Fossil Fuel Divestment FAQ's

Prepared by Swarthmore Mountain Justice
For more information, visit: swatmountainjustice.wordpress.com
Join us Tuesdays at 8pm in Trotter 303 to learn about divestment and get involved!

What's up with the orange square?

It's the symbol of the international fossil fuel divestment movement. Wear one to show your support for the campaign and in solidarity with those facing the worst impacts of the climate crisis and fossil fuel extraction.

Why is climate justice such an urgent issue?

5 million people die every year -- that's 1700 people every three hours -- because of the fossil fuel economy and climate change. From refineries in communities of color to rising sea levels impacting small island nations, those least responsible for the climate crisis -- the poor, people of color, and communities throughout the global south -- are facing the worst impacts as a result of our fossil fuel dependency. **UN scientists tell us that if we are to prevent runaway climate change we need to leave 80% of proven fossil fuel reserves in the ground.** Meanwhile, the fossil fuel industry is using its extreme wealth to acquire more reserves, fund climate denialism, and lobby governments in order to maintain their subsidies and prevent the development of renewables. We cannot stay silent and allow Swarthmore to champion struggles for social justice in its classrooms while supporting the companies that are destroying communities with its endowment.

Will divestment really have any impact?

Yes! The fossil fuel divestment movement is already eroding the social and political licence of the fossil fuel industry through stigmatization. By divesting, prestigious institutions like Swarthmore highlight the destructiveness of fossil fuel extraction and the need for more just and sustainable solutions. As many institutions divest and world leaders endorse divestment, stigmatized firms begin to lose their political and social reputations. A study by the Oxford University Stranded Assets Programme found that "**the outcome of this stigmatization process, which the fossil fuel divestment campaign has triggered, poses a far-reaching threat to fossil fuel companies and the vast energy value chain,**" noting that stigmatised firms "suffer from a bad image that scares away suppliers, subcontractors, potential employees, and customers."

The fossil fuel industry itself has acknowledged the threat posed by the fossil fuel divestment movement to its continued dominance. In December 2013, Alberta Oil Magazine warned that "energy executives ignore [divestment] at their own peril." The Minerals Council of Australia, a coal industry group, is even attempting to render divestment illegal, claiming that it unfairly burdens them because "**stigmatization [caused by the divestment movement] makes it difficult for an industry to engage with its customers, attract employees and more importantly access capital for investment purposes.**"

So, has divestment had any impact yet?

Yes! Though discerning the precise impact of a given social movement is difficult,, it is clear that fossil fuel divestment is already catalyzing systemic change. The movement has drawn support from world leaders ranging from the President of the World Bank and UN Climate Chief Christiana Figueres '79 to the legendary anti-apartheid leader Archbishop Desmond Tutu. **Hundreds of institutions including Pitzer College, Stanford University, the city of Seattle and, recently, the Rockefeller Fund — which was built off the profits of Standard Oil Company — have divested funds totalling over $50 billion**.

Last spring, Blackrock, the world's largest asset manager, created a fossil free index, securing the place of divestment in the financial mainstream. This past summer, President Obama proposed the first-ever national carbon regulations. In just the past month, Google, Yahoo, Yelp and Facebook have all cut ties with the conservative group American Legislative Exchange Council (ALEC), which lobbies against climate action. Google Chairman Eric Schmidt said, "We should not be aligned with such people. They are just literally lying." ALEC has held similar stances for years, but the growing stigmatization of both the fossil fuel industry and groups that deny climate change pressured Google to finally cut ties with ALEC. Google, Yahoo, Yelp and Facebook's decisions represent just a microcosm of the large-scale societal change that fossil fuel divestment and the climate justice movement are beginning to trigger.

Will Swarthmore alone divesting really make a difference?

It's true, a single campus divestment campaign is not enough. This is why we are working with an international coalition of over 500 campaigns around the world all demanding fossil fuel divestment. A single voice is rarely enough to change ingrained and corrupt practices, but a concert of voices from institutions of higher learning around the country can make a huge impact, as we have seen with the campaign to divest from South African apartheid. Swarthmore has a $1.8 billion endowment, is a highly respected institution with large amounts of political capital, and is home to the first-ever fossil fuel divestment campaign. We have influence and social power disproportionate to our size, and **Swarthmore divesting would set a precedent for other colleges to divest**. In 1986, Swarthmore College ended its complicity in an unjust system when it divested from companies supporting South African apartheid. This nationwide campaign was hugely successful in working toward the end of South African apartheid. It is now time for the College to respond to another system of injustice.

But won't someone else just buy the shares?

The impact of divestment movements, past and present, has little to do with the stocks themselves — rather, it seeks to stigmatize firms, which causes indirect economic consequences. **In the case of fossil fuel divestment, the goal is not to hurt share prices, but to erode the fossil fuel industry's social license to operate** (see above).

Why doesn't Mountain Justice propose a shareholder resolution?

Shareholder resolutions are useful in cases where a company can reform its practices, principles, or procedures, but are virtually impossible when the reform undermines the economic purpose of the company in question. In other words, shareholder resolutions can pressure a fossil fuel company to "clean up its act," but they still allow the company to continue to extract and use fossil fuels. Companies can (according the US SEC), and frequently do, throw out shareholder resolutions that are "related to the company's ordinary business operations." Exxon itself has done this!

Will divestment hurt the endowment? (*Visit swatMJ.org/finance for more information, resources, and studies)*

No. The Board has claimed that if we divest, we will need to remove our endowment from commingled funds and into index funds. They further claim that doing so will reduce returns. Both of these assertions are false. Donald Gould, the chair the Investments Committee of Pitzer College, explained that "money managers are nothing if not adaptable to client demand, and are already offering funds free of fossil-fuel companies." Further, when commingled funds' huge fees (we pay over $1.5 mil/year for investment consulting alone, according to Swarthmore's 990 tax form) and erratic returns are considered, they aren't necessarily the best long-term option.

In fact, divestment could even increase returns. According to Bloomberg Report, **fossil fuel shares have underperformed the market average by 12% over the last ten years.** Fossil fuels are also about to become far, far riskier investments. As a result of the divestment movement, mainstream financial institutions like Morgan Stanley, Bernstein, Citi, Deutsche Bank, Goldman Sachs and HSBC have begun publicly questioning the long-term profitability of fossil fuel investments. **If we're going to avoid the worst impacts of climate change, the fossil fuel industry must write off 80% of their reserves -- valued at $20 trillion.** HSBC reported that if they were to write off that 80% of their reserves, fossil fuel companies would be devalued by 40-60%. Obviously, we don't want to be invested in the fossil fuel industry when it takes that hit.

But the carbon bubble hasn't popped yet!

Just before the 2008 financial crisis, a Citibank executive famously said about his practice of making risky loans, "As long as the music is playing, you've got to get up and dance." Citibank got slammed in the ensuing crisis.