A Resolution from the University of Maine Faculty Senate calling upon the Administration and Board of Trustees to Support Divestment from the Top 200 Publicly Traded Fossil Fuel Companies

WHEREAS overwhelming scientific evidence shows that the global climate is changing rapidly, due primarily to exponential growth in human combustion of fossil fuels and resultant emissions of greenhouse gases since industrialization (1); and

WHEREAS negative effects of climate change have already been felt in Maine and throughout the world, and likely will increase in severity into the near future (2); and

WHEREAS leaders, policy-makers, and scientists from 167 nations have agreed that we must curb emissions and limit planetary warming to no more than 2°C (3.6°F) above pre-industrial levels by 2050 if we wish to maintain a climate hospitable to complex human civilization and avoid ecological and economic catastrophe (3); and

WHEREAS limiting warming to 2°C by 2050 requires that we burn no more than 20% of proven fossil fuel reserves, necessitating that we keep 80% of the world's reserves in the ground such that these unburnable reserves become "stranded assets" on industry balance sheets (4); and

WHEREAS the fossil fuel industry faces a "carbon bubble" due to stranded assets, declining net energy returns, recent and projected volatility in prices, overcapitalization, and excessive debt, continued investment in the fossil fuel industry carries great financial risk (5); and

WHEREAS the University of Maine proclaims itself to be "a shining star in the world of environmental and sustainability research, teaching and service" and has made significant contributions towards that goal, the scope and speed of climate change demand that we demonstrate intellectual and moral leadership by taking the further step of divestment and stop providing financial support to corporations whose short-term profitability relies on exploitation of low-income and minority communities, destroys natural ecosystems, and is simply incompatible with long-term socio-economic-ecological sustainability (6); and

WHEREAS "Divest UMaine", a coalition of students at UM and throughout UMS and their allies, have been advocating strongly for divestment for two years, with the understanding that their future security, success, and well-being depend on society transitioning away from a fossil-fuel based economy and slowing climate change (7); and

WHEREAS the UM System Board of Trustees have already committed to divestment from the coal industry, UM- Presque Isle Foundation has committed to divestment from all fossil fuels, 43 faculty members of UM have signed an open letter urging the Faculty Senate to pass a resolution in favor of divestment, and many universities, cities, and other entities around the country and world either have divested or are pursuing divestment (8); and

WHEREAS in 1982, the University of Maine took the lead in the South Africa divestment movement by being the first public university in New England to divest, and 32 years later, it is time for the University of Maine to be at the forefront again and show true leadership and vision in setting a positive example for others to follow (9);

THEREFORE, BE IT RESOLVED that the University of Maine Faculty Senate, in support of Divest UMaine, calls upon the University of Maine System's Board of Trustees to stop any new investment in fossil fuel companies and to set a goal of full divestment within 5 years (10)

References and supporting information (researched by students, faculty, and alumni of Divest UMaine)

(1) Hansen, J. et al. 2013. Assessing "Dangerous Climate Change": Required Reduction of Carbon Emissions to Protect Young People, Future Generations and Nature. *PLOS ONE*, **8**, e81468

Climate science predictions prove too conservative. Scientific American, G. Scherer. 12/6/2012

United Nations Framework Convention on Climate Change Accord signed by 167 Heads-of-State , Dec 7-, 2009, Copenhagen http://unfccc.int/resource/docs/2009/cop15/eng/11a01.pdfcd

(2) Effects of anthropogenic climate change include increasing frequencies and intensities of extreme weather events such as heat waves, droughts, floods, as well as forest fires; changing circulation patterns in oceanic and atmospheric currents; ocean acidification; declining yield in agriculture, fisheries, and forests; desertification; biodiversity loss; sea level rise; outbreaks of pests and pathogens; social strife; and others. In many cases, historic projections have underestimated severity of realized effects.

Brysse, K., N. Oreskes, J. O'Reilly, and M. Oppenheimer. 2013. Climate change prediction: erring on the side of least drama? Global Environmental Change 23(1): 327-337

Hansen, J., M. Sato, and R. Ruedy. 2012. Perception of climate change. Proc. Nat. Acad. Sci.109: 14726 – 14727 E2415-E2423, doi:10.1073/pnas.1205276109

Jacobson, G. L., I. J. Fernandez, P. A. Mayewski, and C. V. Schmitt, editors. 2009. Maine's Climate Future: An Initial Assessment. University of Maine, Orono, ME.

Fernandez, I. J., et al., editors. 2015. Maine's Climate Future: 2015 Update. University of Maine, Orono, ME.

McKibben, B. 2011. Eaarth: Making a life on a tough new planet. St. Martin's Griffin.

Rockström, J. and 28 co-authors. 2009: Planetary boundaries: Exploring the safe operating space for humanity. *Ecol. Soc.*, **14**, no. 2, 32.

In Maine, scientists see signs of climate change. Boston Globe, D. Abel. 9/20/2014

The humanitarian agency DARA projects that 100 million people will die if the world does not act to curb greenhouse gas emissions and slow climate change. http://www.reuters.com/article/2012/09/27/us-climate-inaction-idUSBRE88Q0ZJ20120927

(3) http://unfccc.int/resource/docs/2009/cop15/eng/11a01.pdf

(4) McGlade, C. and P. Ekins. 2015. The geographical distribution of fossil fuels unused when limiting global warming to 2°C. Nature 517 doi:10.1038/nature14016

Unburnable Carbon – Are the world's financial markets carrying a carbon bubble? Carbon Tracker Initiative

(5) Governments are talking more seriously about pricing and putting restrictions on carbon emissions, which would cause a drop in the value of fossil fuel stock, currently valued in part on the reserves still in the ground. This would result in a burst "carbon bubble" similar to the burst housing bubble of 2008, which led

to a -18.8% return for MainePERS investments http://www.carbontracker.org/wp-content/uploads/2014/09/Unburnable-Carbon-Full-rev2-1.pdf

According to the Asset Owners Disclosure Project, almost all universities invited to participate in AODP's Global Universities Index received either D ratings (meaning they are completely exposed to the risk of stranded assets and physical impacts of climate change) or had no publicly-available information with which to evaluate their risk. http://aodproject.net/news/69-universities-receive-fail-on-climate-change-risk.html

Fossil fuel companies continue to expend billions every year on searching for more reserves of ever harder to extract fossil fuels, which is a waste of investor money. http://www.theguardian.com/environment/earth-insight/2014/jun/10/inevitable-demise-fossil-fuel-empire

As fossil fuel companies respond to depletion of conventional deposits by shifting to "unconventional" reserves that are low-quality and carbon-intensive (tar sands, deepwater, hydrofracturing, etc.), continued investment is irrational and counterproductive because further drilling provides diminishing energy returns along with increasing ecological and economic costs. We should invest our remaining surplus energy wisely and productively to build a sustainable and resilient economy, instead of squandering that energy towards foolish pursuit of ever more fossil fuels.

http://r4d.dfid.gov.uk/Output/197127/

http://richardheinberg.com/museletter-263-the-gross-society

Hall, C. A. S., and K. A. Klitgaard. 2010. Energy and the Wealth of Nations: Understanding the Biophysical Economy. Springer, New York. http://www.esf.edu/efb/hall/

Investing in companies that are increasingly reliant on these unconventional reserves presents great financial risk given recent and projected volatility in oil prices and overall diminishing energy returns. As existing wells "play out" sooner than expected and new wells fail to produce, many overcapitalized and debt-laden companies cannot remain solvent at low oil prices and must either go bankrupt or sell drilling rights to recoup their initial capital investments (thus becoming "speculators" rather than oil-producers). As more investors realize the risks involved and are wary of buying existing drilling rights, energy junk bonds that finance many small companies that exploit unconventional reserves have collapsed, and financial return per unit debt accumulated by large established companies has begun to decline as well. For exploitation of unconventional fuels to be financially viable, oil prices must rise to at least $100 / barrel, and perhaps higher, but prices that high trigger economic recession and reduce demand for oil. As it becomes increasingly clear that much of what props up the fossil fuel industry and our economy as a whole is unsustainable debt, investing in fossil fuel companies and financing that debt becomes increasingly foolish and counterproductive, and is simply not an acceptable use of University funds.
http://www.postcarbon.org/publications/drillingdeeper/

http://ourfiniteworld.com/2014/09/21/low-oil-prices-sign-of-a-debt-bubble-collapse-leading-to-the-end-of-oil-supply/

Boyd, Roger. 2013. Energy and the Financial System – what every economist, financial analyst, and investor needs to know. Springer: London

Heinberg, R. C. 2011. The End of Growth: Adapting to our new Economic Reality. New Society Publishers, Gabriola Island, BC.

6) UM System fossil fuel investments support companies that: have shown they are unwilling to change their core business plans; spend billions each year searching for more fossil fuel reserves; engage in increasingly destructive and risky extraction processes as conventional oil is depleted; have reduced their already minimal commitment to alternative energy; contribute large sums of money to political campaigns for candidates that support their position; and have actively worked to discredit climate science and scientists

http://www.fossilfreemit.org/wp-content/uploads/2014/08/FossilFreeMIT-Lobbying-Disinformation.pdf

http://www.theguardian.com/environment/2015/jan/15/it-is-impossible-todays-big-oil-companies-adapt-climate-change-jonathon-porritt

http://www.rollingstone.com/politics/news/the-logic-of-divestment-why-we-have-to-kiss-off-big-carbon-20150114

The fossil fuel industry pollutes communities along every point of production, from extraction to refinement to transport. Communities impacted by fossil fuel activity are disproportionately indigenous, low income and people of color communities. The impacts of climate change itself also disproportionately affect communities of color and nations of the global south— those that hold the least responsibility for (and have reaped the least benefits from) greenhouse gas emissions. As a public institution, we are obligated to be responsible social actors, which includes moving towards and investing in an economy that is not predicated on violence and exploitation.

Morello-Frosch et al. 2009. The Climate Gap: Inequalities in How Climate Change Hurts Americans and How to Close the Gap. UC Berkley Department of Natural Resources Publication.

Morse, R. 2008. Environmental Justice through the Eyes of Hurricane Katrina. Joint Center for Political and Economic Studies publication

The Blue Sky Project: Reaffirming Public Higher Education at Maine's Flagship University

(7) Students call on UMS to drop fossil fuel investments; trustees to start by weighing coal. Bangor Daily News, N. McCrea, 11/21/2014

Fossil fuel divestment a smart move for Maine universities — financially and ecologically. Bangor Daily News, M. LaSala and S. Perez, 3/13/2014

(8) UMS partial divestment vote: On 1/26/2015, "the Board of Trustees approves directing University of Maine System equity and fixed income separate account Investment Managers to negative screen for coal and to divest of any current directly held investments in coal mining companies. This action applies to the University's three portfolios - the Managed Investment Pool, Defined Benefit Pension Fund, and Operating Funds."
http://bangordailynews.com/2015/01/26/news/state/university-of-maine-system-partially-divests-from-coal-investments-closes-in-on-next-usm-president/

UMPI Foundation divestment: http://www.umpi.edu/news/releases/item/umpi-foundation-board-completes-total-divestment-from-fossil-fuels

Many other colleges and universities have already divested from fossil fuels, such as Unity College, The College of the Atlantic, Sterling College, San Francisco State University, Syracuse University, Hampshire

College, and Glasgow University; Stanford University has divested from coal; some 250 other Universities have entered into formal processes to consider divestment; and Harvard passed a student resolution where 72% of students voted in favor of divestment. There are on-going divestment campaigns at Colby, Bates, Bowdoin, the University of New England, and Southern Maine Community College.

The Faculty Senates of Cornell, University of Vermont, Oregon State University, University of Tennessee, University of California at Santa Barbara, Rhode Island School of Design, and American University have passed solutions supporting divestment; 300 faculty members of Columbia University and 70 faculty members of Bowdoin College have written to their respective Boards of Trustees urging divestment; and 245 members of Boston University have signed a petition supporting divestment. Faculty members on other campuses have set up forums or committees to consider divestment (MIT, University of Wisconsin), signed letters of endorsement (Swarthmore, University of Washington, University of Michigan, Vassar), circulated petitions (Harvard), set up faculty divestment websites (Tufts), and created video statements in support (Middlebury College).

In Maine, the city of Waterville, the University of Maine at Presque Isle Foundation, Unity College, College of the Atlantic, the Island Institute, the Switzer Family Foundation, and the Maine Council of Churches, among others, have committed to fossil free investments. The Maine Community Foundation, which manages the funds of hundreds of nonprofit organizations in the state, now offers a fossil free investment opportunity. At least seven other states besides Maine, including Vermont and Massachusetts have pension fund campaigns. Twenty-two other US colleges and universities and over 30 cities in the US, including Seattle, San Francisco, Providence, Santa Fe, and Portland, OR, have already committed to divestment. In September of 2014, the Rockefeller Brothers Fund broke from its roots in the oil industry and declared they would divest.

http://www.theguardian.com/environment/keep-it-in-the-ground-blog/2015/apr/24/columbia-university-faculty-members-call-for-divestment-from-fossil-fuels?CMP=share_btn_fb
http://dailyorange.com/2015/03/syracuse-university-announces-it-will-divest-from-fossil-fuels/?utm_content=buffera358e
http://www.scientificamerican.com/article/m-i-t-debates-whether-to-drop-fossil-fuel-investments/
http://www.bu.edu/today/2014/bu-faculty-petition-urges-divestment-from-fossil-fuel-companies/;
http://www.dailycal.org/2014/09/08/faculty-association-urges-uc-divestment-fossil-fuels/;
http://news.stanford.edu/news/2014/may/divest-coal-trustees-050714.html;
http://www.harvardfacultydivest.com/open-letter-new;
http://www.theguardian.com/environment/2014/oct/08/glasgow-becomes-first-university-in-europe-to-divest-from-fossil-fuels; http://bowdoinorient.com/article/9555;
www.cornellalumnimagazine.com/pdfs/Divest_long_Res.pdf
http://www.nytimes.com/2014/09/22/us/heirs-to-an-oil-fortune-join-the-divestment-drive.html?_r=0

In all, over 180 institutions have committed to either full or partial divestment
http://gofossilfree.org/commitments/

Furthermore, the United Nations Framework Convention on Climate Change is in support of fossil-fuel divestment, and UN Secretary-General Ban Ki-moon has called for a reduction in investments in support of a fossil-fuel based economy and encouraged a shift to investing in renewable energy
http://www.theguardian.com/environment/2015/mar/15/climate-change-un-backs-divestment-campaign-paris-summit-fossil-fuels

(9) According to Bishop Desmond Tutu, a strong supporter of divestment as a vehicle for social change, "We must stop climate change. And we can, if we use the tactics that worked in South Africa against the worst carbon emitters…We need an apartheid-style boycott to save the planet." http://www.theguardian.com/commentisfree/2014/apr/10/divest-fossil-fuels-climate-change-keystone-xl

In 1982, UMaine was one of first 10 universities in the country to divest from Apartheid South Africa. At that time, between one-half and one-third of the S&P 500 did business in South Africa, placing these companies among the best investments. These were blue-chip stocks, steady earners that were key to the success of endowment funds. In contract, fossil fuel divestment is only looking at the energy sector, which is about 10% of the S&P, and the top 200 fossil fuel companies are even less. UMaine's divestment from South Africa was a much bigger deal!

(10) According to Divest UMaine, for purposes of fossil fuel divestment, "fossil fuel companies" shall be defined as any of the two hundred publicly-traded companies with the largest coal, oil, and gas reserves as measured by the gigatons of carbon dioxide that would be emitted if those reserves were extracted and burned, as listed in the Carbon Tracker Initiative's report. http://carbontracker.live.kiln.it/Unburnable-Carbon-2-Web-Version.pdf

Divest UMaine is asking the UMS system endowment to halt any new direct or commingled investments in the top 200 publicly traded fossil fuel companies, and to divest from current direct and commingled holdings over the next 5 years. Fossil free investments have consistently kept pace with, or even outperformed, investments that include the top 200 fossil fuel companies.
http://fossilfreeindexes.com/2015/01/20/thoughts-2014-performance-ffius/
http://chronicle.com/blogs/bottomline/divesting-in-fossil-fuels-shouldnt-harm-endowments-report-finds/

Many institutions have found that investment in Energy Performance Savings Contracts provide equal or better returns on their investment dollars. http://www.ameresco.com/press/ameresco-awarded-contract-city-portland-maine-increase-energy-efficiency

Maine's economy loses more than it gains from investments in the fossil fuel industry because our taxpayers are contributing millions of dollars each year in federal subsidies to coal, oil and gas companies.
http://priceofoil.org/fossil-fuel-subsidies/

For years Maine has been suffering many of the hidden costs of the fossil fuel industry, which UMaine has been in the forefront of documenting, such as acid rain, increased respiratory illnesses due to being downwind of the coal industry, a large increase in tick borne diseases, a threat to Maine fisheries from ocean acidification and warming, and more severe weather and storm surges.

UMS may benefit through increased enrollment. Divestment is consistent with the Blue Sky strategic plan, which seeks to increase out-of-state student enrollment up to 25%-30% of total student population.
http://umaine.edu/bluesky/pathway-strategies/pathway-2-money-and-management/#two-b

2014 research indicates that campus sustainability and environmental commitment factors significantly in high school students' and their parents' college search considerations.
http://www.princetonreview.com/college-hopes-worries.aspx

Additionally, UMS may benefit financially. According to President Stephen Mulkey of Unity College: "Our endowment is bigger than ever. The two primary concerns that boards have about endowment is, number one: divesting will cause them to lose profits that they otherwise would acquire. The financial industry's own data show that that is absolutely unequivocally false. Socially-responsible investment, including those careful studies of fossil fuel divestment, show that by and large there’s no reason to expect your divested portfolio to do any worse than the market averages, assuming that you have active management of your portfolio. The second concern is that the trades necessary to reduce your exposure to something negligible would incur cost. In fact, that’s simply not reality because all you’re doing is adding another criteria to the investment manager’s decision tree. There’s absolutely no reason why that should cost you more money. When we divested, no more than a few weeks afterward, we got a check from a donor that we’d never known before, for $30,000 simply for having divested. Virtually none of our alumni have suggested that we’ve made a mistake in any way shape or form. The vast majority of people have been overwhelmingly supportive. They’ve been especially supportive not just of divestment, but the framing of our curriculum under sustainability science, which is really what I want the college to be known for.”

APPENDIX 1

An Open Letter to the Faculty Senate
From: Faculty Members of the University of Maine
Re: Divestment from fossil fuel company holdings
Date: April 10, 2014

In support of the University of Maine Green Team and students throughout the University of Maine System, we are urging the University of Maine Faculty Senate to endorse the students' divestment proposal. The proposal calls on the University of Maine System to divest the University endowment portfolio of fossil fuel company holdings over a period of five years.

The University of Maine is not alone. There are similar divestment campaigns at over 400 campuses nationwide. Nine colleges and universities have already divested, including Unity College, College of the Atlantic, and San Francisco State University. Faculty senates have voted for divestment at such institutions as Cornell, UCSB, Oregon State, and UVM. In 1982, the University of Maine took the lead in the South Africa divestment movement by being the first public university in New England to divest. Today, 32 years later, it is time for UMaine to be at the forefront again.

Our focus is on the 200 corporations holding the world's largest fossil fuel reserves. Leading climate scientists have stated that 60 to 80 percent of the planet's fossil fuel reserves must never be burned if we are to stay below a 2-degree Celsius rise in average global temperature. This 2-degree limit has been identified by scientific groups as the threshold beyond which the effects of global warming are likely to be catastrophic. These groups include the Intergovernmental Panel on Climate Change, the National Academy of Science, and the Royal Society.

Furthermore, we must acknowledge the biophysical reality that we have entered the "second half of the age of oil" in which we no longer can rely on increasing our consumption of fossil fuels to generate wealth. US oil production peaked in 1970 and global oil production peaked in 2008, and in 2014 we appear to be on an "undulating plateau" preceding inevitable decline. Energy return on investment (EROI) of oil has declined over the last century from ~1000:1 to ~10:1, indicating that we are gaining less and less net energy from investing in oil extraction and production as large, easily-accessible, high-quality reserves are depleted and we're relegated to exploiting smaller, harder-to-reach, lower-quality reserves. Once the economic, energetic, and environmental costs of obtaining oil and other fossil fuels outweigh the benefits of burning those fuels, further investment in that industry is foolish. Currently, the biophysical reality of depletion is winning against the promise of technological progress gained via new investment, and we should be very skeptical of calls to continue subsidizing fossil fuel companies in the hopes that business-as-usual will continue to yield profits.

Individuals can make efforts to reduce their carbon footprints, but an adequate response to climate change requires both effective government policy and visible actions by both public and private institutions. As educators, we contribute to public awareness through our teaching and research, but such efforts are insufficient to affect a government that has been in deadlock.

The goals of divestment are to 1) publicly call attention to the necessity for the United States and other countries to make a transition away from fossil fuels towards energy sources that are carbon neutral, and 2) stop subsidizing fossil fuel extraction whereby we send University resources obtained from student tuition and taxpayer appropriations to fossil fuel companies. The University of Maine has already made major efforts to reduce greenhouse gas emissions and make the campus more energy efficient, but the scope and speed of climate change demand that we take further steps by weaning ourselves from fossil fuel investments and no longer providing financial support to corporations whose short-term profitability is incompatible with long-term sustainability.

The financial implications of divestment have been carefully considered. Investment specialists are finding that it is possible to divest without reducing the value of an institution's endowment. In the long run, it may also be financially prudent to divest. When the proven fossil fuel reserves of the major companies are found to be "stranded assets," or when government policies impose substantial new constraints on fossil fuel emissions, the value of stock in such companies is likely to fall. Portfolios without fossil fuel investments already perform well, and sometimes outperform those that include fossil fuels.

It will be up to the Board of Trustees to decide whether to divest. However, a vote from the Faculty Senate will help to ensure that the Board of Trustees gives the issue serious consideration and the attention it deserves. We invite those who agree with us to add your voice to this discussion.

Respectfully,

Constant Albertson, Associate Professor of Art, Dept of Art
Douglas Allen, Professor, Department of Philosophy
Steven Barkan, Professor, Department of Sociology
Carla Billitteri, Associate Professor, Department of English
Jim Bishop, Retired Lecturer, Department of English
Richard Brucher, Associate Professor and Chair, Department of English
Pat Burnes, Associate Professor, Department of English
Sandra S. Butler, Professor, School of Social Work
Stephen Coghlan, Associate Professor, Department of Wildlife Ecology
Laura Cowan, Associate Professor, Department of English
Ronald Davis, Professor Emeritus, School of Biology & Ecology, and Climate Change Institute
Shirley "Lee" Davis, Professor Emerita, Division of Lifelong Learning
Julie DellaMattera, Associate Professor, Early Childhood Development & Education
Kerstin Engman, Assistant Professor, Department of Art
Jacquelyn Gill, Assistant Professor, School of Biology & Ecology and the Climate Change Institute
Nathan Godfried, Professor, Department of History
Michael Grillo, Chair, Department of Art
Mark Haggerty, Associate Professor, Honors College
Laurie E. Hicks, Professor, Department of Art
Michael Howard, Professor, Department of Philosophy
Jon Ippolito, Professor, New Media Department
Nico Jenkins, Preceptor, Honors College
Richard W. Judd, Professor, Department of History
Margaret Killinger, Rezendes Preceptor for the Arts, Associate Professor, Honors College
Roger King, Associate Professor, Department of Philosophy
Sharon Klein, Assistant Professor, School of Economics
Kyriacos Markides, Professor, Department of Sociology
Elizabeth McKillen, Professor, Department of History
Robert M. Milardo, Professor of Family Relations, Human Development
Virginia Nees-Hatlen, Professor Emerita, Department of English
Elizabeth Payne, Lecturer II, Department of English
Darren Ranco, Chair of Native American Programs, Associate Professor of Anthropology
Alan M. Rosenwasser, Professor of Psychology
Ann Schonberger, Professor Emerita, Women's, Gender, and Sexuality Studies Program

Phillip Silver, Professor of Music, School of Performing Arts

Nathan Stormer, Mark & Marcia Bailey Distinguished Professor of Speech & Theatre, Department of Communication & Journalism
Sharon Tisher, Lecturer, School of Economics and Honors College
Mary Tyler, Professor of Zoology, School of Biology and Ecology
Tim Waring, Assistant Professor, School of Economics
Gregory White, Professor, School of Economics
Faren Wolter, Instructor, Department of Wildlife Ecology

Additional signers after submission to Faculty Senate:
Jean D MacRae, Associate Professor, Civil and environmental Engineering
Naomi Jacobs, Professor, Department of English

Non-faculty Endorsements:
Laurie Cartier, Administrative Specialist CL2, Department of Sociology

Appendix:

The Royal Society and the US National Academy of Sciences, "Climate Change: Evidence and Causes," February 27, 2014.
http://dels.nas.edu/resources/static-assets/exec-office-other/climate-change-QA.pdf

Letter: Faculty-led divestment from fossil fuels, Cornell Daily Sun, December 24, 2013.
http://cornellsun.com/blog/2013/12/04/letter-faculty-led-divestment-from-fossil-fuels/

The Aperio Group consulting firm showed that since 1997, a "carbon free" stock index fund that excludes shares of fossil- fuel companies would have had a higher annual rate of return, 6.08 percent, than the widely used Morgan Stanley Capital International index, which rose 5.43 percent a year.
http://www.washingtonpost.com/business/economy/on-campuses-a-fossil-fuel-divestment-movement/2013/11/25/45a545e6-52fc-11e3-a7f0-b790929232e1_story.html

Hall, C.A.S. and K. Klitgaard. 2010. Energy and the wealth of nations: understanding the biophysical economy. Springer publishing

Letter from Harvard Faculty: http://www.harvardfacultydivest.com

APPENDIX 2

Primer on Divestment

What is Divestment?

Divestment is the opposite of an investment—it simply means getting rid of stocks, bonds or investment funds that are unethical or morally ambiguous. Fossil Fuel investments are a risk for investors and the planet—that's why we're calling on institutions to divest from these companies.

Companies like ExxonMobil, Shell and Peabody Coal have billions of dollars. How can divesting the funds from a few institutions like universities, pensions and churches make an impact?

Colleges and Universities hold over $400 billion in their endowments. That's a huge number—and getting all of that money out of coal, oil and gas will make a pretty big splash. Add in the big state pension funds, and church, synagogue and mosque investments, and we're well on our way to making ExxonMobil, Shell and Peabody sweat.

Divestment is also a really important way to shake up the financial markets, and show the big finance firms on Wall Street that fossil fuels are risky investments. The more we can reveal just how irresponsible these companies are—and how irresponsible it is to invest in them—the better.

We want College and University Presidents and Boards (as well as Religious and Pension funds) to immediately freeze any new investment in fossil fuel companies, and divest from direct ownership and any commingled funds that include fossil fuel public equities and corporate bonds within 5 years.

200 publicly-traded and government owned companies hold the vast majority of the world's proven coal, oil and gas reserves.2 Those are the companies we're asking our institutions to divest from. Our demands to these companies are simple, because they reflect the stark truth of climate science:

- They need immediately to stop exploring for new hydrocarbons.
- They need to stop lobbying in Washington and state capitols across the country to preserve their special breaks.
- Most importantly, they need to pledge to keep 80% of their current reserves underground forever.

A brief synopsis of the UMaine System Endowment and How It's Invested

According to The University of Maine System Annual Financial Report Year Ended June 30, 2012 (hereafter Annual Report): Endowments are gifts received from donors where the original amount of the gift (corpus) cannot be expended while the income earned and related appreciation can be expended. If the donor established criteria to determine how the expendable amounts can be used, then such amounts are considered restricted expendable. If the use of funds is left to the discretion of the University of Maine System (hereafter the System), the endowment income and appreciation is considered unrestricted. The System uses a pooled investment approach for its endowment unless otherwise required by the donor. Affiliates investing in the pool include: the University of Maine at Fort Kent Foundation, the University of Southern Maine Foundation (equals approximately 7% of the managed investment pool), and the John L. Martin Scholarship Fund, Inc. Two outside entities, the UMS Other Post Employment Benefit (OPEB) Trust and The Maine Maritime Academy pool monies with the System's endowment but, they are subject to the System's choice of investment direction. Except for certain gifts invested separately at the request of the donors, the System's endowment is managed as a pooled investment fund; investment policies and strategies for the combined pool are determined by numerous external independent investment managers, which are chosen and hired by the System. These money managers, much like any entity on the free-market, have a specific style, approach, and ethic to their investment strategy. Therefore, the System hires these managers based upon their traits as well as their performance and history. The hiring processes is lengthy and labor intensive and consequently prohibitive to change. Once the System selects and hires these managers it distributes the endowment funds across the entire body of managers in a diversified approach. Henceforth, the System relinquishes its legal rights to the management of its portfolio and completely relies upon these manager's strategies to maximize financial return. Therefore, the Board of Trustees has no legal way surgically divesting its holdings from individual managers but rather they would have to fire those individual managers, liquidate the holdings, and then hire new socially responsible managers (there exists various Social and Responsible Investment firms, for more info visit: http://ussif.org/resources/sriguide/srifacts.cfm). Ultimately, the pool is invested strategically and the System buys into the strategy lock, stock, and barrel. Moreover, it is difficult for the Board to even audit their investments in order to pin-point specific equities (stocks or any other security representing an ownership interest) as theoretically such auditing would jeopardize individual managers strategies by exposing their specific mix of investment choices.

As of 2012, oversight and management of the System's investments was under the charge of the Board of Trustees Investment Committee (as of 2012 this committee included: Eleanor M. Baker, Chair; Kurt W. Adams; Samuel W. Collins; Gregory G. Johnson; M. Michelle Hood; Marjorie M. Medd; Karl W. Turner; and Non-Trustee/Non-Voting Members: James Mullen, Chris Robinson, and Jack Moore). The board employs an Investment Consultant, which as of 2011, was New England Pension Consultants (NEPC), located in Cambridge, MA. Then there are two individual positions on the board that concern finance: Vice Chancellor for Finance and Administration and Treasurer and Director of Finance and Controller; these positions are currently held by Rebecca Wyke and Tracy Elliot respectively.

The System's pooled endowment investments (including affiliates) had a market value of $121 million as of June 30, 2012; pages 36, 37, 38, and 39 of the Annual Report (Financial Statements) includes itemized investments but, only by general title/classification, not by specific equity names. With that said, as of September 30th 2012, according the Tracy Elliot, the System's managed investment pool (including the endowment) had an exposure of 6.2% to oil companies specifically, which would equal approximately $7.5 million.

Information from the Financial Director and Controller of UMaine System

1. The System only holds 2 separate accounts which are in the MIP. These accounts are TCW and Met West. Holding a separate account means that the System actually holds the individual securities. These are the only two accounts, where we can ask the managers to not hold fossil fuels. All other investments are held in a mutual fund or commingled fund vehicle. In these cases, the System does not own the individual securities but owns a share of the fund. In addition, we do not have the capability to ask these managers to divest in fossil fuels.

2. Some managers (i.e. hedge funds, Permal and Gottex) will not distribute the underlying holdings outside of NEPC and the Investment Committee. In these cases, the managers have given us the % exposure to fossil fuels. There are emails in the zip files from these managers.

3. It is important to note the reason why we don't own separate accounts with the managers. Separate accounts require large minimum investments and the System does not have the scale to invest solely in

separate accounts in most cases. Therefore the reasoning for mutual funds and commingled funds. In addition, separate accounts are not always given as an option for investing with managers (i.e. Hedge Funds typically only have commingled fund type vehicles.)

Socially Responsible Investment:

Sustainable and responsible investing (SRI) spans a wide and growing range of products and investments, from stocks and bonds, to savings, checking and other banking accounts, to venture capital. Like all investors, sustainable and responsible investors seek a competitive financial return on their investments, and the good news is that it is possible to consistently achieve this.

A growing number of academic studies have demonstrated that SRI mutual funds perform competitively with non-SRI funds over time. Several of these peer-reviewed and published studies have been awarded the prestigious Moskowitz Prize. Additionally, more than 20 studies demonstrating that SRI mutual fund performance is comparable to that of non-SRI funds can be found at www.fsinsight.org — a compendium of all the major academic studies on SRI.

Another indication of the competitive performance of SRI funds is the performance of SRI indexes. These indexes are designed to be benchmarked to non-SRI indexes, such as the S&P 500. The longest-running SRI index, the FTSE KLD 400, was started in 1990. Since that time, it has continued to perform competitively — the FTSE KLD 400 with returns of 9.51 percent from inception through December 31, 2009, compared with 8.66 percent for the S&P 500 over the same period. For up-to-date information on the performance of SRI funds offered by member firms of US SIF, visit our Mutual Fund Performance Chart.

Ethical Funds do not underperform: In their study International Evidence on Ethical Mutual Fund Performance and Investment Style the Dutch ABP Investments and Maastricht University reviewed more than 100 German, UK and US ethical mutual funds. After controlling for investment style, the authors found little evidence of significant differences in risk-adjusted returns between ethical and conventional funds for the 1990-2001 period. With respect to investment styles, they concluded that all ethical investment funds are more growth–oriented than value-oriented, if compared to conventional funds. Finally, the authors present convincing evidence for the conclusion that ethical funds do not underperform, compared to conventional funds.

The ‘SEE’ Effect: Another report called Sustainability Pays, was conducted by CIS (Co-operative Insurance Society), Forum for the Future and Pirc in the UK. To investigate the case for socially responsible investing (SRI), the authors set out to answer two questions. Firstly, does screening companies with the use of Social, Ethical and Environmental (SEE) criteria help investors to perform better than the broader market? Secondly, does improved corporate social responsibility (CSR) – the aim of SRI strategies – help companies to perform better than their competitors (and thus produce higher returns for their investors)? The evidence shows that there is a potential ‘SEE’ effect that appears to offset the cost of lower diversification in a screened SRI portfolio. While this may not prove the case for higher returns with SRI, it certainly seems to show that CSR screened investments do not imply lower returns. New approaches with a forward-looking view of the impact of stakeholders and environmental issues on companies’ future cash flows (and therefore value) show that it is possible for these portfolios to perform even better.

Excluding companies entirely remains difficult for many large institutional investors. How about engaging with companies? Basic economic theory claims that this kind of initiative cannot help companies to increase their shareholder value. Other views suggest that CSR brings a first-mover advantage, CSR is an indicator of good management, CSR can create a competitive advantage based on reputation, and CSR can create value by delivering process innovation. Though it is difficult to untangle cause and effect, it appears that the cost of investing in CSR will be offset by the financial advantages of CSR. There is growing evidence that, in certain companies, and at certain times, improving CSR will lead to better financial performance. The study concludes: ‘The question then is not does being green and socially responsible pay, but when does it pay?’

Some Links

www.350.org
USM Divest FB: http://www.facebook.com/usm.divest
USM Twitter: https://twitter.com/DivestUSM
UMaine System Divest FB: https://www.facebook.com/DivestForME
Link to the U Maine System petition: http://act.gofossilfree.org/act/maine
Socially Responsible Investing: http://ussif.org/resources/sriguide/srifacts.cfm
International Investors Group On Climate Change: http://www.iigcc.org/home
Green Money Journal: http://www.greenmoneyjournal.com/