest returns of any asset class^{xiii}. Our current investment strategy does not support the frugality of the endowment. Every reasonably-minded stakeholder in our university should be concerned about this trend.



It is important to note that these losses should not be blamed on renewable investments. Of the nearly 300 million dollars in *energy and natural resources* in 2020^{xiii}, only 9.8 million were “sustainable, clean-energy investments”^{xiv}. Even though the UNC Management Company says that it “believes supporting the development of alternative energy sources is the most effective and pragmatic way [...] to reduce reliance on coal and other fossil fuel based energy sources”^{xv}, renewable energy investments were less than 3% of *energy and natural resources* in 2020.

Even eight years ago, before these poor financial returns, Carolina students expressed concern over the risks of fossil fuels^{xvi}. Our student body held a referendum in 2013 for coal divestment. The resolution easily passed with 77% support^{xvii}. After the referendum, the UNC Board of Trustees passed a resolution urging sustainable, clean energy investments^{xviii}. Students at the time touted that a movement was growing. They pointed to just one school -- *San Francisco State University* -- as a sign that divestment was feasible for public institutions^{xix}.

Now, numerous universities have divestment plans, including institutions that match Carolina’s mission, overall quality of faculty and students, and research productivity^{xx}. Our self-defined Peer Institutions serve as markers to measure the actions of our University. Among our Public Peers, the *University of Michigan at Ann Arbor*^{xxi}, *University of California at Berkeley*^{xxii}, *University of California at Los Angeles*^{xxiii}, *University of Washington at Seattle*^{xxiv}, and *University of Illinois at Urbana-Champaign*^{xxv} have all made significant steps toward divestment. Even *Harvard University*, the wealthiest in the United States with their \$53.2 billion-dollar endowment^{xxvi}, recently decided to divest from fossil fuels^{xxvii}. Our Peer Institutions undeniably demonstrate that divestment is a winning strategy.

At Carolina, we take pride in being our state’s flagship university. We live up to our mantras, like “The University of the People”^{xxviii} by pursuing excellence across all endeavors^{xxix xxx}. When it comes to our interactions with the environment, we are “of the people, for the planet”^{xxxi}. Carolina attains excellence in sustainability with our Climate Action Plan^{xxxii} and vast efforts to track our emissions. Extensive resources are committed every year to conduct annual greenhouse gas inventories^{xxxiii}, find pathways to reduce coal use^{xxxiv}, and integrate renewable electricity projects^{xxxv} to reach carbon neutrality by 2040^{xxxvi}. We have made great strides to reduce our direct impact on the environment. And yet, Carolina is still content to fund the root cause of the climate crisis.

The choice is ours. Consider which is more difficult: either Carolina can move its investments into other profitable areas, or we will be forced to face the challenges of more hurricanes, flooding, and extreme weather events that threaten our ability to learn. Every day we choose not to divest, we commit to a more difficult future for every Tar Heel.

Today, the UNC Student Government echoes the efforts of numerous student activists, particularly *UNC Reinvest*, in an immediate call for change. **There can be no delay, UNCMC must stop funding the root cause of the exact crisis that our Climate Action Plan aims to mitigate.**

Yours for Carolina,

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UNC Student Government Executive Branch

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- ^v UNC Management Company, Inc. (n.d.). *2020 UNCIF Fiscal Year Annual Report*. Retrieved from <https://uncmc.unc.edu/wp-content/uploads/sites/478/2021/02/FY-2020-UNCIF-Annual-Report-FINAL.pdf>. Page 7 - *Asset Class Returns*
- ^{vi} UNC Management Company, Inc. (n.d.). *2017 UNCIF Fiscal Year Annual Report*. Retrieved from [FY 2017 Annual Report – UNC Investment Fund](#). Page 9 - *Asset Class Returns vs. SIPP Benchmarks* *calculated through the difference between asset class returns in 2017 and 2018*
- ^{vii} UNC Management Company, Inc. (n.d.). *2018 UNCIF Fiscal Year Annual Report*. Retrieved from [FY-2018-UNCIF-Annual-Report-FINAL.pdf](#). Page 9 - *Asset Class Returns vs. SIPP Benchmarks* *calculated through the difference between asset class returns in 2017 and 2018*
- ^{viii} Ibid. *calculated through the difference between asset class returns in 2018 and 2019*
- ^{ix} UNC Management Company, Inc. (n.d.). *2019 UNCIF Fiscal Year Annual Report*. Retrieved from [FY-2019-UNCIF-Annual-Report-FINAL.pdf](#). Page 7 - *Asset Class Returns vs. SIPP Benchmarks* *calculated through the difference between asset class returns in 2018 and 2019*
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- ^{xii} Ibid. Page 33 - *Investment Performance*, figure 7.
- ^{xiii} UNC Management Company, Inc. (n.d.). *2020 UNCIF Fiscal Year Annual Report*. Retrieved from <https://uncmc.unc.edu/wp-content/uploads/sites/478/2021/02/FY-2020-UNCIF-Annual-Report-FINAL.pdf> Page 5 - *Portfolio at a Glance* *calculated through taking Fund Market Value and Multiplying by % of Energy and Natural Resources* $6,679 \times 0.045 = 300$ Million
- ^{xiv} Ibid. Page 36 - *The Fund and Investments in Alternative Energy*. Full quote: “At the end of the fiscal year, the Fund had \$9.8 million in exposure to sustainable, clean energy focused investments.”
- ^{xv} Ibid. Page 36 - *The Fund and Investments in Alternative Energy*. Full quote: “At the Management Company, we believe that supporting the development of alternative energy sources is the most effective and pragmatic way to assist in the important effort to reduce reliance on coal and other fossil fuel based energy sources.”
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