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Financial Literacy 101

Key questions to ask your Chief Financial Officer/Chief Investment Officer (or whomever handles finances at your university)

- Where is the endowment invested?
- How much in fossil fuels (or PIC, MIC, etc.)? (often expressed in percentage)
- Are fossil fuel (or PIC, MIC, etc.) investments direct, indirect, or both?
- Who manages the endowment? (Investiture, Cambridge Associates, etc.)
- What funds specifically are you invested in-- exact name? (ex. Calvert Equity A, Goldman Sachs International Equity ESG Fund, etc.)

Common financial arguments made against fossil fuel divestment

It is technically too difficult to disentangle fossil fuel investments

Counterpoints

- Administrators often argue that their investments are impossible to untangle due to mutual, index, and hedge funds. It may be difficult, but it is **always** possible to do so. If the client demands it, a money manager will follow orders.
- The entire stock market is moving towards commingled funds, so direct investments are rare. If the University claims that they cannot divest from commingled funds because it is "too complicated," they are essentially claiming that they have no control over any specific investments in the present or future, and that's acceptable to them.
    - Tip: if your university does not manage its own finances (most universities with medium or small endowments outsource) then find out what money management company they contract with. The financial service website may have information or plans for customers that seek to divest, or invest in sustainable stocks. This is a good workaround to see if administrators are being truthful about the difficulty of divesting.
- Middlebury College pledged to divest in January 2019, after their money manager (Investiture) told them they couldn't. Middlebury threatened to take their business elsewhere, so Investiture changed their policy and created a divestment plan for the College.

It will be too expensive to divest and will reduce financial aid for low-income students

Counterpoints

- Some experts cite that a carbon bubble is developing—like the housing bubble before the financial crash in 2008. Because it is impossible to burn the reserves fossil fuel corporations currently have on hand (burning all of it would exceed the ecologically sustainable level by five times). Thus, all investments in that industry will eventually be rendered unusable and worthless.
- Universities are hoarding money in their endowments. Endowments continue to grow concurrently with rising tuition (far exceeding inflation levels). It doesn't add up.
- Budgets can be cut in other ways, rather than simply reducing financial aid. University administrations threaten financial aid cuts as a strategy to divide students. Realistically, most of the increase in higher education costs can be attributed to unnecessary administrative bloat.

Universities make the same argument that they are “financially unable” to provide living adjunct professor salaries, proper mental health care services, and affordable food and housing. Colleges are imposing **austerity** on their campuses, while students pay astronomical costs for their educations. There is no logical financial argument against divestment when tuition is so expensive and endowments are so large.

Divesting one college from fossil fuels is insignificant and won’t make a difference

Counterpoints

- If institutional fund managers are compelled to change their policies by universities and colleges, this will create more opportunity for other investors to do the same. By becoming familiar with fossil free investment products, fund managers can share those options with other clients, and advertise those services.
- Divestment is not only a financial exercise, but a political one. One university divesting provides momentum for another university or institution to divest, and another, and so on. It can change the public narrative about fossil fuel corporations—revoking their social license. Thus, they will have less trust, credibility, and authority in the public realm. It will allow our society to reclaim control over our energy; we can make energy more democratic and sustainable when we are free from the economic, social, and political power of the fossil fuel regime. Divestment makes the statement: no, fossil fuel corporations no longer deserve our respect or confidence.
- Reinvestment provides the opportunity to help more sustainable and equitable businesses grow. Not only are we taking money away from destructive corporations, but we are putting those dollars to work to create an ecologically-regenerative, solidarity economy.

Campus greening is a more effective means of combating climate change

Counterpoints

- Although solar panels on our dorms, composting programs, and energy efficient buildings are good—these actions are not sufficient on their own. We are projected to exceed the two degrees Celsius warming levels, which would likely render ecological collapse. To avoid this bleak, apocalyptic outcome we must face the fossil fuel corporations head-on. “Because of our decades of collective denial, no gradual, incremental options are now available to us.” -Naomi Klein

Big fossil fuel corporations are investing in green technology

Counterpoints

- We should not trust these corporations: they have wrecked the planet, poisoned communities, lied to the public—and yielded enormous profit from all of it.
- The national grid is ill-suited for renewable energy, as it was designed to be powered by fossil fuels. The fossil fuel regime (teaming with utility corporations) fights upgrades in energy infrastructure that would favor expanding renewable energy power. Although some fossil fuel corporations have invested more in renewable energy, it is still relatively small and far too slow to thwart total climate catastrophe. Noting BP’s increased investments in renewables, the CEO remarked, “The world is going to require oil and gas for some decades to come.”

Fiduciary responsibility prevents colleges from divesting

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Counterpoints

- Fiduciary responsibility, or fiduciary duty, is a legal term meaning that trustees must act in the best interest of the institution. At many schools, this is interpreted to mean maximizing short-term returns at the expense of all other factors. Many administrators justify this policy by stating that any other course of action would be breaking their legal responsibility. Fortunately, this interpretation of fiduciary duty is a fallacy, as evidenced by the steps that many administrators and other institutional investors have taken to align investment and values, whether it be in low-carbon index funds, engaging in shareholder activism, community investing, and more.
    - Tip: Research investments in your state/city to uncover other cases of divestment. For example, at Fossil Free American University the trustees made this argument, but it turned out that the city of DC divested some of their pensions from fossil fuels! Thus, the argument was not viable and just an excuse to avoid action.

Shareholder engagement is more effective than divesting

- See Divest Ed's Shareholder Engagement Fact Sheet

Sources:

Much of this content was adopted from:

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