FOSSIL FREE GUELPH PRESENTATION TO THE WORKING GROUP ON RESPONSIBLE INVESTING

FRIDAY MARCH 13, 2015
12:15 p.m. – 12:45 p.m.

THE CASE FOR FOSSIL FUEL DIVESTMENT

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1. Climate change is a global threat that disproportionately affects disadvantaged people and communities. The IPCC has confirmed that this warming has been caused by the growth in anthropogenic greenhouse gas emissions, driven primarily by the combustion of fossil fuels.[1]

2. In order to avoid catastrophic climate change, countries and scientists alike have agreed that we must stay below 2°C of warming.[2] In order to do this, we can only burn 565GT of the 2795GT known fossil fuel reserves.[3]

3. Regulatory action is accelerating to match the science of mitigating climate change. Legal and financial responsibility for damage is shifting to fossil fuel companies. Large financial managers have divested citing these risks as the cause.[4,5]

4. Investing in stocks that are as volatile and unburnable as fossil fuels is fiduciarily irresponsible for the prudent investor. To remain below an average increase of global temperature 2°C goal and avoid dangerous climate change. No more than one-third of proven reserves can be consumed prior to 2050, and fossil fuel combustion will also have to fall by 80% during this time. In the longer term, fossil fuels need to be phased out almost entirely by 2100.[6]

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[1] IPCC. (2014). Climate Change 2014 Synthesis Report. Retrieved from http://www.ipcc.ch/pdf/assessment-

[2] Ibid

[3] Lee, M. and Ellis, B. (2013). Canada's Carbon Liabilities: The Implications of Stranded Fossil Fuel Assets for Financial Markets and Pension Funds. Retrieved from https://www.policyalternatives.ca/sites/default/files/uploads/publications/National Office%2C BC Office/2013/03/Canadas Carbon Liabilities.pdf.

[4] Bloomberg. (2013). "Bloomberg Carbon Risk Valuation Tool". Retrieved from http://about.bnef.com/content/uploads/sites/4/2013/12/BNEF_WP_2013-11-25_Carbon-Risk-Valuation-Tool.pdf.

[5] Carrington, D. (2015). World's Biggest Sovereign Wealth Fund Dumps Dozens of Coal Companies. The Guardian. Retrieved from: http://www.theguardian.com/environment/2015/feb/05/worlds-biggest-sovereign-wealth-fund-dumps-dozens-of-coal-companies.

[6] IPCC. (2014).

5. Divested funds of similar size to the University of Guelph's Endowment have been performing at par or better than funds that still have investments in fossil fuels. As well, in "a comparison of the MSCI ACWI IMI index, which covers some 99 per cent of global equities, with an index that excluded 247 fossil fuel reserve-owning companies found a return differential of 1.2 per cent in favor of the "ex Carbon list," as well as a potential reduction in overall portfolio risk."[7]

6. While Dalhousie rejected divestment, we present counter arguments to all of these myths.

- Losing a few stocks will not make a substantial impact on global greenhouse gas emissions. However, the fossil fuel divestment movement strives to seize the social license of companies that are currently profiting from the perpetuation of irreversible and catastrophic global crisis.[8]
- The logic of investing in companies in order to foster positive change from within does not stand when the core operations of a company are antithetical to the existence of life itself.
- As good investors, we must make sure that we are no longer holding onto stocks that we do not want in the long term, in order to reduce transaction costs into the future. We cannot pretend that fossil fuels are a long-term play.

7. Not only do alternate investment opportunities to fossil fuels exist, but metrics that support a wide array of social and environmental standards do as well. Companies like Principium have built an alternative ethical investment company off of a conventional company that was worth 220 million. They were able to divest all of it and place their divested funds into high performing alternatives.[9,10]

8. The Fossil Fuel movement is the fastest growing divestment movement on the planet. By 2014, over $50 billion had been divested from fossil fuels, with the heirs to the Rockefeller Oil Fortune and Stanford University, amongst numerous institutions globally making commitments to divest that same year.[11]

9. From March 2014 till now, the University of Guelph has lost about $9 million investing in the energy sector comprised mainly of fossil fuel producers. Had the Board of Governors removed this energy sector from its portfolio in March 2014 and put those funds proportionally into the remaining 8 sectors included in the Endowment fund, the fund would have doubled in growth over that same timeframe. This clearly illustrates the fiscal risks of investing into Fossil Fuel. If the Board of Governors wishes to have a long-term, stable growth portfolio, investing in such a volatile sector does not make sense.

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[7] Gehman, J. and Lounsbury, M. (2015). What the divestment movement could mean for Alberta and Canada". The Globe and Mail. Retrieved from http://www.theglobeandmail.com/globe-debate/what-the-divestment-movement-could-mean-for-alberta-and-canada/article23025983/.

[8] Jaffar, A., Mech, K. and Helps, L. (2015). "Does Ethical Investment Make Sense? Ask an Ethical Investor". The Tyee. Retrieved from http://thetyee.ca/Opinion/2015/02/11/Does-Divestment-Make-Sense/.

[9] Donna Norton, Principium, pers. comm., March 6, 2015.

[10] Principium: Invest in Purpose. (2015). "Principium Investments Process". Retrieved from http://www.principiuminvestments.com/our-investment-process-2/.

[11] Drajem, M. (2014). "Companies Join Investors to Pledge Climate Action". Bloomberg. Retrieved from http://www.bloomberg.com/news/articles/2014-09-22/companies-pledging-action-as-leaders-set-to-talk-climate.

Conclusion

The mandate for this working group is to consider responsible investing practices for the University's endowment fund.

This presentation has clearly demonstrated that continued investment in fossil fuels is not consistent with that mandate.

By investing its endowment funds in the world's largest fossil fuel companies, the University of Guelph is directly financing and profiting from the growth of the fossil fuel industry, and, in effect, the perpetuation of climate change. (Well, actually, it seems as though we are no longer profiting from these investments either)

This entirely contradicts the University's mission and commitment to undertaking "a leadership role in preparing students and employees to achieve a just and sustainable society… [and becoming] a model of sustainability, with curriculum and operations reflecting an integrative approach to learning and practice."[12]

Today, investment ethics and financial gain align. The University of Guelph has an incredible opportunity to be a leader for divestment as the first Canadian university to divest, and a leader in the global efforts to prevent runaway climate change.

If the University does not divest, not only does it risk continued financial losses, but also a continued risk of ruining its public reputation as a global leader in sustainability and in its position for 'Changing Lives, Improving Life'.

We, Fossil Free Guelph, call upon the Working Group for Responsible Investing to advise that the University's Board of Governors to freeze all new investments in 200 of the world's largest fossil fuel companies, and to divest completely from these companies within a period of 5 years.

IT'S NOT AN INVESTMENT IF IT'S WRECKING THE PLANET.

Questions and concerns can be directed to fossilfreeguelph@gmail.com

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[12] University of Guelph. (2014). Sustainability at the U of G. Retrieved from https://www.uoguelph.ca/sustainability/welcome-sustainability-u-g.