

Make YorkU a Climate Leader: The Case for Fossil Fuel Divestment

**Presented to The York University Advisory Committee for Responsible
Investment by members of Fossil Free York**

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Executive Summary

The following document presents Fossil Free York's case to the York University Advisory Committee on Responsible Investment (YUACRI) for why York University needs to divest its endowment fund from the fossil fuel industry.

A New Context (Section 1a). Under the Paris Agreement signed during the 2015 United Nations climate negotiations, the world's governments agreed to constrain globally averaged temperature rise to "well below 2°C" relative to preindustrial times with an aspirational goal of 1.5°C. Only a very limited amount of carbon can still be emitted into the atmosphere for any realistic chance of meeting that goal. This *carbon budget* will be expended in between just 10-30 years at current emission rates. The fossil fuel industry, meanwhile, holds several times more carbon in its known reserves than can ever be emitted; *it has already found more than can ever be used*. By one conservative estimate, 33% of oil, 49% of gas, and 82% of coal reserves have to stay in the ground, globally. However, the industry's business model absolutely requires all current reserves to be sold, transported and burned and even more reserves to be found and burned. In this context, continued fossil fuel investment is deeply wrong.

Continued investment in fossil fuels is immoral. York's investments support and legitimize the industry that is driving climate change, which now threatens a series of severe, widespread, and long-lasting social and environmental harms. This industry has also exposed Indigenous communities across the globe to the harmful social and environmental impacts of fossil fuel extraction, which destroys local land bases and violates Indigenous rights (Section 1b). This same industry has funded climate denier propaganda organizations for years, undermining the ability to make democratic choices about how to respond to climate change (Section 2d). Fossil fuel investment thus stands in opposition to York's laudable and longstanding commitments to sustainability and social justice (Section 3b). Universities hold a special role in preparing students for the future and therefore should absolutely not be investing in the processes now threatening that future. As the divestment movement's slogan goes, *if it's wrong to wreck the planet, it's wrong to profit from that wreckage*.

Continued investment in fossil fuels is economically unsound (Section 3d). The world is taking action to transition away from fossil fuels. As just one indication, since 2012, the number of carbon-pricing policies implemented by national and sub-national governments jumped by 90% globally. These policies are intended to raise the market cost of, and thereby reduce demand for, fossil fuels. Following the Paris Agreement, we should expect even more ambitious action, resulting in looming economic consequences for the fossil fuel industry. Fossil fuel companies are valued based on the reserves they hold and can sell. But once climate policy is taken into account, fossil fuels become "stranded assets," stock that

companies can never bring to market. The millions in investments that post-secondary institutions lost by remaining invested in fossil fuel companies during the recent plunge in oil prices is a warning of what will happen again if universities fail to divest before climate policy permanently drives down fossil fuel industry value. Assuming that the world acts to prevent the worst impacts of climate change, these companies have no long-term economic viability. The question is no longer whether York will divest from fossil fuels, but when.

Divestment works. York can become Canada's first university to *fully* divest from fossil fuels. In doing so, it would declare to other post-secondary institutions in Canada and across the world that universities must now for both moral and economic reasons lead the way into a post-carbon world. Currently, universities make up just a small percentage of the more than 500 institutions that have already committed to divest (Section 2b). York's commitment would embolden other Canadian post-secondary institutions to join this rapidly growing movement. As divestment commitments grow in number, they will erode the social license of the fossil fuel industry, delegitimizing it and exposing it to greater regulation and steeper carbon pricing. They will also reduce investor confidence in new fossil fuel projects. We know that university divestment has worked in the past, most notably in playing a major role in hastening the end of apartheid, a moment when York showed courageous moral leadership in becoming the second Canadian university to divest from South Africa (Section 2c). We believe that divestment can work again now, and in a powerful way: *by inspiring other universities in Canada to follow, divestment is the most impactful action that York University can take on climate change at this time.* Following the University of Ottawa, York University should also publicly release its overall carbon footprint from investments. York claims to consider ESG in the selection of its managers, but ESG does not exclude companies causing major social harm, provided the companies make profits. The alternative of shareholder engagement has been shown to be unsuccessful with major fossil fuel companies: there is simply no way for engagement to convince them to leave their reserves in the ground (Section 2d).

York should invest in the economy of the future. There are now ample investment opportunities in the renewable energy industry and we should expect them to increase dramatically in the wake of the Paris climate agreement. York should re-direct investments from fossil fuels to technologies, infrastructure and services that support a just transition to a low-carbon economy (Section 3e).

Our demand (Section 3a). For these reasons, Fossil Free York is calling on York University to do the following:

- 1) Freeze new fossil fuel investments immediately;
- 2) Divest by December 2017 from the 200 fossil fuel companies listed on the Carbon Underground 200; and
- 3) Divest by December 2018 from any companies that produce, refine, transport, or sell fossil fuels, and reinvest in the low carbon economy.

1) Climate Change and the Social and Environmental Harm of Fossil Fuels

1a) Climate Science

The science is clear: greenhouse gas emissions from human activities, primarily from the use of fossil fuels, are warming the planet. The most recent report from the Intergovernmental Panel on Climate Change (IPCC), the world's leading authority on climate change, states with 95-100% certainty that "human influence has been the dominant cause of the observed warming since the mid-20th century."¹ That statement finds wide support in the scientific community: 97% of climate scientists believe that climate change is happening and is human-driven.²

2015 was the warmest year on record, and 15 of the 16 warmest years on record have occurred since 2001.³ Compared to pre-industrial times, the planet's temperature has risen by an average of 0.85°C.⁴ This warming is already having alarming impacts on earth's physical systems. This includes the rapid decline of Arctic sea ice necessary for numerous species' survival, which fell to its lowest recorded minimal extent in 2012 and lowest maximum extent in 2015;⁵ the widespread bleaching of coral reefs, the earth's most biologically diverse marine ecosystem;⁶ and what appears to be the now-inevitable collapse of the West Antarctic ice sheet, which contains enough water to raise sea levels by 4m over several centuries.⁷

Under the December 2015 Paris Agreement, the world's governments agreed to take action on climate change in order to keep the global average temperature rise "well below

¹ IPCC, "Summary for Policymakers," in *Climate Change 2013: The Physical Science Basis. Contribution of Working Group I to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change*, ed. Stocker et al. (New York: Cambridge University Press, 2013), 17.

² Doran and Zimmerman, "Examining the Scientific Consensus on Climate Change," *Eos* 90, no. 3 (2009): 22-23; Anderegg et al., "Expert credibility in climate change," *PNAS* 107, no. 27 (2010): 12107; Cook et al., "Quantifying the consensus on anthropogenic global warming in the scientific literature," *Environmental Research Letters* 8, no. 2 (2013): 6.

³ "NASA, NOAA Analyses Reveal Record-Shattering Global Warm Temperatures in 2015," *NASA*, January 20, 2016, <http://www.nasa.gov/press-release/nasa-noaa-analyses-reveal-record-shattering-global-warm-temperatures-in-2015>

⁴ IPCC, "Summary for Policymakers," *Working Group I*, 5.

⁵ "2015 Arctic Sea Ice Maximum Annual Extent Is Lowest On Record," *NASA*, March 19, 2015, <http://www.nasa.gov/content/goddard/2015-arctic-sea-ice-maximum-annual-extent-is-lowest-on-record>; "Arctic sea ice reaches fourth lowest minimum," *National Snow & Ice Data Centre*, September 15, 2015, http://nsidc.org/arcticseaicenews/2015/09/2015_arctic-minimum/.

⁶ Hansen et al., "Assessing 'Dangerous Climate Change': Required Reduction of Carbon Emissions to Protect Young People, Future Generations and Nature," *PLoS* 8, no. 12 (2013): 7-8

⁷ Suzanne Goldenberg, "Western Antarctic ice sheet collapse has already begun, scientists warn," *Guardian*, May 12, 2014, <http://www.theguardian.com/environment/2014/may/12/western-antarctic-ice-sheet-collapse-has-already-begun-scientists-warn>

2°C” compared to pre-industrial levels with an aspirational goal of 1.5°C. Doing so will require sharp reductions in greenhouse gas emissions which will mean leaving the vast majority of fossil fuels resources in the earth.

Carbon budgets tell us how much carbon humans can emit in order to achieve an estimated likelihood of constraining temperature rise to a particular level. The greater the likelihood and the lower the temperature sought, the lower the budget must be. There are several prominent carbon budgets, each making different assumptions in their modelling. The table below shows the temperatures they aim to limit warming to, the likelihood of achieving that target, the amount remaining in the carbon budget measured in gigatons of carbon (GtC),⁸ and the approximate time until that budget is spent at the current rate of annual emissions of ~11 (GtC).⁹

Source	Temp. Target	Likelihood of Temp. Target	Budget Remaining (GtC)	Years until budget spent (Approx.)
Friedlingstein et al. ¹⁰	Below 2°C	>66%	314 from 2015	30 years
Global Carbon Tracker ¹¹	Below 2°C	80%	245 (2013-2049) 20 (after 2050)	20 years
Rogelj et al. ¹²	Below 2°C	66%	161 - 338 from 2015	15 to 30 years
McKibben ¹³	Below 2°C	80%	128 from 2013	10 years
Hansen et al. ¹⁴	1°C	N/A	130 from 2013	10 years

⁸ The unit of measurement for carbon budgets is typically given in either gigatons of carbon (GtC) or of carbon dioxide (GtCO₂). This document uses GtC. To convert from GtC to GtCO₂, multiply by 3.667.

⁹ Friedlingstein et al., “Persistent growth of CO₂ emissions and implications for reaching climate targets,” *Nature Geoscience* 7 (2014): 711.

¹⁰ Friedlingstein et al., “Persistent Growth of CO₂ Emissions,” 711-712. Because they round to the nearest 100, the figure there is 1200 GtCO₂ (327 GtC) from 2015. In Rogelj et al. (see footnote below), the Friedlingstein et al. figure is 1150 GtCO₂ (314 GtC), which we use here.

¹¹ Carbon Tracker Initiative, *Unburnable Carbon 2013: Wasted capital and stranded assets* (2013), 11.

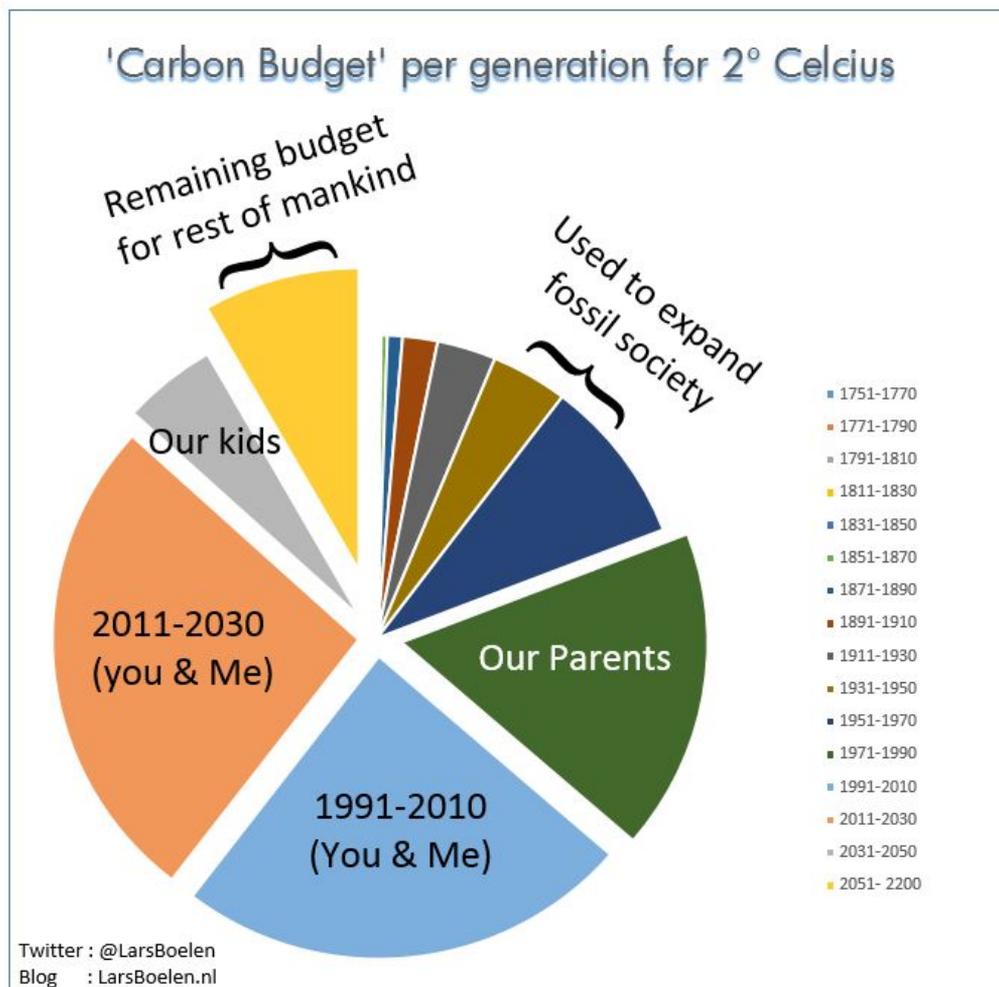
¹² Rogelj et al., “Differences between carbon budget estimates unravelled,” *Nature Climate Change* 6 (2016): 251.

¹³ Hansen et al., “Assessing ‘Dangerous Climate Change’”: 21.

¹⁴ *Ibid.*: 21.

Despite the different modelling assumptions, none of these carbon budgets last more than 30 years at current emission rates. Together, fossil fuel companies hold around 790 GtC in their combined reserves.¹⁵ Comparing that against some of the more stringent of those budgets, we can see that the industry holds several times more carbon than can ever be emitted. Even more conservative estimates show that large amounts of fossil fuels must stay buried. An important 2015 study in *Nature* showed that for just a *better-than-even* chance of staying below 2°C, 33% of oil reserves, 49% of gas reserves, and 82% of coal reserves have to stay in the ground, globally. In Canada, 74% of oil reserves (and 85% of tar sands reserves) are unburnable.¹⁶

The carbon budget runs over decades - with major intergenerational impacts. Spending this budget now has even more impact on the students of York University, and on future students than on the older generations who make the decisions at York.



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¹⁵ Christophe McGlade and Paul Ekins, “The Geographical Distribution of Fossil Fuels Unused when Limiting Global Warming to 2°C,” *Nature* 517 (2015): 188.

¹⁶ McGlade and Ekins, “The Geographical Distribution of Fossil Fuels Unused when Limiting Global Warming to 2°C”: 189-190.

All of this tells us that *we live in a carbon-constrained world and the time of fossil fuels must rapidly come to an end if we seek to prevent the most severe social and environmental harms associated with climate change.*

1b) Social and Environmental Impacts of Fossil Fuels

Continued use of fossil fuels and the ensuing deleterious environmental changes will engender further social and environmental harm. The business plans of major fossil fuel and pipeline companies depend on expanding all these damaging impacts. The earliest and most severe impacts of climate change are already falling disproportionately on people in developing countries, people of colour in underserved communities in the north, and Indigenous communities.

- ***Climate change will have increasingly severe direct effects on people's health and wellbeing through extreme climatological events.*** With continued use of fossil fuels, the world should expect to see more sudden-onset extreme weather-related disasters like 2013's typhoon Haiyan, which displaced 4.1 million people¹⁷ and killed more than 6,000 people in the Philippines, and 2012's Hurricane Sandy, which severely affected marginalized and underserved communities of colour in New York.
- ***Climate change will also have indirect impacts through disruptions to food security, spread of disease vectors, societal insecurity, and compelled migration.*** Future world food demand is projected to rise by 14% per decade, but a recent analysis projects that climate change will reduce global crop yields by 2% per decade with just a 2°C rise relative to pre-industrial levels by 2050.¹⁸ The World Bank reports that under high emissions scenarios, global crop yields could fall by a devastating 20% by 2080.¹⁹
- ***Climate change poses a major threat to human development and security.*** The World Bank estimates that without serious action on climate change, 100 million additional people could find themselves in poverty by 2030.²⁰ According to a recent major Commission by the Lancet and University College London, "***The threat to human health from climate change is so great that it could undermine the last fifty***

¹⁷ Internal Displacement Monitoring Centre, *Global Estimates 2014: People displaced by disasters* (2014), 39.

¹⁸ Oliver Milman, "Global warming will cut crop harvests by 2% each decade, researchers say," *Guardian*, March 19, 2014 <http://www.theguardian.com/world/2014/mar/19/global-warming-will-cut-crop-harvests-by-2-each-decade-researchers-say>

¹⁹ World Bank, *Shock Waves: Managing the Impacts of Climate Change on Poverty* (2015), 51.

²⁰ World Bank, *Shock Waves*, xi.

*years of gains in development and global health.*²¹ At the same time, the Commission finds that “*tackling climate change could be the greatest global health opportunity of the 21st century*”²² to protect humanity against the impacts of climate change and generate co-benefits through investments in cleaner energy sources.

- Indigenous communities will continue to experience early and severe impacts of climate change. In some communities, including many located in the Arctic, those effects are already underway. *In addition to being on the frontlines of fossil fuel extraction* (see below), *indigenous communities frequently have a high degree of exposure and sensitivity to climate change. Indigenous livelihoods depend on the continued functioning of ecosystem services provided by biodiverse local land bases which will be stressed with further climate warming.*²³ Indigenous communities have some capacity to adapt, particularly when their sovereignty and land rights are respected and where continuing colonial legacies are addressed. However, exacerbating climate change will create increasingly difficult adaptation challenges.



(Used with permission of the photographer Ben Powless)

- Fossil fuel extraction often occurs on Indigenous territories in Canada and around the world. Indigenous peoples experience direct impacts as industrial activities increase,

²¹ “The Lancet : Climate change threatens to undermine the last half century of health gains,” *Lancet Commission on Health and Climate ‘15*, June 23, 2015, <https://climatehealthcommission.files.wordpress.com/2015/04/press-release-health-and-climate-commission.pdf>

²² Watts et al., “Health and climate change: policy responses to protect public health,” *The Lancet* (2015): 1.

²³ Nakashima, et al., *Weathering Uncertainty: Traditional Knowledge for Climate Change Assessment and Adaptation* (Paris: UNESCO, 2012), 38-53.

change land use patterns, and pose threats to water sources. In Canada, s. 35 of the *Constitution Act, 1982* affirms the rights of Indigenous peoples and the commitments made in the treaties between Indigenous nations and settlers. The historic treaties included the right of Indigenous peoples to continue to hunt, fish and trap, regardless of industrial development. Fossil fuel extraction threatens these rights by harming wildlife habitat, whether by destroying the habitat or fragmenting access. Even though few Indigenous peoples rely on hunting today for their overall livelihood, these activities are still practiced and have great cultural significance. In Fort Chipewyan, members of the Athabasca Chipewyan First Nation and the Mikisew Cree First Nation have concerns about the health of the fish and animals downstream of tar sands projects.²⁴ The Beaver Lake Cree First Nation have a lawsuit against the federal and provincial governments over the cumulative effects of the industry.²⁵ In addition to traditional activities, Indigenous peoples are also defending their right to self-determination. Some communities may exercise that right by participating in the industry and making agreements with companies. Others assert that right by refusing to accept projects that do not have their consent. The United Nations Declaration on the Rights of Indigenous Peoples affirms the necessity of obtaining the free, prior, and informed consent of Indigenous peoples when planning resource development projects on their territory.²⁶ This is not happening in Canada. The Unist'ot'en (part of the Wet'suwet'en) have erected a camp on their territory where planned Enbridge and Chevron pipelines would pass.²⁷ They assert their right to control who accesses their territory. We believe that fossil fuel projects, including pipelines, should not proceed without the free, prior and informed consent of impacted Indigenous peoples.

- ***York is invested in fossil fuel companies (either directly or in pooled funds) that have some of the worst records on human rights and environmental protection.*** Shell was allegedly involved in the death of Ogoni activist Ken Saro-Wiwa in Nigeria in 1995.²⁸ Since then, Shell has repeatedly failed to clean up oil spills at its operations in the Niger Delta. Amnesty International reported in 2015 that “By inadequately cleaning up the pollution from its pipelines and wells, Shell is leaving thousands of women, men, and children exposed to contaminated land, water, and air, in some

²⁴ “Study finds oil sands creating ‘perfect storm’ of danger to flora, fauna and people,” *UM Today*, July 7, 2014, <http://news.umanitoba.ca/study-finds-oil-sands-creating-perfect-storm-of-danger-to-flora-fauna-and-people/>

²⁵ “Tar Sands Trial: Beaver Lake Cree vs Alberta and Canada,” *RAVEN*, accessed March 13, 2016, <http://raventrust.com/tar-sands-trial/>

²⁶ United Nations, *United Nations Declaration on the Rights of Indigenous Peoples* (2007), http://www.un.org/esa/socdev/unpfii/documents/DRIPS_en.pdf

²⁷ *Unist'ot'en Camp*, accessed March 13, 2016, <http://unistotencamp.com/>

²⁸ Ed Pilkington, “Shell pays out \$15.5m over Saro-Wiwa killing,” *Guardian*, June 9, 2009, <http://www.theguardian.com/world/2009/jun/08/nigeria-usa>

cases for years or even decades.”²⁹ Closer to home, Canadian Natural Resource Limited had numerous ‘flow-to-surface’ incidents in 2013 and 2014 in Alberta where bitumen uncontrollably seeped up to the surface, contaminating muskeg and lakes on the traditional territory of local First Nations.³⁰

- Communities in small island developing states (e.g., Kiribati, the Maldives, and Tuvalu) and in coastal regions of developing countries are particularly vulnerable to sea-level rise (SLR). The IPCC estimates that without action to reduce greenhouse gas emissions, SLR will reach 0.74m by the end of this century.³¹ In a recent survey, 90 experts gave even higher estimates, on average expecting 1m of SLR by 2100 if strong emissions reductions do not occur.³² What this means is that under high emissions scenarios, ***sea-level rise will drastically increase the severity of salinization of agricultural land, dangerous storm surges, and flooding. Continued use of fossil fuels risks rendering small island states and coastal regions uninhabitable.***
- A 2015 meta-analysis showed that ***one-sixth (16%) of all the world’s species are at risk of extinction*** under current emissions trends, though that figure drops to around 5% if temperature increase can be kept below 2°C.³³

2) Divestment Works

2a) How Divestment Addresses the Climate Crisis

The International Energy Agency expects \$37 trillion to be spent on energy supply infrastructure between 2012 and 2035.³⁴ ***Humanity must decide whether to spend this money digging ourselves deeper into a pit of fossil fuel dependence, or whether to redirect it***

²⁹ “Niger Delta: Shell’s manifestly false claims about oil pollution exposed, again,” *Amnesty International*, November 3, 2015, <https://www.amnesty.org/en/latest/news/2015/11/shell-false-claims-about-oil-pollution-exposed/>

³⁰ “CNRL Primrose,” *Alberta Energy Regulator*, September 15, 2014, <https://www.aer.ca/compliance-and-enforcement/cnrl-primrose>

³¹ IPCC, “Sea Level Change,” *Working Group I*, 1182.

³² Horton et al., “Expert assessment of sea-level rise by AD 2100 and AD 2300,” *Quaternary Science Reviews* 84 (2014): 5. For a more accessible summary, see also Stefan Ramstorf, “Sea-level rise: What the experts expect,” *RealClimate*, November 23, 2013, <http://www.realclimate.org/index.php/archives/2013/11/sea-level-rise-what-the-experts-expect/>

³³ Mark C. Urban, “Accelerating extinction risk from climate change,” *Science* 348, no. 6234 (2015): 571-573.

³⁴ International Energy Agency, *World Energy Outlook 2012 Factsheet*

toward moving beyond fossil fuels. York University can help lead the necessary redirection of investment that will allow humanity to prevent climatic catastrophe while building a safe and efficient global energy system that we can rely upon indefinitely. Selling its shares in fossil fuel companies and targeted reinvesting would be an effective way of contributing to this transition. This choice would make a powerful statement about the kind of future the university wishes to see.

Public divestment would also help strip the fossil fuel industry of its social license to operate. This license is increasingly undeserved, as fossil fuel companies continue to drive the world toward dangerous climate change and impose social injury on innocent people around the world and on future generations. By selling its holdings before the majority of investors accept that most remaining fossil fuel reserves are unburnable, the university can protect itself from the risk that fossil fuel stock values will fall substantially as the world realizes that their reserves are too dangerous to burn.

In March 2015, the United Nations Framework Convention on Climate Change endorsed fossil fuel divestment. Nick Nuttall, spokesperson for the organization, explained: “We support divestment as it sends a signal to companies, especially coal companies that the age of ‘burn what you like, when you like’ cannot continue.”³⁵ Coal company Peabody Energy mentioned the risk posed by divestment campaigns in their 2014 filings to the Securities and Exchange Commission, explaining that divestment “could significantly affect demand for our products or our securities.”³⁶ In April 2016, Peabody Coal filed for bankruptcy.

Universities, which collectively have endowments and pension funds worth many billions of dollars, can play an important role in driving this shift toward cost-effective approaches to CO₂ mitigation and a just transition, including energy conservation and renewable energy deployment. In the U.S. alone, university endowments for the 800 public and private universities that manage their own endowments are collectively worth nearly US\$400 billion.³⁷ ***University divestment of fossil fuel company shares would demonstrate that the ‘smart money’ is sufficiently concerned about climate change to take effective action, and could prompt other investors to reconsider their own portfolio decisions.***

Divestment would help reduce the danger from climate change by decreasing investor confidence in the viability of new projects like coal-fired power plants and oil pipelines. The legacy of York’s investments can either be the continued support for projects that clash fundamentally with what we know to be required to preserve a safe climate, or it can be the

³⁵ Damian Carrington. “Climate Change: UN Backs Fossil Fuel Divestment Campaign,” *Guardian*, Mar. 15, 2009, <http://www.theguardian.com/environment/2015/mar/15/climate-change-un-backs-divestment-campaign-paris-summit-fossil-fuels>

³⁶ Peabody Energy. “2014 Annual Report,” Mar. 2015, <https://mscusppegrs01.blob.core.windows.net/mmfiles/files/investors/2014%20peabody%20annual%20report.pdf>

³⁷ Thomas Piketty, *Capital in the Twenty-First Century* (Cambridge: Harvard University Press, 2014), 447

development and deployment of energy options that are compatible with enduring prosperity for the university and humanity as a whole.

2b) Other Institutions' Experiences

The fossil fuel divestment campaign at York is not alone. The fossil free movement is the fastest growing divestment campaign ever. Globally, 528 institutions with over \$3.4 trillion in assets have committed to divest, a massive increase from \$2.6 trillion in September 2015. However, only 11% of these institutions are colleges or universities.³⁸ No university in Canada has committed to fully divest. We can do better. Concordia put some of its endowment money into a fossil free fund, but only \$5 million of the over \$90 million endowment.³⁹ In December 2015, the Presidential Advisory committee at the University of Toronto recommended that the university's endowment fund divest from targeted fossil fuel companies, especially those that "engage in egregious behaviour and contribute inordinately to social injury."⁴⁰ However, President Gertler ultimately rejected divestment. Other Canadian institutions and municipalities have taken the step to divest, including the Canadian Medical Association, the United Church of Canada and the city of Victoria.

Globally, The New School (NY), University of Glasgow and Syracuse University are among many universities that have committed to full fossil fuel divestment. The New School President David Van Zandt explained the decision by saying that "climate change, the effects of which are already being felt by our most vulnerable populations, is one of the greatest challenges we are facing in the 21st Century."⁴¹ When Syracuse decided to divest, the Chancellor said that "Syracuse has a long record of supporting responsible environmental stewardship and good corporate citizenship, and we want to continue that record...Formalizing our commitment to not invest directly in fossil fuels is one more way we do that."⁴² Other universities including Oxford have committed to divest from coal and the tar

³⁸ "Divestment Commitments," *Fossil Free*, accessed June 13, 2016, <http://gofossilfree.org/commitments/>

³⁹ "Divest Concordia denounces Concordia University Foundation refusal to divest from fossil fuels," *CNW*, November 27, 2014, <http://www.newswire.ca/news-releases/divest-concordia-denounces-concordia-university-foundation-refusal-to-divest-from-fossil-fuels-516567711.html>

⁴⁰ "Presidential advisory committee recommends targeted fossil fuel divestment," *University of Toronto*, December 16, 2015, <http://news.utoronto.ca/presidential-advisory-committee-recommends-targeted-fossil-fuel-divestment>

⁴¹ "The New School unveils comprehensive climate action plan University's Board Directs Divestiture from Fossil Fuels," *The New School*, February 2, 2015, <http://www.newschool.edu/pressroom/pressreleases/2015/ClimateAction.htm>

⁴² "University Formalizes Commitment to Prohibit Direct Investment in Coal, Fossil Fuels," *Syracuse University*, March 31, 2015, <http://news.syr.edu/university-formalizes-commitment-to-prohibit-direct-investment-in-coal-fossil-fuels-29595/>

sands. Major foundations and religious organizations have also committed to divest, including the Rockefeller Brothers Fund, the World Council of Churches and the Lutheran World Federation. WCC general secretary Rev. Dr Olav Fykse Tveit said that “The WCC wants to be careful in its investments, avoiding what we see as unethical in businesses today, and through our investment policy give signals as to practices that we believe are not serving a sustainable future.”⁴³

The University of Ottawa is the only university in Canada to sign the Montreal Carbon Pledge. This means that the university commits to calculate and publicly release the carbon footprint of its investment portfolio.⁴⁴ This addresses emissions from all of its investments, not only fossil fuel companies, as long as the university acts on the information. The university is still considering fossil fuel divestment. ***York University should both divest from fossil fuel companies and publicly release its overall carbon footprint from investments.*** This would make York a leader on climate action in Canada.

On April 25th, 2016, the Board of Governors at the University of Ottawa passed a resolution that asked their Finance and Treasury Committee to, in part, “Develop a strategy that will shift uOttawa’s fossil fuel-related investments towards investments in enterprises, and especially those in Canada, involved in creating and selling technologies of the future, including renewable energy and other clean technology solutions.”⁴⁵ While they maintain that this does not represent a commitment to divestment, it is clear that they recognize that a meaningful strategy to combat climate change involves removing their investments in the fossil fuel industry.

Crucially, they highlighted that “the nations of the world have now committed to reducing the use of fossil fuels considerably by 2050, raising questions about the future of investments in this sector and creating an element of long-term risk in relation to those investments”⁴⁶ and that this move was required in order to “prudently manage that risk, to stay abreast of emerging market dynamics, and to promote investment practices likely to meet fiduciary responsibilities to optimize investment returns”.⁴⁷ uOttawa’s Board of Governors has recognized that a failure to adapt their institution’s investments to the realities of catastrophic climate change would represent financial mismanagement. York University

⁴³ “Investment in fossil fuels is off the table for the WCC,” *World Council of Churches*, July 17, 2014, <https://www.oikoumene.org/en/press-centre/news/investment-in-fossil-fuels-is-off-the-table-for-the-wcc>

⁴⁴ Blair Crawford, “uOttawa signs Montreal Pledge to measure carbon footprint of investments,” *Ottawa Citizen*, November 23, 2015, <http://ottawacitizen.com/news/local-news/embargo-uottawa-agrees-to-cut-carbon-emissions>

⁴⁵ “Response by the Executive Committee of the Board of Governors to the Report of the Finance and Treasury Committee: Addressing Global Warming.” Université D'Ottawa. Accessed May 22, 2016. <https://www.uottawa.ca/administration-and-governance/response-executive-committee-report-finance-and-treasury-committee>.

⁴⁶ Ibid.

⁴⁷ Ibid.

should adopt this line of reasoning and take it to its natural conclusion, that a sound investment portfolio in the 21st century has no place for fossil fuels. This strong, clear fiduciary approach should extend to both the Endowment Fund and to the York Pension Fund, which share a number of pooled fund investment managers.

2c) History of Divestment at York

In the past, York has demonstrated leadership in various divestment campaigns. During the 1985 Spring Convocation, Harry Arthurs, the President of York at the time, was conferring an honorary doctorate degree (in absentia) to Walter Sisulu, “the first member of the African National Congress of South Africa to be so honoured in Canada.”⁴⁸ It was at this moment that a group of students, the ‘York Student Movement Against Apartheid (YSMAA),’ took the opportunity of reminding Arthurs that “the presentation of an honorary degree could not absolve York of its responsibility to put its own house in order as far as its links to apartheid South Africa are concerned.”⁴⁹ The YSMAA had also campaigned for the resignation of a member of the Board of Governors, Sonja Bata, who was the director of a company operating under the apartheid system in South Africa. Their campaign collected over 1,000 signatures and eventually forced Sonja Bata to resign. A year later, Arthurs made the decision to divest. York was the second university to divest from apartheid in Canada, after McGill (which divested in 1985). Others, like UofT, followed suit and slowly began to join the divestment campaign.⁵⁰

Divestment victories at post-secondary institutions played a significant role in hastening the end of apartheid in South Africa. Archbishop Desmond Tutu writes,

In South Africa, 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. Students played a leading role in that struggle, and I write these words of encouragement for student divestment efforts cognizant that it was students who played a pioneering role in advocating equality in South Africa and promoting corporate ethical and social responsibility to end complicity in Apartheid.⁵¹

What does the divestment movement around apartheid have to do with divestment from fossil fuels? Both campaigns reveal the political nature of investing and the need to

⁴⁸ Toronto Committee for the Liberation of Southern Africa (TCLSAC), “Walter Sisulu Honoured at York University,” *Southern Africa Report* 1, no. 2 (1985): 10.

⁴⁹ *Ibid.*: 11

⁵⁰ Alroy Fonseca, “Looking back at Carleton's divestment from South Africa,” *Rabble*, January 22, 2010, <http://rabble.ca/news/2010/01/looking-back-carletons-divestment-south-africa>

⁵¹ Desmond Tutu, “Divesting From Injustice” *Huffington Post*, June 13, 2010, http://www.huffingtonpost.com/desmond-tutu/divesting-from-injustice_b_534994.html

challenge powerful economic interests. York took a stand by divesting in the past and has the opportunity to do so again today.

2d) Why Engagement Will Not Work

Divestment is not the only tactic for addressing climate change. Citizens can press governments to implement strong emissions standards or engage in direct action to block oil distribution networks. Universities can take steps to reduce energy use on campuses and install renewable energy technologies. However, these actions are not enough if universities continue to invest in fossil fuel and pipeline companies. They can divest from targeted companies, put responsible investment standards in place or try to engage with companies. While divestment has not been a common tactic in Canada, this section will demonstrate why it is too late for engagement.

Responsible investing guidelines can be useful for filtering out companies with the worst human rights records. This requires the option of excluding some companies because of their social impact, regardless of whether the companies make money in the short term (e.g. tobacco). That is, responsible investment requires the option of divestment, and exclusion of some stocks.

In contrast, incorporating ESG (environmental, social, governance) criteria when making investment decisions does not remove damaging companies, unless these companies are failing to make money. ESG only focuses attention on *whether* better ESG performance leads to better earnings. When a company causes damage, but earns money, ESG suggests engagement might improve earnings. York endowment fund's Statement of Investment Policies and Procedures, section 3.10 states that "the consideration and integration of environmental, social, and governance (ESG) risk factors in the investment selection and evaluation processes are practices deemed consistent with the investment objective of the Fund of providing endowed account beneficiaries with sustainable payout over the short and long terms." The investment committee may choose to select managers who consider ESG factors. Implementing these ESG standards allows York University Endowment fund to continue to hold stock in a number of tobacco companies. The excerpt above is the only mention of ESG factors in the endowment fund's investment policy. There are no additional details on how ESG may be defined or incorporated, beyond manager selection. These ESG criteria are not effective at combatting climate change. They do not set limits on a company's carbon emissions. If York adopted the standard of responsible investment, an oil company could be excluded for gross human rights violations or even for violating its own environmental policies. However, there is nothing in any ESG standards to restrain companies from continually expanding production and seeking more reserves.

As a response to these ethical concerns about the stocks being held, *many institutions offer a policy of shareholder engagement*. This could mean supporting shareholder resolutions that push companies in more progressive directions. *The additional problem is that there is no accountability. There is no public record as to whether York, or its investment managers, engage with companies at all.* Small funds, like the York endowment

fund and the York pension plan, do not have the staff and expertise to engage effectively. Nor are these York funds currently members of any coalitions that effectively engage on such large scale and fundamental issues as the fossil fuel and transportation industries. Therefore, the only socially responsible option is for York to find funds and investment managers who will provide that leadership and will select investments which do not carry the financial and social risk of business plans that pass the 2 degrees warming stress test. This leadership truly requires divestment.

It is our analysis that ‘engagement’ with fossil fuel companies does not work. Jonathon Porritt, a UK-based environmentalist who engaged with Shell and BP recently said “These are companies whose senior managers know, as an irrefutable fact, that their current business model threatens both the stability of the global economy and the longer-term prospects of humankind as a whole.”⁵² He added that his organization “came to the conclusion that it was impossible for today’s oil and gas majors to adapt in a timely and intelligent way to the imperative of radical decarbonisation.”⁵³ ***Engagement does not work with oil companies because reducing greenhouse gas emissions goes against their very business model.*** Some asset managers acknowledge that non-fossil fuel companies are somewhat responsive to shareholder engagement on reducing carbon emissions but fossil fuel companies are not.⁵⁴ Oil companies bring value to shareholders by continually seeking new reserves and continuing fossil fuel extraction. This motive directly contradicts our need to keep the warming of global temperatures well below 2 degrees by keeping oil in the soil.

Even the descendants of the Rockefeller family, the pioneers in the oil industry, have failed in their attempt to engage with Exxon.⁵⁵ They worked for years to convince Exxon to recognize the climate crisis while Exxon continued to fund climate denier organizations. As we learned in 2015, Exxon was well aware of the risk of climate change and its connection to fossil fuels in the 1980s.⁵⁶ Given the Rockefeller family’s experience, US environmentalist Bill McKibben remarked that “It makes a very clear point that engaging with fossil fuel

⁵² Damian Carrington, “Engaging with oil companies on climate change is futile, admits leading UK environmentalist,” *Guardian*, January 15, 2015, <http://www.theguardian.com/environment/2015/jan/15/engaging-with-oil-companies-climate-change-futile-admits-leading-environmentalist>

⁵³ Ibid.

⁵⁴ Shelly Alpern, “Talking to the Hand: Why Engagement With Fossil Fuel Companies Offers So Little Promise,” *Clean Yield*, January 6, 2015, <http://cleanyield.com/talking-hand-engagement-fossil-fuel-companies-offers-little-promise/>

⁵⁵ Suzanne Goldenberg, “Rockefeller family tried and failed to get ExxonMobil to accept climate change,” *Guardian*, March 27, 2015, <http://www.theguardian.com/environment/2015/mar/27/rockefeller-family-tried-and-failed-exxonmobil-accept-climate-change>

⁵⁶ Suzanne Goldenberg, “Exxon knew of climate change in 1981, email says – but it funded deniers for 27 more years,” *Guardian*, July 8, 2015, <http://www.theguardian.com/environment/2015/jul/08/exxon-climate-change-1981-climate-denier-funding>

companies to somehow get them to change their ways is unlikely to work if the family of the founder can't get Exxon to shift."⁵⁷

When choosing how to respond to the climate crisis, York must recognize that the time for engagement with the biggest lobbyists against climate action is long over. In an open letter supporting divestment, Stanford professors argued that "The urgency and magnitude of climate change call not for partial solutions, however admirable; they demand the more profound and thorough commitment embodied in divestment from all fossil-fuel companies."

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3) Divestment at York: How it is Consistent with the University's Beliefs

3a) Overview of Proposed Actions

Our recommended process for fossil fuel divestment encompasses three distinct steps, with deadlines at various points along a three-year timeline. The first step would be to **freeze new fossil fuel investments immediately**. This applies both to direct investments and pooled funds that include fossil fuel companies. This step is critical to signaling the University's good faith at the beginning of the divestment process.

Step two would involve **divesting by December 2017 from the 200 fossil fuel companies listed on the Carbon Underground 200**. These are the publicly traded companies that have the highest potential carbon emissions content in their reported reserves. The list is produced and maintained by Fossil Free Indexes, LLC, and updated on a yearly basis.⁵⁹

The third and final step is to **divest by December 2018 from any companies that produce, refine, transport, or sell fossil fuels, and reinvest in the low carbon economy**. There are many better investment alternatives to fossil fuels, many of which, on top of not endangering people's lives and livelihoods, stand to generate superior financial returns in a rapidly decarbonizing world.

3b) York University is Committed to Doing No Harm/Sustainability

Among institutions of higher learning, York University is considered an environmental leader. It has a tradition of being named as one of Canada's 100 Greenest

⁵⁷ Goldenberg, "Rockefeller family tried and failed."

⁵⁸ "Stanford faculty members call for fossil fuel divestment – full letter," *Guardian*, January 11, 2015, <http://www.theguardian.com/environment/interactive/2015/jan/11/stanford-fossil-fuel-divestment-letter>

⁵⁹ "The Carbon Underground 2015," *Fossil Free Indexes*, accessed March 13, 2016, <http://fossilfreeindexes.com/research/the-carbon-underground/>

Employers, up to and including the 2015 list.⁶⁰ The University rightly advertises its position on the list of the 20 Greenest Universities in the World.⁶¹ In the 2015 Sustainability Report, President Shoukri states that “Promoting sustainability on campus and around the globe remains a core commitment for the York University community.”⁶² York University has clearly internalized the challenge of climate change not only in its research and teaching, but also in the image of the University put out to the community at large, particularly future students.

In 1990, York University signed on to the Talloires Declaration. According to this declaration, the “emission of ‘greenhouse’ gases threaten the survival of humans and thousands of other living species, the integrity of the earth and its biodiversity, the security of nations, and the heritage of future generations.”⁶³ As a signatory, the University has not only officially recognized the urgency and the severe (and inequitable) repercussions of the climate crisis, it has also committed to “*Create an Institutional Culture of Sustainability*.”⁶⁴ The declaration clearly calls on Universities to wield the entirety of their institutional strength to boldly work for a just, sustainable future. At the moment, York University is not doing this. Rather, there is a “one step forward, two steps back” approach at play. While there are parts of the University that are putting forward excellent sustainability initiatives, the investment portfolios of the endowment fund and the pension plan are undoing much of that good work by pouring millions into the polluting, unjust fossil fuel economy of the past.

Simply put, *fossil fuel investments are completely inconsistent with York University’s principles and beliefs*, as articulated in the University’s mission statement. That statement describes the University as “A community... committed to academic freedom, *social justice*, accessible education, and collegial self-governance” (emphasis added).⁶⁵ As articulated in Section 1, climate change is fundamentally a social justice issue. As shown in Section 3(e), divestment is the socially just response to this crisis.

By continuing to hold investments in the fossil fuel industry, the University is not only reducing the effectiveness of its lauded sustainability initiatives, but also harming its very image as an environmental leader. The Sustainability Report outlines significant sustainability initiatives on campus but does not address how York is promoting sustainability externally, such as through our investments. The generation of young people

⁶⁰ “Canada’s Greenest Employers,” *Canada’s Top 100 Employers*, accessed March 13, 2016, <http://www.canadastop100.com/environmental/>

⁶¹ “Points of Pride,” *York University*, accessed March 13, 2016, <http://about.yorku.ca/points-of-pride/>

⁶² York University, *This is Sustainability: 2015 Annual Sustainability Report*, http://sustainability.info.yorku.ca/files/2014/10/SustainabilityReport2015_FINAL.pdf

⁶³ “Talloires Declaration Institutional Signatory List,” *Association of University Leaders for a Sustainable Future*, accessed March 13, 2016, http://www.ulsf.org/programs_talloires_signatories.html

⁶⁴ “Talloires Declaration Institutional Signatory List.”

⁶⁵ “Our Mission,” *York University*, Accessed March 13, 2016, <http://about.yorku.ca/our-mission/>

who will be making their choice of postsecondary institution in the coming years is vastly more aware of and concerned about climate change than any generation before them. As divestment continues to enter the mainstream, *any University that still invests in fossil fuel companies will find it increasingly difficult to plausibly claim to be an environmental leader*, and thus, to appeal to those very students for whom sustainability is a key factor in their decision. It is therefore crucial, not only for the climate at large, but also for the reputation of York University, that divestment be boldly and immediately embraced.

3c) York's Investments in Fossil Fuels

Most of the investments in York's endowment fund are held in pooled funds. Only a small portion of the US investments give details of the stocks held, which are reported quarterly by the Investment Committee. The value of the endowment fund holdings was \$434.1 million as of December 2014.⁶⁶ What stocks are held in these pooled funds is also considered proprietary information of these pooled funds. Therefore, current reporting to the York community fails to provide information on most of the holdings and the likely fossil fuel company investments. We believe this whole pattern of reporting should be improved to provide general transparency to the York Community. (We note that the same opaqueness applies to other socially responsible investing areas, including investments in tobacco, even though the campus no longer permits the selling of tobacco products in University buildings.)

The Board of Governors has fiduciary responsibility for the investments of the endowment fund. As such, the investments must be prudent – far seeing. This is not a phrase or perspective that applies to investments in fossil fuel companies. Socially responsible investment policies should reflect the wider shared values of York University, including that of avoiding Social Injury. Valuing sustainability requires an investment in companies with practices that are able to support these values in the long term.

The second, larger pool of investments are the investments of the York University pension fund. The market value of this fund was \$2.1 billion as of September 30, 2015.⁶⁷ Decisions on the pension fund must be fiduciary to the members of the York pension plan (both retirees and pre-retirees). It is now clear that investing in fossil fuels poses an increased risk with no discernable increase in returns (see below). It would be an immediate improvement for the pension fund to report to plan members what their Socially Responsible Investment Practices are, and what the exposure of the fund is to fossil fuel companies and all other investments in companies that are associated with Social Injury. The recent report from UofT confirms that there is a cross-over from developing leading policies for the endowment

⁶⁶ "Investment Committee," *York University*, Accessed March 13, 2016, <http://secretariat.info.yorku.ca/board-of-governors/investment-committee/>

⁶⁷ "Pension Investments," *York University*, accessed March 13, 2016, <http://www.yorku.ca/finance/divisions/pensioninvestments.htm>

fund, and working out how analogous policies will also express the values of the plan members and the larger York Community.⁶⁸

3d) Fossil Fuels are a Bad Investment

Investing in fossil fuel companies is harming the endowment fund's financial returns. Canadian funds are generally heavily weighted towards commodities such as oil. With oil prices falling, these funds suffered significant losses in 2015. The World Bank group reports that oil prices fell 47% in 2015 and are expected to decline by another 27% in 2016.⁶⁹ The fall in prices has in turn hurt the revenues of oil companies. For example, Shell's fourth quarter earnings in 2015 were 56% lower than in the fourth quarter of 2014.⁷⁰ These figures are similar across the industry.

The pooled funds in York's endowment fund faced sharp declines in 2015. The value of FGP Canadian Equity decreased by over 15% in 2015. This fund includes Suncor, Imperial Oil and Canadian Natural Resource Limited in its top 25 holdings.⁷¹ Similarly, Aberdeen Global Equity Fund lost 12.3% of its value in 2015.⁷² Mawer Canadian Equity Fund declined by a much smaller 0.3%.⁷³ Notably, none of Mawer's top 25 holdings include energy companies. There are many factors as to why these funds have declined, from the low prices of other commodities to generally poor stock market performance. However, there has been a clear downward trend in the value of energy stocks.

How much money has York lost by continuing to invest in fossil fuel companies? Corporate Knights attempted to calculate this figure for the University of Toronto. The firm compared the performance of UofT's actual portfolio with a hypothetical portfolio that switched investments from fossil fuels to clean energy. Corporate Knights estimates that UofT lost over \$550 million CAD over the last three years by not divesting from fossil fuels and reinvesting in more environmentally-friendly funds.⁷⁴ A separate analysis by Trillium

⁶⁸ "Report of the Advisory Committee on Divestment from Fossil Fuels," *University of Toronto*, accessed March 13, 2016, <http://www.president.utoronto.ca/report-of-the-advisory-committee-on-divestment-from-fossil-fuels>

⁶⁹ "World Bank Lowers 2016 Forecasts for 37 of 46 Commodity Prices, Including Oil," January 16, 2016, *World Bank*, <http://www.worldbank.org/en/news/press-release/2016/01/26/world-bank-lowers-2016-forecasts-for-37-of-46-commodity-prices-including-oil>

⁷⁰ Holly Ellyatt, "Shell, Statoil earnings decline as oil price drags," *CNBC*, February 4, 2016, <http://www.cnbc.com/2016/02/03/shell-statoil-earnings-decline-as-oil-price-drags.html>

⁷¹ <http://www.theglobeandmail.com/globe-investor/funds-and-etfs/funds/summary/?id=75779>

⁷² <http://www.aberdeen-asset.com/aam.nsf/usRetail/performance#equitiesGlobalEquity>

⁷³ "Canadian Equity Fund," *Mawer*, Accessed March 13, 2016, <http://www.mawer.com/mutual-funds/fund-profiles/mawer-canadian-equity-fund/>

⁷⁴ Jonnie Fu, "U of T has lost \$550 million by choosing not to divest from fossil fuels, report claims," *Varsity*, November 23, 2015, <http://thevarsity.ca/2015/11/23/u-of-t-has-lost-550-million-by-choosing-not-to-divest-from-fossil-fuels-report-claims/>

Asset Management found that Harvard lost an estimated \$21 million dollars over the past three years by continuing to invest in fossil fuel companies.⁷⁵ While York's endowment fund is smaller, *York has also likely lost significant value by continuing to invest in fossil fuels and foregoing other investment opportunities.*

The world is now beginning to see concerted action on climate change that will jeopardize the economic viability of fossil fuel companies, in turn affecting the long-term outlook of funds invested in those companies. These companies are valued based on the reserves they hold and can sell. But fossil fuels become what are sometimes called “stranded assets” once climate policy is taken into account, reserves that companies can never bring to market.⁷⁶ *Carbon-pricing* is the primary climate policy instrument governments use to shift market demand away from fossil fuels by raising their cost through carbon taxes and/or emissions trading systems. In 2015, the World Bank reported that 39 national jurisdictions and 23 subnational jurisdictions have implemented or are scheduled to soon implement carbon pricing policies. The report notes that since 2012, the number of carbon pricing instruments has jumped by 90%. In the last decade, the share of global emissions covered by these instruments has grown threefold.⁷⁷ *In the wake of the 2015 Paris climate agreement, we should expect the number of carbon-pricing instruments to increase even further and grow more ambitious. The question should not be whether York will divest from fossil fuels, but when.*

The purpose of the endowment fund is to preserve the value of financial gifts from donors and to realize a real long-term return. Investing in fossil fuel companies is not consistent with this goal given that oil prices are predicted to remain low in the foreseeable future⁷⁸ and that carbon-pricing policies will shift demand away from fossil fuels in the long-term.

3e) Reinvest in Renewable Energy and Energy Reduction

As numerous discussions leading up to Paris 2015, and since, confirm, there is a critical need for funding for alternative sources of energy, and for investments that will reduce energy use (e.g. retrofitting buildings and infrastructure). There is a companion need for massive funds to adapt infrastructure for the impacts of climate change, both in Canada and around the world.

⁷⁵ “Harvard’s Investment in Fossil Fuels: Neither Warranted nor Wise,” *Trillium*, April 30, 2015, <http://www.trilliuminvest.com/harvards-investment-in-fossil-fuels-neither-warranted-nor-wise/>

⁷⁶ Carbon Tracker Initiative, *Unburnable Carbon: Are the world’s financial markets carrying a carbon bubble?* (2012).

⁷⁷ World Bank, *State and Trends of Carbon Pricing 2015*, (Washington, 2015), 20, http://www-wds.worldbank.org/external/default/WDSCContentServer/WDSP/IB/2015/09/21/090224b0830f0f31/2_0/Rendered/PDF/StateandTrends0of0carbon0pricing02015.pdf

⁷⁸ “World Bank Lowers 2016 Forecasts.”

Shifting investments from fossil fuel companies and fossil fuel infrastructure to alternative and renewable sources of energy, and associated infrastructure (e.g. storage of intermittent energy), is contributing to the social good in a positive way. Such investments in the low carbon and sustainable economy are now better investments in terms of returns and lower risks than investments in fossil fuel companies or fossil fuel infrastructure.

The essential plans for a transition to a low carbon economy, which almost 200 countries committed to developing in Paris, will involve an enormous expansion of current low carbon infrastructure, and present both large opportunities for alternative investments and identify major needs for trillions in new investments.⁷⁹ A progressive shift of capital from fossil fuels to clean energy is hard-wired into the Paris Agreement. Standard & Poor's estimates that the treaty will trigger \$16.5 trillion worth of new investment in renewable, clean technology and green finance.⁸⁰

There are increasing options for direct investment in alternative energy companies, and in companies working to reduce the use of energy. These goals are part of the work and research at York University, and built into York's Sustainability Goals and Mission. York University should put its endowment fund into supporting these goals, not trying to profit from companies damaging the climate and actively preventing the achievement of these goals.

One less obvious option for reinvestment would be to shift from bonds with problematic companies (e.g. Enbridge) to green bonds. *Climate Change News* reports "Globally, the bond market is worth US\$100 trillion. Bonds can be used to raise money for any kind of project and offer investors steady, predictable returns over a set period. At present, a tiny fraction of that goes into low carbon or climate-resilient infrastructure. In a July 2015 report, Climate Bonds counted \$600 billion worth of outstanding climate-friendly bonds, of which around one dollar in ten was labelled "green."⁸¹ Black Rock (the largest investment manager in North America) is actively promoting green bonds in order to direct money into climate-friendly projects.⁸²

We have entered an era when moving to divest and reinvest is the approach to investments of successful institutional leaders. While some universities have started to take leadership in at least partial divestment,⁸³ York still has the opportunity to be a true leader

⁷⁹ "Fossil Fuel, Divestment & Reinvestment," *US SIF*, accessed March 13, 2016, <http://www.ussif.org/climatereinvestment>

⁸⁰ Jeremy Leggett, "State of The Transition, mid - late January: Oil oversupply, shale bankruptcies, gas leaks, and a whiff of securities fraud," *Huffington Post*, February 4, 2016, http://www.huffingtonpost.co.uk/jeremy-leggett/state-of-the-transition-m_b_9157064.html

⁸¹ "BlackRock partners with Climate Bonds Initiative," *Climate Change News*, November 2, 2015, <http://www.climatechangenews.com/2015/11/02/blackrock-partners-with-climate-bonds-initiative/>; For the report, see Climate Bonds Initiative, *Bonds and Climate Change: The State of the Market in 2015* (2015), 2, <http://www.climatebonds.net/files/files/CBI-HSBC%20report%20July%20JG01.pdf>.

⁸² "BlackRock partners with Climate Bonds Initiative," *Climate Change News*.

⁸³ "Report of the Advisory Committee on Divestment from Fossil Fuels."

with a policy of complete divestment from fossil fuel companies. York also has the opportunity to be a leader in terms of reinvestment in alternative energy, and products that reduce energy use. There are a growing number of alternative investment options that York can support. Funding for the alternative energy sector is a major bottleneck in the movement towards the goals endorsed in the Paris Agreement, and York can play a leadership role in this area as well.

As previously mentioned, York is already a signatory to the 1990 Talloires Declaration,⁸⁴ but there is a more recent coalition of universities working towards carbon neutrality,⁸⁵ which York can join as part of the movement to reduce the threats of climate change. Any thoughtful effort to make York carbon neutral must consider the carbon footprint of the investment portfolio.

Conclusion

In the aftermath of the Paris Climate Agreement, it is incumbent upon all institutions to ensure that they are doing everything possible to lay the groundwork for a low carbon future. As laid out above, a key way for York University to do so is to completely divest its holdings from fossil fuels. To do so would not only be the correct moral choice, but the correct financial choice as well. The writing is on the wall for the fossil fuel industry. By taking this step, the University will be able to show that its actions are in line with the urgency of this crisis. Beyond that, however, York has the opportunity to be a true institutional leader, in Canada and around the world, helping to pave the path towards a cleaner, safer future.

FAQ post-University of Toronto and University of Ottawa Divestment Decisions

Following Toronto350.org's submission of its major report calling on UoT to *fully* divest from fossil fuels, University of Toronto President Meric assembled a presidential Advisory Committee on Divestment from Fossil Fuels, which recommended *targeted* fossil fuel

⁸⁴ "Sustainability, Policy On," *York University*, Accessed March 13, 2016, <http://secretariat-policies.info.yorku.ca/policies/sustainability-policy/>

⁸⁵ "Campus carbon neutrality," *Wikipedia*, accessed March 13, 2016, https://en.wikipedia.org/wiki/Campus_carbon_neutrality; "Climate Neutrality with Honours," *UNEP*, July 23, 2009, <http://www.unep.org/Documents.Multilingual/Default.asp?DocumentID=593&ArticleID=6255&l=en>

divestment. In March 2016, President Gertler rejected his committee's recommendation and opted instead for the much weaker response of ESG-factor based investment alongside possible shareholder engagement coalitions. In light of this, we feel it is important to address President Gertler's decision and some misconceptions it may have created that the proposed alternatives to divestment are adequate responses to the climate crisis from Canadian post-secondary institutions.

1. Did the UofT reject divestment because fossil fuel companies are not causing social harm?

UofT (and other universities, like McGill) agreed that fossil fuel companies are causing social harm, which makes it all the more distressing that President Gertler decided not to divest. For decades many fossil fuel companies have actively worked against policies and regulations which would reduce this social harm. These companies have lost their social licence. It is wrong for funds under the fiduciary control of York University to now appear to offer that social licence. The only way for such companies to regain their social license is to implement a medium term business plan to move all their practices actively towards the transition to an economy capable of keeping temperature rise to 1.5°C, and to publically promote this transition through policies and regulations.

2. Is there any basis for UofT arguing that ESG policy, in concert with shareholder coalition activism, is a better alternative to divestment? Would these policies be an adequate response from York University to Fossil Free York's call for divestment?

In a word, no. ESG-factor based investment and shareholder coalitions work *alongside* socially responsible investment policies, including divestment, but do not *replace* them. There is no reason to have to choose between them, and any effective socially and environmentally responsible approach to investment will use all of them together. The influence shareholders wield is often summarized with a metaphor: the carrot and the stick. Investment is the carrot – but it gains impact on the social and environmental practices of companies *only if* there is a stick of divestment. Until companies develop business plans that reflect the implications of the climate crisis, we absolutely need the stick of fossil fuel divestment.

ESG Policies. YUACRI has been mandated to address responsible investment. ESG is *not* responsible investment, as it only excludes investments on the basis that they do not make money, regardless of the social harm. ***ESG is not an alternative to divestment, even under ideal circumstances where ESG policy has been established. It would be even weaker in York's case where there is still no strong socially responsible investment policy in place despite the YUFA Trust asking the endowment fund to develop one for the past five years.*** It appears there is no communication of York University's values to the investment managers, and no effective work to have investments through managers reflect York University values, even at the level of proxy voting. As an illustration, several years

after York University banned sales of tobacco (a clear source of social harm) the endowment fund is invested in tobacco companies with reputations for fighting regulation of tobacco and targeting sales in developing countries. It should be clear why adopting ESG policy, particularly under these circumstances, is absolutely not the kind of response that we feel measures up to the climate crisis.

Going forward, it would also be valuable for the York University endowment fund to develop and implement a strong ESG policy over a wide range of issues of concern to the university. Such policy would need to carefully reassess the risks of carbon exposure, and have a companion active shareholder / engagement program for the stocks which are causing social harm and elevated risks. Any ESG policy and engagement policy would need to be public and its development should invite additional input from the York community with annual reporting of its impact. It would also be a substantial contribution if this ESG policy and reporting were extended to include the York University pension fund, which shares a number of the same investment managers. Working with a shareholder engagement firm such as SHARE (Shareholder Association for Research & Education) could add impact to ESG policies. But again, a broad ESG policy and improved reporting is not an alternative to divestment from fossil fuel companies and should go hand in hand with it (as explained in section 2d).

Shareholder coalitions. York University Pension Fund joined the Carbon Disclosure Project in 2007, and we understand that the endowment fund joined around that time. We believe both funds are members of the Canadian Coalition for Good Governance. We believe that the endowment fund has joined the York pension fund in endorsing the Extraction Industries Transparency Initiative (EITI), an anti-bribery coalition. To the extent any of these impact our investments, this happens through our investment managers and is not publicly evident. There appears to be no regular reporting of that impact, and there are questions raised about the impact of some of these (in particular EITI).

There are other coalitions that the endowment might endorse, such as the Montreal Carbon Pledge. Such engagement would also add value to ESG policies, but does not contradict or replace divestment. The University of Ottawa has signed the Montreal Carbon Pledge and is in a process of at least partial divestment. The United Church of Canada has joined all of these coalitions, and this was followed by divestment and reinvestment as an expression of their institutional values and the will of the members expressed by a vote in August 2015. This divestment was for a fund of about the same size as the York endowment fund and was completed in less than 6 months.

3. Can you divest with pooled funds?

At UofT, pooled funds are called indirect investments, and have not been included even in a number of the proposed ESG actions. It is also likely that pooled funds have not been included in the UofT ‘divestment from tobacco’ announced several years ago. In pooled funds, investments from many institutions are pooled and invested by the manager in the

selection of stocks, not giving individual institutions control over stock selection or and limited control over the proxy votes.

The solution is simple: pick managers with strong socially responsible standards and substantial ESG processes. For example, there are more and more funds available to institutions that are “fossil free.” Manager selection becomes critical, as well as the mandate given to any selected manager, for stocks, bonds, or private equity. For passive investment, there are now ETFs in many markets that are fossil free. With a given manager, selection of which fund that has strong standards is often an option. The York endowment fund can ask current managers to provide ESG assessments and fossil free investments. The endowment fund can search for new managers with a strong record of positive investments that lower risks and provide returns at above market rates. For assurance of the community, the basic investment mandates for managers should be public. There should be annual public reports on how their management has met these standards. The reports should include what stocks they held (within 4 months), what coalitions they have joined, what engagement processes they contribute to, and a record of their proxy votes on ESG related motions.

4. Why is divestment and reinvestment essential?

We have had more than three decades of warnings about human induced climate change. The York endowment fund has had more than a decade to address these issues. Addressing and limiting climate change has become increasingly urgent, in part because so little has been done for two critical decades. Given the critical role of major fossil fuel companies in expanding CO₂ emissions, and the shared goals expressed in the 2015 Paris Agreement, there is no time to rely on slow steps to turn policies around and move into the transition. Dramatic action is needed to change course towards developing the low-carbon economy, in steps, towards major change by 2030 and a carbon-neutral economy by 2050. A combination of divestment and reinvestment is the clearest way to express the commitments of York University to sustainability.

This is not the time to continue to lose endowment funds through increasingly risky investments in fossil fuels. This is not the time to stay with investment policies that do not address the social harm and the urgent issues of climate change. This is the time for transition to the 1.5°C low-carbon economy. This is the time for York to show leadership and *redefine the possible* for Canadian university endowments.