

Divestment from Fossil Fuel Companies: A Moral Imperative

James Lawrence Powell

A generation ago, students urged colleges to sell their stock in companies doing business in Apartheid South Africa. At least 155 colleges and universities partially or fully divested, as did 26 state governments, 22 countries, and 90 cities. One of the first private institutions to divest was Columbia University, whose trustees said in 1978 that they had done so “to maintain educational leadership,” which demanded “ethical and humane positions that give effective expression to our highest national ideal.” In 1986, the University of California sold \$3 billion in South Africa-related stocks, the largest public institution to do so.

In 1990, South African President de Klerk began negotiations to end Apartheid. By 1993 it had been largely dismantled in South Africa and the next year universal suffrage led to the election of Nelson Mandela. Desmond Tutu later said that “We could not have achieved our freedom and just peace without the help of people around the world, who through the use of non-violent means, such as boycotts and divestment, encouraged their governments and other corporate actors to reverse decades-long support for the Apartheid regime.” Two of the largest American investors in South Africa at the time of the divestment movement were U.S. oil companies Mobil and Caltex (a joint venture of Chevron and Texaco.)

Apartheid was not the only cause over which academic institutions and other organizations have divested. Some, including Harvard and Haverford, CCNY and the University of California, as well as foundations, health organizations, insurance companies, and pension funds, sold their stock in tobacco companies. As Harvard president Derek Bok explained in 1990, the university did so because it did not want “to be associated with companies [whose] products create a substantial and unjustifiable risk of harm to other human beings.” If we were to paraphrase this to today's global warming, it would read something like, "Harvard does not want to be associated with companies [whose] products threaten the destruction of human civilization and the extinction of innumerable species.”

Here are 12 objections global warming activists are apt to hear from trustees and college administrators, with my responses.

1. Scientists disagree as to whether global warming is even real. In November 2019, I published a peer-reviewed article showing that 100% of publishing scientists accept human-caused global warming.

2. Global warming is not a moral issue like Apartheid. Apartheid was immoral because a class of better-off whites oppressed poor blacks. Analogously, global warming is immoral because the third world countries and foundering island nations who are the least responsible will suffer the most. Colleges who showed enough concern for Africans to divest over Apartheid should recognize that global warming is already worsening drought and famine in East Africa. Climate models project a future of increasing drought over most of Africa, southern Europe and the Middle East, most of the Americas, Australia, and Southeast Asia.

3. Global warming is not a health issue like smoking. According to a study published in the medical journal Lancet: “Climate change is the biggest global health threat of the 21st century.” The lead author of the study wrote, “The impacts will be felt all around the world – and not just in some distant future but in our lifetimes and those of our children.” Jonathan Patz, director of the Global Health Institute at the University of Wisconsin, said, "I view this as one of the largest

environmental health crises of our time because of the many pathways in which climate affects us — be it from direct heat effects and heat waves in urban centers, ground-level smog, ozone red alert days, stagnant air masses and warmer temperatures, to some infectious diseases."

4. Colleges have no direct interest in preventing global warming — it's not our business.

Unlike Apartheid, global warming is already affecting colleges and students directly. The AAUP says that Hurricane Katrina caused "undoubtedly the most serious disruption of American higher education in the nation's history." Hurricane Sandy closed dozens of colleges and according to CNN, affected an estimated 1.2 million students. Even if scientists are unsure exactly how much global warming contributed to Katrina and Sandy—not whether they contributed—those two storms and other recent extreme weather events offer an ominous portent of what lies ahead. Colleges will not be immune from the coming heat, wildfire, drought, megastorms, and sea level rise. Today's college graduates and their children and grandchildren will have to live in the greenhouse world that we are knowingly creating. Unless global warming is checked, the university itself eventually will be a victim.

5. We do not invest or divest for social causes. But colleges did divest over Apartheid, selling their stock in oil companies doing business in South Africa. Harvard, for example, sold Mobil, Shell, and Texaco. Thus the question is not whether a college will divest from fossil fuel companies, but when divestment is justified. By threatening human health and even the future of civilization, global warming is a worse evil than Apartheid and a far greater danger than smoking.

6. Our sole endowment objective is to maximize investment return. The overriding obligation of those responsible for a college endowment is to ensure that future student generations benefit from the endowment to the same relative extent as the current generation. But global warming puts a new slant on the matter. By investing in fossil fuel companies, colleges are using their current financial resources in a way that jeopardizes the quality of life of their future alumni. By any reasoned and humane interpretation, this violates colleges' professed commitment to intergenerational equity.

7. Selling stock in fossil fuel companies will lower investment return and cause the college to have to make significant budget cuts. This is the same argument that some colleges made when faced with the issue of divesting over Apartheid, yet many went ahead and found little financial effect. One academic study from 1986 found that "Historical returns since 1959 indicate that the South Africa-free portfolio, diluted with Treasury bills to bring its risk in line with the NYSE, would have outperformed the NYSE by 0.187 per cent annually." When a college sells stock it has the exact same amount of cash as the market value of the stock at the time of sale, minus transaction costs (estimated at 0.4% in the study of South African divestment), and can reinvest that money. The immediate financial consequences are small and phasing in divestment over several years would ameliorate the long term consequences. As the Institute for Energy Economics and Financial Analysis puts it: "The fossil fuel sector is shrinking financially, and the rationale for investing in it is untenable..."

8. In the past, fossil fuel companies have been better investments than the alternatives. Not recently. From 2010 to 2017, investors who avoided coal, oil, and gas would have earned a higher annualized five-year return than those who kept fossil fuel stocks in their portfolio.

9. The world will continue to use fossil fuels for decades, so they will remain excellent investments. Fossil fuel companies are valued primarily on the basis of their reserves: the

amount of extractable oil, coal and gas they have discovered but have yet to exploit. But as the effects of burning carbon become intolerable, whatever reserves the FFCs have in the ground will stay there. These “stranded assets” will come off the corporate books, and the value and stock price of those FFCs that have not diversified will decline in value.

9. Divestment is controversial and would hurt future fundraising. Colleges did not let the fear of controversy stop them from divesting over Apartheid and tobacco. Yes, donations from fossil fuel companies will decline, but gifts from donors who agree that global warming is a moral and a financial issue will rise, and over time there will be more of those donors. Colleges ought to do what is right, not what is expedient, and set a moral example.

11. Our most effective impact on climate change comes through our teaching, our research, and the careers of our alumni . Imagine that on December 8, 1941, college administrators, professors, and students had said, "Our most effective impact on the war effort is to remain on our campuses and continue business-as-usual" What would they have been called? Cowards, at least, and possibly traitors. In any event, while colleges and universities have used this excuse for not divesting, the 2°C target of the Paris climate agreement has come and gone, and 3° is threatened. Whatever colleges think they have been doing, it has not worked.

12. Divestment won't do any good. It is true that college divestment will have little financial impact on the giant fossil fuel companies. ExxonMobil's profit in 2018 was \$21 billion. Instead, the impact will come from example and moral suasion. Divestment would have the benefit of asking colleges and their trustees, who include some of the most influential members of society, to address global warming and take a stand on an issue that directly affects colleges and their alumni. The publicity from a widespread divestment campaign would call attention to global warming and pressure fossil fuel companies to become part of the solution. In addition, divestment would provide colleges with the funds for a different type of investment. The top 500 colleges have over \$400 billion in their endowments. Redirecting just 1% of that amount would free \$4 billion for investment in companies that produce clean energy. By divesting, colleges would set an example and have an enormous impact. By refusing, they have no influence at all, or worse, they suggest that human-caused global warming is not the problem that their own science faculty say it is.

One does not have to go through a detailed analysis to know the right thing to do. Isn't it this simple?: Investors hope to profit from the success of the companies they invest in. But the more fossil fuel companies succeed, the more humanity loses.

Human-caused global warming is not only the first truly global problem to threaten humanity, it is the most insidious because there seems to be little that one person, one institution, or even one nation can do about it. One not-to-be-underestimated benefit of divestment is that it gives colleges, their students, alumni, faculty, and administrators something important to do.

Humans have already emitted enough CO₂ to ensure that global warming will not end in the lifetime of any person reading this essay. As the years and decades go by and its effects become ever more dire, global warming will grow into a perennial campus issue. It is not going away. Some colleges will take the lead and divest now; others will wait until the water laps at their feet. The question for each college is whether, on the most important issue in human history, it will stay on the sidelines or have the moral courage to join the fight.