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Doing Better Than Divestment

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Abstract

In the next several years we will see an increasing number of divestment campaigns spring up among student bodies nationwide. Given this trend, I believe it would be helpful to those interested in divestment at U.Va and other institutions to first examine the discussion that has followed the campaign so far. What is divestment? Is it well argued? Does it make economic sense? Should *we* divest? If so, what steps should we take? Frequent campaign failures indicate that the divestment argument needs some reworking. The ultimate objectives of this paper are 1) a new argument that elucidates more compelling incentives for U.Va to take action against fossil fuels and 2) a financially responsible reinvestment strategy that reflects the greater values of our university.

Note to Reader

I have searched endlessly for papers that condense the divestment conversation down to one, digestible text. The best works I have found are long, dense and perhaps not written for students who are generally interested in the subject. So I have dedicated some time to creating one that is. "Doing Better Than Divestment" is broken up into six parts, or six articles presenting six different arguments that ultimately contribute to the whole. I hope it helps.

1. Introduction

This paper serves to help students better understand how they can encourage their institutions to take meaningful action to address the climate crisis. While small-scale sustainability initiatives foster environmental consciousness on our campuses, endowment responsibility shifts our focus back to the more pressing problem: an existential threat that could ultimately wipe out millions.

Our universities can help foster the immense leadership required to face this challenge by transforming our endowments into powerful educational tools. A collective call for Socially Responsible Investment (SRI) publically communicates the importance of defeating unsustainable, short-term profit-driven interests with sustainable, long-term value-driven objectives. Students can lead the way by encouraging their administrators to act on this imperative.

The divestment movement continues to gain momentum as new campaigns spring up across the country. Given this trend, I believe it would be helpful for students interested in divestment to first examine the discussion that has followed the campaign so far. What is divestment? Is it well argued? Does it make economic sense? Should we divest? If so, what steps should we take? Frequent campaign failures indicate that the divestment argument needs some reworking.

The objectives of this paper include 1) a new argument that elucidates more compelling incentives for universities to take action against fossil fuels and 2) a socially responsible investment strategy that reflects the greater values of our institutions. I present the University of Virginia as a specific case study; however, these arguments do not apply exclusively to any institution. All universities can be moral leaders in this challenge, but that leadership must begin with students.

1. What is Divestment?

Our world faces a severe climate crisis due to a growing concentration of greenhouse gases in our atmosphere, a problem exacerbated by our increasing energy consumption linked to global industrialization and rapid population growth. Storms, floods, droughts, and fires associated with climate change are already having their effect on the US economy, and the worst is still to come.[1] As top scientists conclude: humanity is in for one pernicious, apocalyptic treat. All fatalism aside, however, there are solutions to be found. Divestiture from behemoth fossil fuel companies such as BP and ExxonMobil is a good place to start.

Most universities have endowments of invested capital, e.g. stocks or bonds scattered across a wide array of businesses and industries that, if invested prudently, produce sufficient returns to finance their operations. Fossil fuel divestment calls for the removal of stocks from specific companies engaged in the extraction, production, and distribution of dirty energy resources such as coal, natural gas and petroleum, enumerated by the size of their proven reserves. The refinement and consumption of these substances contribute to global climate change by releasing dangerous quantities of carbon dioxide into the atmosphere. Bill McKibben – founder of 350.org, an organization centered on the objective of reducing atmospheric CO_2 levels back to a more sustainable 350 parts per million – eloquently puts, "If it is wrong to wreck the climate, then it is wrong to profit from that wreckage."[2]

Divestment is smart because it politically weakens the industry that pollutes our future. When private and public stocks are removed from those companies, their influence in the marketplace should in theory diminish due to the effects of stigmatization. This strategy, which has precedent in the form of divestment campaigns against tobacco, Sudan, and South Africa during apartheid – was adopted by a national student-driven campaign launched in 2012. The movement has since galvanized campus support around the objective of convincing colleges and universities to cleanse their endowments of fossil fuel investments.

The divestment narrative is admirable, as well as a crucial component to the wider youth climate movement that has burgeoned internationally since the first Power Shift summit was held in Washington D.C. in 2007. However, those who champion its vision have faced much resistance.

In 2013, my brother helped organize the divestment campaign at Davidson College (endowment size: $560 million). That same year, my cousin orchestrated the Tulane campaign (endowment size: $1 billion). Despite immense student support,

[1] Bloomberg, Michael R., Henry M. Paulson, Jr., Thomas F. Steyer, "Risky Business: The Economic Risks of Climate Change in the United States"
[2] McKibben, Bill, "Turning Colleges' Partners into Pariahs"

neither one succeeded. In fact, among the 300+ student-driven divestment campaigns, only a handful have committed to full divestment from the top 200 fossil fuel companies.[3] Among those, only one can boast an endowment of over $100 million, the rest averaging at about $30 million or smaller. Whether deterred by lower investment returns, commingled funds, or pure politics, the pattern is clear: bigger schools are more reluctant to join the march for environmentally conscious investment. Unfortunately, it is these big schools that the movement needs the most. With U.Va's own endowment surpassing the $5 billion mark, it will be particularly challenging for divestment to take root here.

By rethinking the Divestment Campaign, we can generate new incentives for our universities to become national leaders in this global challenge. We can do better than divestment.

2. Rethinking Divestment

As the United Nations Framework Convention on Climate Change continues to push for more stringent cutbacks on fossil fuel consumption, individuals, organizations, companies, governments, and municipalities around the globe will be driven to cease unsustainable energy practices and divest their fossil fuel assets. While students should recognize this inevitability, they should think carefully about how to encourage their schools to participate in the effort.

For the purposes of a student campaign – particularly at this early stage in the market transition – students would do well to focus their efforts on spreading a moral message rather than targeting the industry directly. The rest of this paper argues why student divestment campaigns should recontextualize their arguments as part of a broader conversation on SRI. In doing so, campus campaigns will be better positioned to mobilize their resources in order to propel the movement forward through public statements.

Failed campus divestment campaigns end up being taken down by similar arguments: on a small scale, divestment does little to negatively influence the fossil fuel market because fossil fuels abound. They are in everything from our shoes, roads and toys, to the fuel that ultimately powers the developed world in which we live. The prevalence of fossil fuels in our everyday lives demonstrates the enormity of the industry we are dealing with. We students can do very little to reshape this reality.

If student campaigns view their success as a reduced subsidy to the fossil fuel industry tied to subsequent cutback on carbon emissions, then yes, divestment fails. If any university were to magically divest $2 million worth of dirty assets, those shares would likely soon be snatched back up by new investors, if not already engulfed by the $21 billion worth of subsidies the US government pumps into the fossil fuel industry every year.[4] And that does not even account for the hundreds of billions wrapped up in hedge funds and private equity that our universities have no control over, despite being heavily vested in those firms.[5] Factor in the difficulty of

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[3] Fossil Free, "Fossil Free Commitments"

[4] Makhijani, Shakuntala, "Cashing in on All of the Above: U.S. Fossil Fuel Production Subsidies Under Obama"

[5] Bullard, Nathaniel, "Fossil Fuel Divestment: A $5 Trillion Challenge"

dealing with the major stocks that are pooled together with other institutions, and suddenly there seems to be little incentive for U.Va to divest.

Campaigners must realize that divestment is not an economic argument; it is a social one. A Harvard study showed that the South Africa apartheid divestment movement in the late 1970s and 1980s had negligible financial impact, and yet still contributed to the dissolution of the South African regime.[6] Symbolized largely by acts of divestment, worldwide condemnation of human injustices carried out by the National Party drove South African whites away from their government under fear of being stigmatized themselves. Divestment steered domestic and international public discourse for the better in South Africa, and it can have the same effect on our society today.

However, unlike the historical movement, the moral question underlying the current campaign is somewhat murkier. It is an overstatement to argue that all fossil fuel companies directly finance the oppression of innocent people. In many ways, they have provided us with the very comforts of modern day living that enable us to organize and rally against such pressing issues. There are *a* billion people on the planet currently living without electricity, and while we privileged Westerners demonize fossil fuels, a good majority of those without power pray that they may one day be plugged in with the rest of us. If our focus is human rights, then many would argue that fossil fuels are often the solution, not the problem.

I am not advocating for fossil fuels, but rather offering a reality check to those who may need it. Arguing against dirty energy is tricky. Most of us do not question the moral merits of fossil fuel consumption because these resources are deeply entrenched in our quotidian existence. Even fewer question the supply-side implications of their preferred fuel and power providers. However, by shifting focus from fossil fuels in general to specific cases of social injustice within the industry, campaigns might be more successful in delivering their message.

The corporate fossil-complex is riddled with human rights violations.[7] Royal Dutch Shell has ravaged communities in the Nigerian Delta by destroying their natural resources and manipulating their government to violently suppress their cries of protest. Chevron, while also accused of aiding and abetting in the injustices perpetrated by the Nigerian government, faces human rights allegations (including rape, murder, and enslavement) surrounding hazardous and illicit resource extraction in Burma and Kazakhstan.[8] BP has deeply defiled the natural resources of Colombian farmers, a mere misdemeanor compared to its countless federal criminal and civil charges due to deadly and environmentally devastating operational failures, the worst and most recent of which has amounted to $18 billion in civil penalties.[9] [10] While these egregious cases are of foremost concern, there are more subtle forms of social injustice that are often left unacknowledged.

On top of financing operations linked to human rights abuses, fossil fuel companies fund pseudoscience campaigns intended to undermine the legitimate

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[6] Hong Teoh, Siew, Ivo Welch and C. Paul Wazzan, "The Effect of Socially Activist Investment Policies on the Financial Markets: Evidence from . . ."

[7] Watts, Michael J., "Human Rights, Violence and the Oil Complex"

[8] "The True Cost of Chevron: An Alternative Annual Report" (May 2011)

[9] Verkaik, Robert, "BP Pays Out Millions To Colombian Farmers"

[10] BBC, "BP Found 'Grossly Negligent' in 2010 Gulf Oil Spill"

science of climate change that threatens its future profits. As Naomi Oreskes and Clara Belitz of Harvard University point out: "While giving money to support research, fossil-fuel companies also spend money to undermine its results, both directly through misleading advertising and indirectly by supporting think-tanks, trade organizations and other 'third party allies' who are continuing to promote disinformation and doubt [about climate change]."

Universities exist to foster the knowledge that compels revolutionary change in all fields of study, whether it is the R&D of renewable energies or the enhanced monitoring of global climate change. How can we fulfill this purpose if our institutions remain vested in an industry that spends millions to undermine that progress? In other words, any university that pumps money into the pockets of corporate backstabbers needs to rethink its investment portfolio.

By now, it should be clear that fossil fuel corporations do not exist for the benefit of humanity, but rather to profit from society's dependence on their dirty market. By focusing on an egregious corner of the industry, campaigners will be better positioned to make a case to their administrators. I argue that U.Va students should start by centering their argument on the injustices felt by local coal mining communities. Framing an SRI resolution around coal would certainly be an effective first step towards developing a more powerful argument.

2.1 Honing the Argument

In light of U.Va's divestment from apartheid in 1990 and its subsequent divestment from UNOCAL – once a petroleum explorer – in 2001 and the Sudanese government in 2006, the campaign will have little effect here unless targeting an industry that clearly deserves condemnation: coal.[11] [12] For decades, Appalachian communities in West Virginia have faced corporate injustices comparable to those targeted by historical divestment campaigns. A Royal Sociological Society study even argues that the coal industry in West Virginia has exploited labor communities by means of "ideological manipulation," manufacturing a local identity that essentially champions coal at the expense of human life.[13]

The social and environmental costs of coal are indisputable. Given its proximity to the West Virginia mining industry, U.Va in particular should play a bigger role in educating the public on the devastating health effects of coal-dependence along with the importance of helping neighboring communities transition over to healthier, more sustainable local economies. Divestment is a powerful way to package this message. However, would our administration readily adopt such a proposal? Stanford has demonstrated that major schools *can* work out reasonable divestment resolutions.

On May 6 2014 Stanford University (endowment size: $18.7 billion) committed to full divestment from coal mining companies, setting a promising precedent for a campaign here at Virginia. Big schools demand big incentives, and as Stanford has demonstrated, coal compels. However, no major research institution

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[11] Guniganti, Pallavi, "Praising Student Efforts for Divestment"

[12] Cavalier Daily, "Divestment Portfolio"

[13] Bell, Shannon Elizabeth, and Richard York, "Community Economic Identity: The Coal Industry and Ideology Construction in West Virginia"

simply acts on moral imperative alone. A closer assessment of Stanford's motivation for SRI reveals that practical incentives ultimately pushed its resolution through.

It was a financially easy decision for Stanford to remove all of its public holdings from the coal industry. Public stocks are easily accessible and can be quickly removed. Private stocks – likely accounting for the vast majority of Stanford's dirty assets, many of which may still include coal – are not. Furthermore, divestment did not violate the school's investment responsibility policy because coal shares were too meager to have any significant effect on its returns.[14] While Stanford's divestment resolution did not reap financial gain, its losses were insignificant.

This example provides ample evidence that the social benefits of SRI greatly outweigh the financial hurdles of passing a resolution, which in Stanford's case appear quite minimal. Despite Stanford's modest upfront commitment, its act of divestment represented a statement from one of the nation's leading universities and was featured in the headlines of the New York Times that very week. The announcement has since reinvigorated the movement, sparking a new wave of campaigns nationwide. U.Va should learn from this example. Although divestment would not financially benefit our institution, the moral message *can* be delivered in a financially feasible manner with little hassle involved.

U.Va campaigners should emphasize that the degree of initial divestiture is less important than the message that needs to be communicated. However, SRI proposals should commit asset managers to working out long-term divestment solutions, a not so unreasonable goal given the unfavorable projections for future returns on fossil fuel investments (discussed in Part IV). Furthermore, reputable studies *have* shown that divestment does not necessarily translate to a breach in fiduciary duty. In other words, the University of Virginia Investment Management Company (UVIMCO) can ensure healthy returns on its investments that achieve budgetary demands and minimize risk.

It is important to note, however, that greater and wider investment means less risk overall, so socially responsible reinvestment – i.e. in sustainable development and community-centered energy practices – would actually buffer our endowment from any residual risks of fossil fuel divestment. We might start by researching reinvestment models that would directly benefit those communities in West Virginia and Southwest Virginia that have suffered the most under the coal mining industry.

In conclusion, by placing divestment within the broader discussion on SRI, we can generate more compelling incentives for administrators to join the effort. As Stanford has demonstrated, a reasonable compromise can be achieved between students, administrators, and asset managers. However, the real question is whether our Board of Visitors will be willing to even acknowledge the moral imperative to act. Given our University's continued reliance on coal consumption, this could present a bit of a challenge.

I turn now to a more holistic discussion on SRI that should help clarify the broader message that needs to be communicated to the American public. These following arguments should help reinforce campaign strategy, and thus strengthen student standing before the Board.

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[14] Seiger, Alicia, "Inside Stanford's Coal Divestment Decision"

3. Divestment, The Path to Reinvestment

This section attempts to flesh out the conversation on SRI to help U.Va students recognize their overarching objective of publically denouncing unsustainable and socially irresponsible investment. If we want our university to speak strongly against unclean investment – against *all* fossil fuels – we have to shift the conversation from divestment to reinvestment.

The 318 million (and growing) people living in this country will not bend an ear until solar and wind outcompete oil and gas, until zero-emission vehicles prove accessible along with the electrical grid to support them, and until enough capital has been reinvested in the sustainable infrastructures and technologies that must define our energy future. If student activists acknowledged this truth, then campaigns would not view divestment as the end goal but rather as a necessary step towards greener, smarter investment.

Under the purview of our school's investment managers, divestment is not an economic solution; reinvestment is. Recent economic trends indicate that clean energy technologies – whether in research, development, or manufacturing – are becoming increasingly wise investments. With high prospects in green-tech energies and climate finance, there are plenty of options to be explored. However, the solution is not that simple.

The reinvestment message is meaningless unless it accounts for the perverse conflict of interest that ultimately impedes our transition to a greener economy. A recent study showed that 59% of Americans support eliminating all subsidies to the fossil fuel industry and 72% advocate for reinvestment in renewables.[15] Nevertheless, while our demand is changing, supply isn't listening. The energy market remains dictated by the ultra-wealthy, i.e. corporate executives and big-league lobbyists who profit from preserving our unsustainable, fossil-based economy.

Despite its highest approval rating in US history, clean energy represents only a small percentage of our energy supply because the fossil fuel lobby stifles its growth. A report in the Washington Post states, "the [fossil fuel] industry has among the biggest and most powerful contingents in Washington," revealing further that of its 600+ active lobbyists, three of every four once worked for federal government.[16] So long as this "revolving door" permits Big Oil executives and congressmen to exchange salaries behind the backs of the American people, the unsustainable extraction of fossil fuels will continue to hamper growth in the renewable sector.

The message is clear: the short-term self-interests of a select few should not overshadow the greater long-term interests of society. Our collective academic community can play a larger role in defeating this perverse economic reality by sending a strong message to our public representatives and national leaders, demanding that decision makers adopt long-term planning horizons that span decades, if not centuries. Most economic decisions currently operate within a timeframe of only a few years. The short-term thinking that governs most individual businesses and political cycles is simply not compatible with future climate stability.

[15] Leiserowitz et al., "Public support for climate and energy policies in November 2013"

[16] Eggen, Dan, and Kimberly Kindy, "Three of Every Four Oil and Gas Lobbyists Worked for Federal
[16]Government"

The collective long-term interests of society – including public and private sectors – must govern our economic decisions. Until the energy market reflects social conscience, our moral responsibility of protecting future generations will remain neglected.

Campaigners should perceive divestment as part of a broader conversation on reinvestment in clean energy and climate mitigation. Whereas divestment can powerfully target instances of social harm occurring throughout the fossil fuel industry, reinvestment communicates the greater importance of acting prudently in response to climate change. In short, divestment and reinvestment deserve equal footing within the SRI discussion. Combined, they transform our endowment into a powerful educational tool forged by the core values of our academic community.

Our business is education. We should capitalize on this service by extending it beyond our university community to the broader American people. Fulfilling our wider educational responsibilities would allow us to join Stanford in steering the American people away from fossil fuels, and simultaneously, support a greener energy economy. Ultimately, the goal is to capture the attention of our public representatives so that government can begin regulating the market in a way that facilitates our transition away from fossil fuels. Until the market adjusts, i.e. demand shifts and supply follows, our petrochemical-based economy will continue to trudge forth unsustainably towards a dirty horizon.

4. Why Reinvestment Makes Economic Sense

In this section, I do not attempt to justify reinvestment as a means for reaping greater financial benefit. Instead, I argue that the movement towards SRI parallels an ongoing shift in our energy market. By recontextualizing the divestment discussion as part of a broader global energy narrative, students can generate more compelling incentives for their administrators to help facilitate this transition.

4.1 A New Energy Narrative

As we've shifted over to the 21st century, the prospect for a fossil-based economy has diminished. Total annual returns on fossil fuel investments are currently at their lowest since 1998, performing worse than any sub-sector in the Standard & Poor's 500.[17] The only shares in energy (not including renewables) that will reap any worthwhile returns are those staked in natural gas. However, advocating for increased investment in gas exploration merely locks the US further into another unsustainable fossil fuel reliance. Investments translate directly to the development of concrete super structures including extraction wells, transmission lines, and processing plants – collectively impeding progress towards cleaner energy by absorbing the financial resources necessary to make this critical transition. While *short-term* profits from gas shares are guaranteed to be high, we must think *long-term*. We must view this resource as a necessary stepping-stone, not as the end all-be all. In other words, climate urgency should compel policy actors to recognize minimal thresholds for gas investment so that the further development of natural gas

[17] Morningstar Stock Market Data Through September 2014

infrastructures does not hamper our much-needed shift to green energy. Our Board of Visitors should honor this truth.

There is no healthy future in fossil fuels. Despite short-term positive projections by the Energy Information Administration (EIA), future fossil fuel investments will inevitably dwindle, with coal dropping out first.[18] No asset manager will refute the fact that coal has become a poor stock choice.[19] Coal production in central Appalachia has been declining for decades because the resource is becoming increasingly dangerous and expensive to extract. Coal is no longer a viable option for many of these local economies.[20]

While the coal market is deteriorating, there has already been a decrease in production across the three major oil corporations: Chevron, Shell, and ExxonMobil.[21] As a result, their capital expenditure, i.e. the percentage of profits that gets channeled back into the industry, has decreased dramatically. Point being, current long-term growth trajectories do not present favorable stock values to outside investors. Remaining shares will be funneled towards more expensive extraction methods such as Enhanced Oil Recovery and thermal intervention that target unconventional reserves including oil sands and shale oil in pristine (and often politically corrupt) regions of the Middle East, Canada, and South America. These techniques are already exacerbating environmental degradation by destroying habitat and tripling the amount of greenhouse gasses emitted during the refinery process. Investing in such harmful practices is simply unjust, not to mention financially unsound.

Last, in response to climate threats, the internationally agreed upon goal of limiting global warming to 2 °C suggests a strengthening global consensus on ending fossil fuel reliance. A recent report reveals that if world governments are serious about meeting that goal, 80% of fossil reserves would have to remain underground – "stranded" – threatening to drain $28 trillion from the industry within the next couple decades. I believe I have made my point: any argument for continued fossil fuel investment is simply null.

As SRI gains momentum, more mechanisms are being put in place to help increase the transparency of investment portfolios, enabling institutional investors to align financial actions with values. BlackRock, the world's largest fund management company, has launched a new index series to help investors avoid companies wrapped up in the exploration, ownership, or extraction of fossil fuels. The well-respected Aperio Group also offers feasible indexing for major investors such as U.Va to screen against socially and environmental irresponsible finance while maintaining the integrity of their portfolios. The influx of SRI solutions demonstrates the influence of the divestment movement on market behavior. More options will become available as the campaign gains momentum, transforming dirty black box endowments into clean and transparent financial flows.

The financial argument for divestment certainly does not ring hollow. Without reinvestment, however, the message will grow stale. Rather than throwing money at technologies that will ultimately swallow up the profits from the hard oil

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18 U.S. Energy Information Administration, AEO 2014 Report Overview

19 Goldman Sachs, "The Window for Thermal Coal Investment is Closing"

20 Gardner, Sarah, "In Kentucky, Who's to Blame for Coal's Decline?"

21 Sanati, Cyrus, "Chevron's Major Gamble: Baffling Spending Amid Production Declines"

they attempt to extract, why not pack up those operations altogether and reallocate the funds towards renewable energy where there is a future? Not convinced? Look overseas. The European Union projects that member state shares in the renewable energy sector will hit 20.7% by 2020, paralleling an unprecedented 24.4% rate of total renewable energy production.[22] *That is in four years,* and the Commission institutes new milestones every year.

A report released by Bloomberg New Energy Finance claims that cleaner energy will attract $5.5 trillion by 2030, a fast-paced shift away from the current fossil fuel-laden market amounting to an impressive $5 trillion challenge. Prospects for a greener economy are beginning to shape up here in the US as well. The EIA projects that our own market for wind and solar will double within the next twenty years. However our domestic transition will prove difficult without the cooperation of both private and public sectors.

Government will have to provide incentives for energy companies to concentrate efforts toward developing community-based clean energy infrastructures. Renewable energy technologies are most effective when operating jointly under a decentralized model. Ideally, different local energy inputs would collectively feed into a smart grid with the capacity for both storage and transferability between homes, ensuring a constant supply despite the volatility of wind and solar. Germany and other EU states are already implementing a similar model. Progress overseas begs the question of when the US will make strides to follow suit. As long as we continue to lock ourselves into a natural gas economy, our energy grid will remain incompatible with those new technologies that ultimately have to replace the old.

The International Energy Agency has already announced that worldwide clean-tech energy production will surpass natural gas by 2016.[23] This last year, total investment returns on solar have far surpassed those on fossil fuel exploration and production.[24] *No energy sector is growing faster than renewables*. While the domestic market is not quite up to speed with the global energy trend, we would be unwise to ignore the inevitable.

4.2 Exercising Political Prudence

At the end of the day, fossil fuel investments contribute to a massive carbon emissions debt that will inevitably wreak financial havoc in the form of severe climate consequences, reducing the 2008 downturn to a mere historical hiccup. Republican Henry Paulson, former US Secretary of the Treasury, puts it best: "We're making the same mistake today with climate change. We're staring down a climate bubble that poses enormous risks to both our environment and economy. The warning signs are clear and growing more urgent as the risks go unchecked."[25] Does our University investment portfolio neglect fiduciary duty by failing to account for this colossal risk?

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[22] European Commission, "Energy Roadmap 2050"

[23] International Energy Agency, "Renewable to Surpass Gas by 2016 in the Global Power Mix"

[24] Morningstar

[25] Paulson Jr., Henry M., "The Coming Climate Crash: Lessons for Climate Change in the 2008 Recession"

The Renewable Energy Policy Network for the 21st Century eloquently states, "The future of renewable energy is fundamentally a choice, not a foregone conclusion given technology and economic trends."[26] While economic trends provide incentives, they are ultimately the product of human will. A powerful statement from U.Va can help foster that will by steering our nation's citizens in the right direction. We should untether our beloved institution from any industry that pollutes this vision and, instead, harness the clean technologies that harmonize with it.

Societal demand for cleaner energy must not be overshadowed by the self-interest of the corporate elite because climate stability depends on a greener energy economy now. Financial decisions that reflect distance horizons guide us to prosperity. Short-term thinking does just the opposite, forcing us deeper into a hole where we'll find nothing but unscrupulous mortgage brokers and depleted oil deposits. By 2040, many of our administrators will have passed on, but *we* will be in our prime. We are the true stakeholders. We deserve attention. And we need all the help we can get.

5. Working with the Institution

Every campaign should strive to deliver the same moral message: *we must unfetter ourselves from our dirty past and embrace a more just and cleaner future.* However students should adopt campaign strategies that are appropriately tailored to their respective institutions. Part V examines some of the lessons learned from other schools to help inform an effective campaign here at U.Va.

Campaigns at different schools face different challenges. Universities with smaller endowments (i.e. roughly under $100 million) should have an easier time working out divestment resolutions because their endowment portfolios are typically more accessible to private asset managers. That said, the Stanford success story suggests that size alone is no excuse for inaction. So what prevents hundreds of other schools from responding similarly to student campaigns?

We might begin by looking at several administrative statements regarding divestment proposals that have been released thus far. The administration at Swarthmore (endowment size: $1.5 billion) that rejected divestment in 2012 responded rather defensively. Swarthmore President Chopp delivered an Op-Ed piece to the student body, in which she asserts, "…the time and circumstances are ripe for collaboration rather than divisive and adversarial uses of our combined energies."[27] Why does the administration perceive the campaign as divisive and adversarial? This language is echoed in Harvard President Faust's rejection statement released in 2013, which reads that the tactic "pits concerned citizens and institutions against companies that have enormous capacity and responsibility to promote progress toward a more sustainable future."[28] Indeed, divisive language turns administrators away, but for different reasons depending on the institution.

For instance, administrators at powerful research centers such as Harvard and MIT argue that divestment threatens to disturb vital sources of funding crucial to the

[26] Taken from the REN21 Global Futures Report for 2013
[27] Chopp, Rebecca, "Op-Ed: Chopp on Divestment"
[28] Faust, Drew, "Fossil Fuel Divestment Statement"

R&D of alternative energy technologies and climate science. Obviously, small liberal arts colleges such as Swarthmore have fewer vested interests in maintaining cooperative ties with major energy corporations. Therefore, administrators at smaller schools may be reacting defensively because student demands are simply disagreeable. As I have already argued, most student divestment strategies lack the astuteness required of any institutional investment proposition.

While few administrators actually dismiss the broader importance of ending fossil fuel reliance, many perceive "divestment" as a divisive term due to this persistent clash between impractical student ambition and practical administrative duty. For this reason students should be careful not to let campaign fervor clout thoughtful campaign strategy. A strictly student-driven campaign is most vulnerable to this risk.

In stark contrast to Swarthmore and Harvard, Middlebury President Liebowitz (endowment size: $1 billion) delivered a rejection statement that offers prospects for strengthening efforts around the cause. According to Liebowitz, the school intends to carry the campaign's momentum forward through a variety of proactive joint student-faculty initiatives. Students are working with the Investment Committee to develop principles of Environment, Social and Governance (ESG) for guiding investment decisions and institutional policy, while also working to redirect endowment funds towards ESG investments. In other words, a proposal rejection does not necessarily translate to inaction on SRI.

Middlebury President Liebowitz not once criticizes the divestment movement, nor does he insinuate that students should abandon it altogether. Instead, he encourages the conversation on responsible investment and even offers a divestment fact sheet enumerating various insights into the school's endowment portfolio. Why does the Middlebury administration appear more receptive than those of other administrations? The rest of this chapter explains how students can work more collaboratively with their universities to develop meaningful responsible investment resolutions against fossil fuels.

5.1 Lessons Learned

The Middlebury rejection resonates positively because students, faculty and administrators are working together towards a common investment strategy. An integrated and inclusive approach is crucial because it leaves meager room for "the naïve dissenter versus rational authority" scenario. Campaigns at Davidson and Tulane proved ineffective because they relied almost entirely on action-oriented student power. Let's not let Jeffersonian principles of self-governance get to our heads; we could use the help.

An effective clean investment campaign at U.Va and other research institutions will require enhanced focus on reinvestment and, most important, a greater diversity of support. Because our university receives significant funding from major fossil-supporting energy corporations (i.e. Dominion Power), our language will have to be tailored appropriately. The language of reinvestment and responsible investment will prove far more productive than that of divestment, which has already been deemed divisive by U.Va faculty. That said the Middlebury lesson should not be given short shrift.

Students should invite well-respected members of the university, spanning multiple disciplines and positions, into the discussion to ensure the legitimacy of their message. Perhaps our most valuable asset includes the professors whose knowledge forms the very foundation of our institutions. Advanced students in business and economics are also wise allies because they are well qualified to discuss finance at the administrative level.

Consulting experienced individuals within the institution ensures that investment resolutions are crafted carefully and made palatable to Boards of Trustees. Every Board is comprised of different individuals expressing different opinions and values, which are ultimately dictated by the financial status of the school. A university suffering from major financial cutbacks will be less willing to discuss opportunities for SRI. Therefore, the presentation of any resolution should be tailored accordingly. It is imperative that campaigners consider the perspectives of their administrators because thinking from the top exposes potential counter-arguments that are crucial to informing and strengthening campaign strategy.

While our investment decisions ultimately fall under the purview of UVIMCO, they should be guided by a policy that takes into account the greater values of our institutional body, encompassing students, faculty, and alumni. If the demand is there, our asset managers will have no choice but to work out a solution that accommodates a divestment resolution; otherwise, they lose our business. However, there will be no demand on Grounds without conviction, and similarly, no conviction without cooperation.

Our Board of Visitors should be transparent, cooperative, and open to different investiture review models. Ideally we would adopt an inclusive structure similar to the one that Stanford has, i.e. an investment advisory panel that serves as a moral bearing to the Board. Stanford has set the precedent for schools such as MIT and Harvard. With one of the largest renewable energy research and development programs in the nation, its administration has realized that it cannot continue suckling from the very industry it purports to have outgrown; fossil fuels are an adolescent dependency. As Stanford asserts, we need to grow up. By emboldening public discourse, we too can educate others to do the same.

5.2 Adopting Outside Strategy

I began by outlining certain precautions gleaned from rejected resolutions; I end by focusing on the positive. While student campaigners should strive to cooperate with experienced members within their institutions, they should also examine outside strategies that have contributed significantly to the movement thus far. With hundreds of ongoing campaigns, there are plenty of compelling lessons to be found. I offer three admirable outside strategies that might help guide student efforts here at U.Va:

- *Developing a narrative:* Swarthmore students have centered their divestment campaign on the devastating damages of mountain top removal felt by Appalachian coal mining communities. A mountain justice narrative comprised of real testament from effected individuals would deliver a powerful message to U.Va, particularly given our proximity to these regions and continued reliance on coal.

- *Exercising self-governance:* Columbia students have started a fund for responsible investment independent of their university endowment. The fund will generate revenue for sustainable development and student climate justice projects. Furthermore, it demonstrates the credibility and rigor of student demand for clean investment, while sending a message to administrators that students will not let institutional inertia hamper meaningful progress on reinvestment. U.Va students should work closely with Net Impact at Darden to start a similar project.

- *Working with the institution*: Empowered by student initiative, Stanford's advisory panel to the Board, including twelve students, faculty and alumni, developed a divestment resolution demanding SRI. This concerted effort drove Stanford's Board of Trustees to recognize the sheer importance of letting no industry overshadow the greater values of its institution. U.Va could greatly benefit by implementing a similar structure.

Each example offers unique insight into effective campaign strategy. In summary, emphasis on mountain top removal ties university energy reliance directly to real injustices felt by local communities. The creation of an independent fund for responsible investment garners student credibility by demonstrating their determination to deliver meaningful SRI results despite administrative reluctance. Finally, the formation of a joint student-faculty advisory panel on responsible investment ensures that wider institutional values are represented in administrative financial decisions. In light of these examples, the U.Va campaign should be able to work more strategically within its own institution towards promoting SRI.

Driven by collective conviction, we can begin to explore options for cleansing our endowment of dirty assets, though responsibly so as to not to disrupt the flow of returns crucial to the integrity of our institution.[29] That said, SRI is first and foremost an opportunity for universities to align actions with values by rallying their communities around the objective of combating climate change through political action and wider education. *I cannot emphasize this point enough.*

6. Why Our Generation Will Not Tolerate Unclean Investment

[29] Working with the institution also opens up opportunity for parallel reinvestment solutions such as a green revolving fund (GRF) - an initiative that has already achieved Student Council support here at U.Va. A GRF is an internal fund made accessible to organizational bodies at the university aiming to implement green projects that would cut back on facility costs campus-wide, recouping any lost returns and offsetting carbon emissions in the long run. Why revolving? Because savings are pumped back into the fund creating a revolving, self-sufficient vehicle for further green investments on campus. If cutting back on greenhouse gas emissions is our ultimate objective then, unlike divestment, a GRF is a real solution that directly benefits the institution. Nonetheless, local solutions should serve to supportive our broader objective, not define it.

The turn of the 21st century has been accompanied by an unprecedented shift in economic and political philosophy, a shift that is felt most by the current generation. As the acclaimed economist Jeremy Rifkin puts it, "[our] politics are less about left versus right and more about centralized and authoritarian versus distributed and collaborative."[30] When one considers the noticeable transition in our communications infrastructure, i.e. from telephones to Twitter, there is little surprise that we Millennials have become more receptive to terms such as "transparent" and "distributive.

This change in our generation's attitude parallels a massive shift in our country's energy economy. The centralized and fossil fuel-based industry that has dominated nearly all aspects of American society (including political office) for over a century is being supplanted by a more distributive and transparent green marketplace centered on renewable energy technologies. These two trends complement each other quite well. The decentralized and cooperative infrastructure that is required to optimize wind and solar supply across the grid calls for a citizenry that knows how to collaborate, share, and keep an open mind to progressive change.

If this shift in values has become the flagship philosophy of our generation, then unresponsive schools such as U.Va, Harvard, Swarthmore, Davidson, Tulane, and Columbia continue to support an outdated energy regime that subsists on the suppression of our collective voice. Students must demand cooperation and transparency, but more important, we must demand prudence.

Socially and environmentally responsible investment serves to educate society about the importance of keeping Planet Earth habitable for future generations. Any educational institution that fails to act on this critical truth – largely voiced by the students of our generation – again undermines the principle role of its own existence: to educate. What better way to fulfill this purpose than by echoing one of the most powerful educational statements of the 21st century, to teach our citizens to live sustainably with the world, so that those very institutions we cherish the most can serve as beacons to society for centuries to come.

While student concerns tend to reflect the broader political and societal landscape, administrative interests rarely exceed the institutional bubble. Fortunately, there is ample room to reconcile short-term interests of our administrations with the long-term interests of society championed by students; they are one and the same. If our future energy economy is centered on a wind and solar infrastructure, then students and administrators alike have interest in liberating the "free market" from the grasp of the fossil fuel elite so that the outdated model can be replaced with one that is more sustainable.

However, the message is not being communicated because Boards of Trustees are simply not listening. Is the perverse conflict of interest reflected in the broader energy market being reenacted on our own college campuses? If Rifkin is right, then perhaps it is the very authoritarian and centralized nature of our educational institutions – remnant of an era crafted by the hands of oil lobbyists and big-business bureaucrats – that undermines our distributive and collaborative efforts. For this reason, radical change at the institutional level demands more than a few "ayes" from student government. It demands a coming together of students and

30 Rifkin, Jeremy, "The Third Industrial Revolution"

faculty under one powerful voice. As primary stakeholders in a future green economy, our generation would be unwise to remain idle. We must demand prudence, and we must act now. The standard for social and environmental responsibility has never been higher.

7. Conclusions

If the intellectual community exists to impel political and social progress, then so do our endowments. Our endowments are in many ways the hearts of our institutions, enriching our academic communities with a vital stream of capital that ultimately keeps us alive and growing. If the heart is poisoned, then so is the body. Therefore, endowments are inextricably linked to our campus communities and collective values—education above all. Harvard's President Faust argues that our endowments must not be used to make political or social statements. I disagree. Our investment portfolios exist to serve education, and therefore should be employed as powerful educational tools to honor this responsibility.

Our university investments should ultimately reflect our community values, which do not align with those of an industry that negligently endangers and destroys human life, freely pollutes our atmosphere and exacerbates our climate crisis, and undermines scientific progress. Our University serves to educate and protect; the fossil fuel industry serves to brainwash and profit. If our students, faculty, and alumni value the future health and education of our society, then we will make a moral commitment to sever financial ties with the fossil fuel industry and encourage decisionmakers to adopt long-term economic plans to support a greener economy.

Combined, divestment and reinvestment form a powerful statement that will resonate with neighboring institutions and politicians. With social injustices and climate challenges escalating, we would be unwise to keep quiet. But first we need a voice. With enough collective will, bolstered by smart faculty and students, we can rethink the divestment campaign in a way that provides U.Va with an opportunity to become a national leader in this global challenge.

8. Resolution Summary

1. We should create a coalition of students, faculty, and alumni to serve as a moral compass for socially responsible investment to our administration, ensuring that the values of the greater institution are reflected in our investment portfolio.

2. We should remove all public holdings from coal or from any fossil-target branded by evident civil abuse while pledging to adopt a long-term divestment timeline. Divestment serves to educate society by publically communicating an emphatic *no* to fossil fuels.

3. We should reinvest in a more sustainable energy economy by promoting the development of community-based energy solutions. Reinvestment serves to educate society by publically communicating an emphatic *yes* to renewables.

4. Climate change is ultimately a national security threat that could displace and wreck the lives of millions. Needless to say, the issue demands the full attention of our institutional body—students and administrators alike. Therefore, our chief objective should entrust our asset managers with exploring alternative, broader opportunities for reinvestment in climate change mitigation and adaptation; the stronger our commitment, the more powerful our statement.

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