FREQUENTLY ASKED QUESTIONS & ARGUMENTS

Why target fossil fuel companies, and not other companies that play a role in climate change?

Political and legislative action on climate change has been blocked by the fossil fuel industry, which spends billions of dollars lobbying against climate change legislation and funding public misinformation campaigns denying global warming. Just as the tobacco industry funded so-called scientific research to negate the evidence of the harmful effects of smoking, fossil fuel companies including Exxon, Shell, and others have funded conservative think tanks such as the Competitive Enterprise Institute, the George C. Marshall Institute, and the Scientific Alliance, which have produced studies denying climate change. In 2013, the oil and gas industry was also among the top three largest lobbies in the US, along with the pharmaceutical and insurance industries. Furthermore, many fossil fuel companies receive subsidies from the US government, and the ever-present revolving door facilitates a cozy relationship between regulators and the fossil fuel executives.

How would divestment actually affect the fossil fuel industry and climate change if it doesn't impact fossil fuel companies' bottom lines?

Divestment isn't primarily an economic strategy, but a moral and political one. Just like in the struggle for Civil Rights in the U.S. or the fight to end Apartheid in South Africa, the more we can make climate change a deeply moral issue, the more we will push society towards action. We need to make it clear that if it's wrong to wreck the planet, then it's also wrong to profit from that wreckage. At the same time, divestment builds political power by forcing our nation's most prominent institutions and individuals (many of whom sit on university boards) to choose which side of the issue they're on. Divestment sparks a big discussion and – as we're already seeing in this campaign – gets prominent media attention, moving the case for action forward.

Divestment also starts to build momentum for moving money into clean energy, community development, and other more sustainable investments. Let's say our campaign succeeds in moving just 1% of the $400 billion in university endowments towards sustainable alternatives. That's roughly $4 billion worth of new investments in things like solar bonds, revolving loan funds, and advanced energy industries. More importantly, when other investors, be they individuals or pension funds, see the nation's leading universities begin to move in this direction, they're more likely to follow suit.

If we sell our shares in fossil fuel companies, won't someone else just buy them?

Yes, but only fossil fuels become stranded assets. This is the problem with carbon leakage, and it only reinforces the fact that drastically curtailing fossil fuel extraction at the international level is needed. For example, if the US alone decided to stop using coal, the price of coal would become cheaper and that coal supply would be shifted to another country willing to buy coal. This is why the US would have to agree to limit coal usage in conjunction with other countries to actually reduce global coal consumption instead of shifting it around. However, international governments will not form such an agreement unless they are pressured to do so, especially considering the influence of the fossil fuel lobby. This is one of the aims of fossil fuel divestment: stigmatize the fossil fuel industry to send our elected officals and world leaders the message that they need to collective act, and soon, to reduce fossil fuel production and consumption.

Indeed, the University of Oxford study concludes that the direct financial impact of fossil fuel divestment campaigns on share prices or the ability to raise funds is small, but the reputational damage can still have major financial consequences.

Wouldn't divesting make the endowment less competitive? What about financial aid?

Many studies suggest that, in general, divestment would have little or no impact on returns. One study conducted by the research firm Standard and Poor's Capital IQ found that a $1 billion endowment would have actually performed better over the past 10 years, by a margin of $119 million, if it had divested from fossil fuels.

We also know that past returns never guarantee future results. Since 80% of the world's proven fossil fuel reserves on which current stock prices are based needs to stay underground, fossil fuels will become "stranded assets" when governments adopt legislation as they must to severely curtain fossil fuel extraction and consumption. The "carbon bubble" created by the overvaluation of fossil fuels that cannot be burned is valued at $20 trillion, 10 times the size of the housing bubble that burst in 2008. It is becoming ever clearer that an upcoming depreciation in the value of fossil fuel investments is inevitable, especially with China and the U.S.'s joint commitment to lower their carbon emissions by 2050.

To address the financial aid question, if there were to be any negative impact on Columbia's endowment returns, which it is not proven that there would be, the university can and should make sure that financial aid is the last budget item to get cut. Clearly, if Columbia has money to spend on expensive projects such as the Manhattanville expansion, we are in no danger of having to cut financial aid. Futhermore, even during the recent recession, Columbia was among several institutions to increase financial aid in the same year that the endowment decreased. Administrations often invoke cuts to financial aid or faculty salaries as a way of creating confusion and stalling divestment.

Additionally, according to a study by Bloomberg, there are several competitive, viable alternatives to fossil fuel stocks: "There are...a number of trillion dollar-plus sectors that could absorb divested dollars. The seven sectors below are highlighted to absorb fossil fuel divested capital not just because of scale, but because each also includes companies where minimizing fossil fuel use, creating greater energy efficiency, or manufacturing and servicing a lower-carbon energy system is part of the growth strategy." Examples given: information technology, engineering, food and beverage http://about.bnef.com/content/uploads/sites/4/2014/08/BNEF_DOC_2014-08-25-Fossil-Fuel-Divestment.pdf

The endowment is not a political tool.

Many have also argued that university endowments should not be used as political tools, but as resources for the sole purposes of education and research. However, universities are already political actors: They drive policy decisions and hold a great amount of influence in the most powerful circles of society. Furthermore, as many have already recognized, universities give their tacit approval of industries by investing in them, which is precisely why many institutions withdrew their financial support from companies linked to tobacco companies and the South African apartheid.

What about shareholder resolutions?

Shareholder action aimed at modifying fossil fuel companies' behavior is not an effective way to address climate change because the basic business model and continued existence of fossil fuel companies is in direct opposition to the goal of stopping climate change. As long as fossil fuel extraction in its current form continues to be legal and unregulated, fossil fuel companies actually have a fiduciary responsibility to generate the highest returns possible for their investors, which means extracting as much carbon as possible. These companies can no longer continue to exist in their current forms, and they need to scale down their operations on a short time scale of 15-30 years. They will not voluntarily curtail production unless forced to do so by government regulations, and no shareholder resolution or proxy vote will get fossil fuel companies to produce less.

Take Exxon Mobile for example: they released a report in formal response to a shareholder resolution that demanded they disclose their carbon risk and talk about how they planned to deal with the fact that they and other oil giants have many times more carbon in their collective reserves than scientists say we can safely burn. The company said that government restrictions that would force it to keep its reserves in the ground were "highly unlikely," and that they would not only dig them all up and burn them, but would continue to search for more gas and oil — a search that currently consumes about $100 million of its investors' money every single day. Exxon's report effectively translates to, "We plan on overheating the planet, we think we have the political muscle to keep doing it, and we dare you to stop it."

Furthermore, scientists say that in order to keep warming below 2°C, we need to leave about 80% of the fossil fuel industry's current reserves underground. This is an achievable goal, but it's the type of move that no group of shareholders would ever vote for willingly. Make no mistake, Exxon could still make a profit as an energy company if it transitioned its massive wealth and expertise over to renewables, but they'll do it because of government regulation, not because they willingly decide to make the move.

Resolutions are typically directed toward things like governance, executive pay, etc, not changing a company's fundamental business plan. Shareholder resolutions are often very time-consuming and are met with little response from fund managers. Shareholder activism also occurs behind doors without any transparency or accountability to university communities.

How feasible is fossil fuel divestment?

Many high-profile fund managers, including Cambridge Associates, are now offering fossil fuel-free portfolios.