FAQs REGARDING POSSIBLE DIVESTMENT FROM FOSSIL FUELS IN THE UNIVERSITY'S ENDOWMENT[1]

Executive Summary

At its core, climate change is not just an "issue" that needs to be addressed but a process that threatens life as we know it. The science is clear: the planet is becoming significantly warmer and at an increasing rate. A series of negative social consequences are also emerging: climate change will mean more violence, the resulting storms and floods will continue to jeopardize vulnerable populations, and the disruptions to agriculture will exacerbate the already difficult position of the poor. Yet so far, the established political process has not generated the will or substantive policies necessary to address the required mitigation and adaption at scale.

Responding to climate change will require an innovative wave of science and technology, restructured markets, and new attention to the multiple impacts on people, the planet, and plant and animal life. Responding to climate change is also a moral issue. We face a series of interlocking instabilities whose consequences cannot be fully determined but which collectively represent an extreme threat. We can study but we must also act.

Universities have a special responsibility to confront climate change. They hold crucial resources in the physical and social sciences, and in the humanities. Universities also nurture reflection, education, and the civic responsibility to take responsible and effective action. Our mission statements commit us to environmental stewardship.

Tufts University is already engaged in a variety of ways to reduce its carbon footprint. But we have not yet taken explicit steps to dissociate ourselves from the current dependency on a destructive and unsustainable fossil fuel economy.

Divestment of fossil fuels from our endowment is a significant symbolic act. Divestment aligns our actions with our values, underscores the need to transition to renewable energy production, and registers that the established political process has so far been too weak or compromised by the disinformation and rejection of science encouraged by some of the very companies that we hold as investments. Divestment reaffirms our integrity and our commitment to assist in the transition toward a sustainable economy.

There may be financial costs to divestment, although it is difficult to arrive at a specific estimate. This cost, whatever it might be, must be weighed against other university expenditures. It must also be measured against the consequences of inaction, or avoiding our responsibility to reduce the threats posed by climate change.

Further details are elaborated below.

---

[1] A student-faculty divestment working group drafted this document with the goal of promoting informed discussion among faculty. It was also circulated among several members of the Tufts administration who helped clarify some of the sections but should not be considered co-authors.

(1) **What are the key findings regarding climate change and its impacts?**

In its most recent report (September 2013), the Intergovernmental Panel on Climate Change proclaimed:

> Continued emissions of greenhouse gases will cause further warming and changes in all components of the climate system. Limiting climate change will require substantial and sustained reductions of greenhouse gas emissions… Global surface temperature change for the end of the 21st century is likely to exceed 1.5°C relative to 1850 to 1900 and warming will [almost certainly] continue beyond 2100… Changes in the global water cycle in response to the warming over the 21st century will not be uniform. The contrast in precipitation between wet and dry regions and between wet and dry seasons will increase, although there may be regional exceptions…
>
> The global ocean will continue to warm during the 21st century. Heat will penetrate from the surface to the deep ocean and affect ocean circulation… It is very likely that the Arctic sea ice cover will continue to shrink and thin and that Northern Hemisphere spring snow cover will decrease during the 21st century as global mean surface temperature rises. Global glacier volume will further decrease… Global mean sea level will continue to rise during the 21st century...
>
> Cumulative emissions of CO2 largely determine global mean surface warming by the late 21st century and beyond. Most aspects of climate change will persist for many centuries even if emissions of CO2 are stopped. This represents a substantial multi-century climate change commitment created by past, present and future emissions of CO2.

The various IPCC reports discuss many of the physical impacts of climate change but largely ignore adverse social effects that are borne disproportionately by poorer countries and populations. Climate change is a threat to the planet's environmental terms. As filtered through storms, drought, disrupted food chains, flooding, fires, and other disturbances, climate change is also a threat to societies and communities. An increased flow of refugees and greater social violence can be expected. For example, a recent study of the World Bank found that climate change could push more than 100 million people into extreme poverty by 2030. An increasing number of studies link the phenomena to a declining quality of life for the planet as a whole and to a growing divide between those who can protect themselves relatively easily and those who are more exposed and cannot.

(2) **What does "divestment" of fossil fuels from an endowment mean?**

Within the divestment movement, the common standard is a pledge to remove from the endowment all holdings from the top 200 fossil fuel energy companies as named by the Carbon Underground or Carbon Tracker indexes. A time line, often five years, is established to carry out the necessary steps while minimizing the potential disruptions that might accompany this decision. However, "divesting" organizations have employed other measures. One relatively low bar is to sell only direct holdings of coal and/or tar sand companies. Other possible divestment strategies allow for a period of “constructive engagement” with individual companies to see if they might significantly reduce their carbon emissions. If the engagement failed, then the holdings would be sold. Still another is to abstain from all future investments in fossil fuel companies.

Some universities, pension funds, municipalities and other organizations have agreed only to sell their direct holdings of fossil fuel energy companies. But Tufts does not have any direct holdings in this sector (or anywhere else). Instead, our endowment is largely invested in commingled funds, many of which include some fossil fuel companies. In order to divest, Tufts would have to remove itself not from fossil fuel companies *per se* but from the investment funds that include fossil fuel companies in their portfolio. This adds complexity and potential cost to divestment (discussed below).

(3) **What is the recent history of the divestment movement at Tufts?**

The Tufts divestment campaign began in 2012 and grew rapidly especially among students. The student government voted overwhelmingly in favor of divestment, and a student referendum asking, “Should Tufts University divest its endowment from fossil fuel companies provided that doing so does not adversely affect the financial status of the university?” passed with about 30 percent of students voting and 74 percent in favor. Petitions were circulated among alumni and faculty, and support was gained from local mayors Michael McGlynn and Joseph Curtatone, and state senator Ben Downing. This activity eventually led to the formation of a working group comprised of students, faculty and administrators to assess three questions: What might fossil fuel divestment mean for Tufts? Should a sustainability fund be established? What steps other than divestment should be considered to address climate change concerns?

After several months of meetings, the working group sent a report to the Tufts Investment Committee and then to the Board of Trustees concluding that fossil fuel divestment would be difficult and expensive for the university. Not all of the members of the working group agreed with this conclusion. In February 2014, the Board of Trustees decided "not to divest at this time." They also agreed that the issue should remain open for future review. The Board also established a Sustainability Fund, voiced support for other measures consistent with lowering our carbon footprint and expanded our research and curriculum around climate change. President Monaco explained the rationale for these decisions in an e-mail message to the community.

This past year, the Tufts student divestment campaign (now formally known as Tufts Climate Action or TCA) started to work with other student and community groups outside the university including the Divestment Student Network and the Multi-school Divestment Fund. Last spring, TCA participated in several actions linking divestment campaigns around the country. At Tufts, these commitments included a sit-in in President Monaco's office where 33 students stayed for three days in order to demand that Tufts to take additional leadership on this issue by divesting from fossil fuels.

During the sit-in, students were able to secure a promise to hold a follow-up meeting with Peter Dolan, the Chair of the Board of Trustees. This meeting, which occurred on October 5, 2015, was conducted in a respectful and productive manner. The immediate outcome was an agreement that Tufts should host a climate change symposium that would address the university’s responsibility to engage this critical issue more systematically. This event will be the result of a collaborative effort among students, faculty and administrators and is currently being planned out of the Provost’s office.

(4) **What are the recent developments in the divestment movement outside of Tufts?**

By the People's Climate March in September 2014, it was reported that 181 institutions, representing $50 billion in assets had committed to divest their holdings of fossil fuel stocks. Advocates pledged to triple those numbers by the December 2015 UN climate negotiations in Paris. In fact, before the meetings even opened, the value of funds committed to fossil fuel divestment has increased fifty-fold, and has now reached more than $2.6 trillion in total assets. Although the divestment movement has its roots in mission-driven institutions such as faith-based organizations, universities, NGOs, and charitable foundations, 2015 has seen the growth of divestment campaigns and pledges from large pension funds and private-sector actors. University commitments have tripled in the last year with 40 educational institutions with $130 billion in assets now pledging some form of divestment. Full divestment commitments were made at Hampshire and Pitzer Colleges, The New School, Rhode Island School of Design and Syracuse University. Partial divestment commitments, usually from direct investment in coal and/or tar sands, have been made by Unity College, Georgetown, Stanford, California, Dayton, and Washington. In addition, some religious societies such as the World Council of Churches, the health sector led by the British and Canadian Medical Associations, pension funds including those of Norway and CalPERS, and municipal and state governments such as the City of New York and the State of California, have adopted some form of divestment. Again, since we do not have any direct holdings in fossil fuel companies, divestment at Tufts would be more demanding than the actions taken by some of these organizations.

Over the past few years, and alongside the growth of the divestment movement, the number of available fossil free investment funds has increased as well.

(5) **What is the history of Tufts University with other calls for divestment?**

After voting, in 1986 and 1987, against total divestment from companies doing business in South Africa, Tufts finally did so in 1989:

http://www.nytimes.com/1989/02/26/us/tufts-to-divest-all-its-south-africa-holdings.html

In 1994, university trustees voted to divest from the $2 million of bonds it held with Hydro Quebec:

https://news.google.com/newspapers?nid=2209&dat=19940227&id=W4hjAAAAIBAJ&sjid=_HkNAAAAIBAJ&pg=1890,5940880&hl=en

(6) **Is there a financial cost that would accompany divestment?**

Because our endowment is largely invested in commingled funds, Tufts faces a set of complex choices when considering possible divestment of fossil fuel companies. Our investment office chooses individual managers who decide which stocks and other securities should be bought and sold from their particular fund. The university has guidelines for choosing funds (and managers) and specifically for determining how much of its endowment should be committed to any one fund or manager. Generally speaking Tufts holds only a small share of the total assets in any particular fund and limits the proportion its assets represent for a fund or manager. Within these commingled funds, fossil fuel companies generally comprise only a small proportion of total assets. Finally, the university has high expectations for the long term excess (above market) returns managers should produce.

At the request of the working group, the university investment office assessed what it would cost to eliminate investment in funds that do or could have holdings in fossil fuel companies. Based on this assessment, divestment would lead to significant switching costs and reduced future return. This assessment did not include any assumptions regarding the future returns of fossil fuel stocks. Why the adverse effect? Because there are currently only a limited number of fossil free commingled funds; because it will take at least five years to determine which members of this growing universe will survive and longer to determine which firms have skill; and because divestment would exclude a significant number of highly skilled fund managers who do not wish to be constrained in the pursuit of their goal of maximizing return by the elimination of any sector or group of securities from their potential selection set.

Creating a reliable, concrete dollar estimate of the cost of divestment is difficult, and the subject has produced the greatest differences between the administration representatives and the student-faculty working committee. The range of estimated costs is produced by different assumptions: Will the number of fossil free commingled funds continue to grow? What will be their performance? Will a new generation of proven fund managers emerge who have experience in fossil free investing? Could the university revisit its guidelines regarding the selection of funds and managers? What will be the price of fossil fuel stocks over the near and medium term future? The value of energy companies could be reduced still further if they are required by new policies to leave fossil fuel reserves in the ground, thus leaving them with “stranded assets.” An additional difference rests in competing notions of “fiduciary responsibility”: is this obligation, especially for the management of universities, conceived in strict financial terms, or does it require a commitment to environmental and social stewardship?

Divestment is probably not at this point cost-free even if we cannot fix a precise amount. The key issue here is the evolution of investment options. As one of the university’s investment professionals recently stated, “The emergence of a critical mass of fossil free commingled funds that are managed by high performance fund managers will make the problem [the potential cost of divestment] go away.”

(7) **What commitments has the University made to reduce its carbon footprint?**

Our formal goal as stated in the Sustainability Report is to reduce, by 2050, CO_2 emissions to 75-85% below their 2001 level. This goal is shared by New England state governors and Eastern Canadian premiers and is considered necessary to reduce risks to lives and livelihoods. Tufts will have to make dramatic changes to achieve this goal (“Figure 3” from that Report is reproduced here)

http://sustainability.tufts.edu/about-the-office-of-sustainability/sustainability-council-report-released/council-updates/

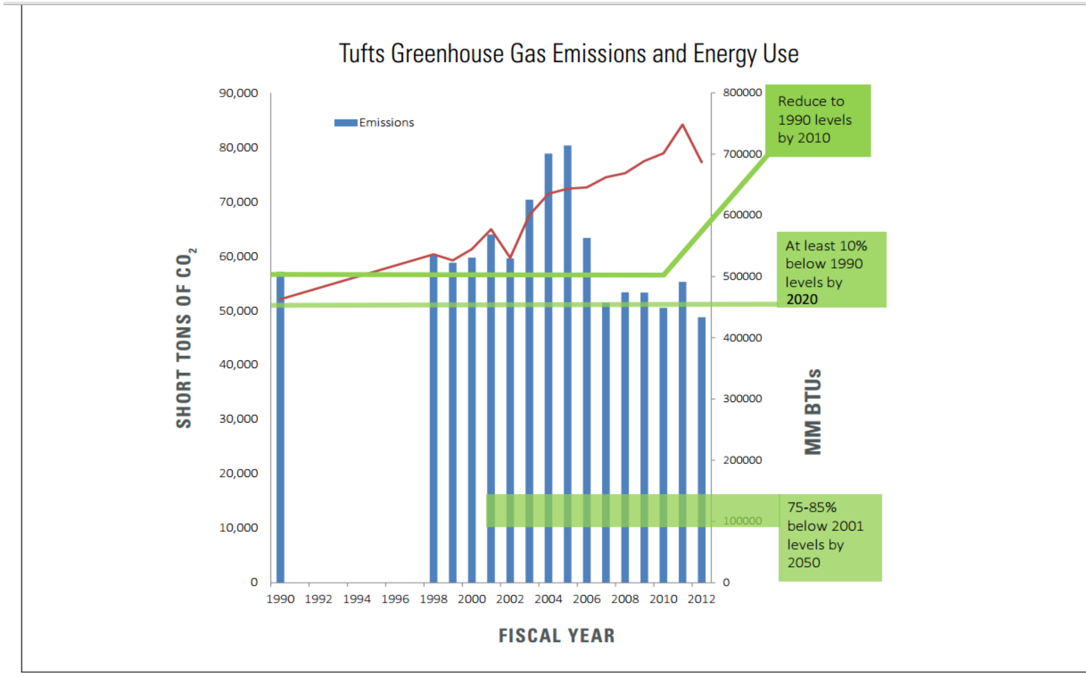

Figure 3. Tufts greenhouse gas emissions and energy use from fossil fuels. Emissions reduction commitments are shown in green.

The University has taken other steps such as creating a Sustainability Fund as part of its endowment, invested in more efficient technologies such as the new cogeneration plant now under construction and the installation of solar panels on the Grafton campus, promoted recycling and other "green" measures in our internal operations, encouraged curricular development, supported related research, and backed the development of basic "climate change" and "climate justice literacy" among non-specialist faculty.

(8) **Are there alternatives to divestment?**

Everyone who has engaged the problem of climate change at Tufts believes that it is important to adopt, at the national and international level, a new set of energy policies that address the problem of climate change. Many economists and other specialists support a system of carbon pricing (or "tax") which should encourage more accurate perceptions of carbon use and accelerate conservation measures. By adopting some form of carbon pricing in its internal operations, Tufts University could also constitute itself as a type of "living laboratory" with the same goals in mind. The University could continue to exercise leadership in other ways: A letter from President Monaco and signed by other university leaders, roughly along the lines of the Talloires model, could recognize the urgency of lowering carbon emissions by 80% by 2050. We could take a more active role in countering disinformation on climate change. And we could work with other universities to encourage the growth of fossil free investment funds.

Many of these steps are complicated and would take time. Some might also involve financial cost. Another possibility would be for the university to establish a broad based working committee that could continue consideration of important steps, external and internal, that could help mitigate and adapt to climate change. It would be important for this committee to carry out its mission with urgency and to not allow “study of the problem” to replace much needed “action on the problem.” The President’s Award on Citizenship and Public Service contains a quotation from Leonardo Da Vinci. The certificate reads: "I have been impressed with the urgency of doing. Knowing is not enough; we must apply. Being willing is not enough; we must do."

(9) **Why divestment?**

At the end of the day, divestment from fossil fuels in the university’s endowment would be a moral and symbolic action. Divestment will not directly lower the share prices of targeted companies or immediately impede their ability to raise capital.

It has been 30 years since climate change entered public discussion. Despite the widespread recognition that the problem is becoming ever more severe, the political system at the international, national and local levels has generated remarkably little by way of effective response.

The leading fossil fuel energy companies have employed lobbyists, leveraged campaign contributions, bankrolled climate science disinformation, and obstructed government action that could enable a transition to a clean and renewable energy.

We do need to price carbon responsibly. No one in the student-faculty committee rejects the idea of a carbon tax, and one of the students is a leader in the national movement to pass and implement legislation that would achieve this goal. The act of divestment does not replace the need for governmental action either. However, by recognizing and rejecting our complicity in business as usual, divestment stigmatizes our current reliance on the fossil fuel economy. The act signals that passivity in the face of unfolding catastrophe is unacceptable. In its potential to revoke the social license of the fossil fuel industry, divestment serves as both a complement and a key to strengthening our transition to solar and other technologies central to a green economy. Divestment underscores urgency.

On his first visit to the United States as the newly elected President of South Africa, Nelson Mandela visited several universities and thanked student and faculty activists who had pushed divestment from the corporations during business in his country during the apartheid era. More recently, South African Archbishop, and recipient of an honorary degree from Tufts University, Desmond Tutu declared, “Just as we argued in the 1980s that those who conducted business with apartheid South Africa were aiding and abetting an immoral system, we can say that nobody should profit from rising temperatures, seas, and human suffering caused by the burning of fossil fuels.”

John Durant, Civil and Environmental Engineering
Shana Gallagher, Undergraduate
Henry Jacqz, Undergraduate
Paul Joseph, Sociology
Jonathan Kenny, Chemistry
Brian McGough, Undergraduate
Ann Rappaport, UEP