

A Revised Proposal to Divest Oberlin's Endowment From Fossil Fuels

A Note on the Revision

The power of fossil fuel divestment lies in the political statement that it makes, not the financial impact on targeted fossil fuel companies. On October 27th, 2015, the Board of Trustees responded to our initial proposal for fossil fuel divestment, indicating that they were committed “to honor [this] proposal and to demonstrate that [the Board agrees] with its objectives.”¹ At that time, however, the endowment's makeup did not allow the Board to divest as we outlined in our original proposal. As a result, no public response was issued, no political statement was made, and the potential for impact was lost.

It is with this in mind that we are re-submitting our proposal with three crucial changes. These changes give the Board the opportunity to follow through on their stated commitment.

1. We have expanded our request to now include the top 200 companies, rather than the top twelve;
2. In addition to withdrawing current holdings in these companies, we request that the Board publically commit to not invest in these companies *in the future*;²
3. We request that the Board issue a public statement to The Source regarding Oberlin's current holdings in the targeted companies and their policy on investing in these companies in the future.

All changes that we have made are colored in red.

¹ “...the Board will examine ways in which the College can continue to advance measures to ensure that the College retains its leadership in environmental sustainability.”

² Until the primary business dealings of these corporations cease to be the extraction and/or burning of fossil fuels.

I *Introduction*

Climate change is considered by many students, faculty, and alumni of Oberlin College to pose the greatest threat to humanity of our time. This destabilization of the global climate is a direct effect of the burning of carbon-based fossil fuels. While the consumption of these fuels is widespread, their extraction is concentrated within a small number of corporations.

The scientific community has warned for decades of the consequences that will result from the extraction and subsequent combustion of these fuels: extreme weather, drought, disease, destruction of homelands, forced migration, civil strife, ecosystem collapse, and rising sea levels. Many of these dangers are already present today, and are causing disproportionate damage in developing and island nations where the means to adapt to a changing climate are not readily available. The long-term and devastating drought that preceded the Syrian Civil War or the catastrophic typhoon that struck the Philippines in 2013 and shattered records for storm intensity are merely two examples of climate change directly contributing to a degree of suffering and loss of human life that shocks the conscience and compels us to action.

Any economic investments Oberlin holds in the companies that contribute to these catastrophes reflect a tacit approval of the harm inherent to these corporations' business models. Furthermore, these investments are a missed opportunity to align our institutional actions with the beliefs and values of our community. We believe that the timely and public divestment of Oberlin's endowment from the fossil fuel industry would once again position us as a leader of social and political advancement. Oberlin's pioneering role in this movement would encourage our peer institutions to follow and make a recognizable contribution to the ongoing dialogue about the real consequences of our nation's dependence upon fossil fuels. We therefore call upon the Board of Trustees to direct the Oberlin Office of Investment to divest any direct holdings from the **two-hundred corporations in possession of the largest fossil fuel reserves, and to publically state that Oberlin will not invest in these companies in the future.**³

II *Rationale*

In recent years the dominant political dialogue about climate change has shifted away from a discussion about the nature of the problem and towards a conversation about how to best rise to the challenges of transitioning into a low-carbon world while continuing to foster human development across the planet. It is widely understood among the scientific community that if the United States is to meet its commitment to the global goal of climate stabilization at 2° C above Holocene mean temperature, it must reduce its greenhouse gas emissions by 80-90% relative to 2010 levels by 2050.^{4,5} **In light of this reality, it is hard to imagine a medium-term future in which the carbon-based fuel industry could be called a sound investment opportunity, economically, politically, or reputationally.**

³ **Until the primary business dealings of these corporations cease to be the extraction and/or burning of fossil fuels.**

⁴ Sustainable Development Solutions Network and the Institute for Sustainable Development and International Relations, with collaboration from the International Energy Agency, "Pathways to Deep Decarbonization: 2014 Report." http://unsdsn.org/wp-content/uploads/2014/09/DDPP_Digit.pdf.

⁵ Nicholas Bianco, et al, "Can the U.S. Get There from Here?", World Resources Institute, February 2013. <http://www.wri.org/publication/can-us-get-there-here>.

Fossil fuel divestment is not just good policy, it is sound economics. The financial argument for divestment accounts for the fiduciary obligation to maximize endowment performance. At the same time, it recognizes the considerable risk of continued investment in the fossil fuel industry. Current market valuations of fossil fuel companies are based in large part upon their extensive fuel reserves, which vastly exceed the scientifically established “carbon budget,” an emissions threshold above which planetary warming of 2° C becomes inevitable.⁶ Many economists have written that these so-called “unburnable” reserves have the effect of creating a market bubble, which will become increasingly strained as governments adopt policies to prevent the burning of these reserves.⁷ In fact, the industry is already showing signs of instability: in four out of the five years from 2009-2013, a fossil-fuel free S&P 500 outperformed the unmodified index.⁸

Divesting Oberlin’s endowment from fossil fuels does not appear to pose a threat to the College’s future financial stability. This investment strategy, confirmed by analysts to be realizable without loss of portfolio performance,⁹ has already been pursued by cities as large as San Francisco, by renowned academic institutions such as Stanford University,¹⁰ and by private foundations such as the Rockefeller Brothers Fund.¹¹

As students at Oberlin, we are increasingly aware of the dissonance between our own institutional commitments to sustainability and the allocation of our resources. Oberlin College proudly announced its leadership role in environmental stewardship upon becoming a founding signatory to the American College and University Presidents’ Climate Commitment¹² (ACUPCC) to carbon neutrality by 2025. **We have arrived at an irreconcilable contradiction by investing in an industry whose products we’ve judged too irresponsible for our own consumption.**

Oberlin has an opportunity to set a precedent among our peer institutions by becoming the first college or university with an endowment of our size to divest from the fossil fuel industry. Nearly all of our peer institutions including Wesleyan, Middlebury, Swarthmore, Carleton, and Reed have active and growing divestment campaigns. What’s more, Pitzer and Hampshire Colleges recently joined the ranks of several smaller institutions who have already committed to remove their endowment holdings from the fossil fuel industry, generating national media attention.^{13,14} **Such publicity has achieved the primary goals of the fossil fuel divestment**

⁶ Justin Gillis, “U.N. Climate Panel Endorses Ceiling on Global Emissions,” *New York Times*, 27 September 2013. <http://nyti.ms/18uoUum>.

⁷ Chris Wright, “Will the Carbon Bubble be the Next Financial Crisis?” *Forbes*, February 13, 2015. <http://onforb.es/170T0u8>.

⁸ Fossil Free Indexes, “FFISU—Fossil Free Indexes US,” 2015. <http://fossilfreeindexes.com/fossil-free-indexes-us/>.

⁹ Do the Investment Math: Building a Carbon-Free Portfolio http://gofossilfree.org/se/wp-content/uploads/sites/13/2014/07/building_a_carbon_free_portfolio.pdf.

¹⁰ NB: Stanford University has not undertaken a complete fossil fuel divestment; rather the institution has divested solely from the coal industry. For more information, see Stanford Report, “Stanford to Divest from Coal Companies,” May 6, 2014, Stanford University. <http://news.stanford.edu/news/2014/may/divest-coal-trustees-050714.html>.

¹¹ Rockefeller Brother Fund, Divestment Statement,” September 2014. <http://www.rbf.org/content/divestment-statement>

¹² Oberlin College, “Carbon Neutrality: American College and University Presidents’ Climate Commitment (ACUPCC)” <http://new.oberlin.edu/office/environmental-sustainability/progress/carbon-neutrality.dot>.

¹³ Dan Hart, “Pitzer College to Divest Investments in Fossil-Fuel Stocks,” *Bloomberg Business*, April 12, 2014. <http://www.bloomberg.com/news/articles/2014-04-12/pitzer-college-to-divest-investments-in-fossil-fuel-stocks>.

movement; it stigmatizes the fossil fuel industry, it generates international recognition for these colleges, and it provokes concern among fossil fuel corporations and their investors.^{15,16} **Given the current political and economic reality, it seems surprising that neither Oberlin nor any of its peer institutions have committed to divesting from fossil fuels. The window for Oberlin to be a leader in this movement is quickly closing.**

III Proposal

While the burning of fossil fuels depends upon a complex network of actors and individuals, the limited number of corporations engaged in the extraction of these commodities¹⁷ creates an opportunity for a divestment process that is straightforward, clean, and politically resonant. We ask the Board of Trustees to oversee, within the next two years, the reallocation of any direct endowment holdings in the **two-hundred** companies in possession of the **largest fossil fuel reserves, as measured by Fossil Free Indexes in January 2015.**¹⁸ The companies, ordered from most to least based on the potential carbon emissions of their reported reserves, are attached to the end of this document.

Whereas:

- Investment in the fossil fuel industry materially contributes to the civil strife, disease, drought, destruction of homelands, forced migration, and other consequences of climate change that shock the conscience;
- Oberlin's divestment from these corporations will have significant reputational impacts on this industry and will encourage our peer institutions to join us; and
- Fossil fuel divestment is welcomed by the greater Oberlin community;

We ask the Board of Trustees:

- To divest Oberlin's direct endowment holdings from the two-hundred corporations cited below within the next two years;
- To not invest in these companies at any point in the future;¹⁹ and
- To publish a statement in *The Source* detailing their decision on divestment and their policies regarding future investments in the targeted companies.

We would like to reiterate that for their response to have the intended impact of divestment, the Board must: 1) withdraw current direct holdings in fossil fuel companies, 2) commit to not invest in these companies in the future, and 3) do so in a public manner. We also hope that the Board consider reinvesting endowment capital in socially responsible ways.

¹⁴ Jonathan Lash, "It's About the Future," *Huffington Post*, October 24, 2012.

¹⁵ Damian Carrington, "Axa IM warns that companies linked to fossil fuels risk their reputations," *The Guardian*, January 15, 2015. <http://gu.com/p/44qgt/sbl>.

¹⁶ Ken Cohen, "Some Thoughts on Divestment," ExxonMobil Perspectives, October 10, 2014. <http://www.exxonmobilperspectives.com/2014/10/10/some-thoughts-on-divestment/>.

¹⁷ Richard Heede, "Tracing Anthropogenic Carbon Dioxide and Methane Emissions to Fossil Fuel and Cement Producers, 1854-2010," *Climatic Change* 122 (2014), 229-241. doi:10.1007/s10584-013-0986-y.

¹⁸ Their list of companies is called "The Carbon Underground 200" and can be found at <http://fossilfreeindexes.com/research/the-carbon-underground/>.

¹⁹ Until these businesses cease to deal primarily in the extraction and/or burning of fossil fuels.

We believe that Oberlin's history and ethos not only make us well-suited to the task of leading our peers in this movement; indeed, they compel us to do so. Above all else, the call to divest is a call to end our complicity in a set of actions that precipitate disastrous consequences. We ask that the Board act in the interest of Oberlin's future, with support of the present Oberlin community, and in accordance with Oberlin's legacy.

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The Carbon Underground 200 2015

Rank	Coal Companies	Total Coal Gigatons CO2	Rank	Oil and Gas Companies	Total Oil & Gas Gigatons CO2
1	Coal India	57.722	1	Gazprom	43.915
2	China Shenhua	36.807	2	Rosneft	13.224
3	Adani	25.383	3	PetroChina	8.591
4	Shanxi Coking	18.445	4	ExxonMobil	8.223
5	Anglo American	13.488	5	Lukoil	6.988
6	BHP Billiton	12.351	6	BP	6.719
7	Yitai Coal	12.223	7	Petrobras	5.432
8	Datang Intl	12.206	8	Royal Dutch Shell	4.544
9	China Coal	12.103	9	Chevron	4.073
10	Peabody Energy	11.484	10	Novatek	3.853
11	Glencore Xstrata	10.698	11	Total	3.802
12	Datong Coal	10.281	12	ConocoPhillips	2.798
13	Yanzhou Coal	9.788	13	Tatneft	2.62
14	DEH	9.339	14	ONGC	2.457
15	Exxaro	8.793	15	ENI	2.356
16	Yangquan Coal	7.298	16	Statoil	1.985
17	Mechel	6.739	17	Sinopec	1.722
18	Arch Coal	6.513	18	CNOOC	1.548
19	Alpha Natural Resources	5.458	19	Occidental	1.327
20	EVRAZ	4.855	20	BG Group	1.122
21	Mitsubishi	4.738	21	Canadian Natural Resour	0.995
22	Vale	4.401	22	Anadarko Petroleum	0.984
23	Raspads kaya	4.084	23	Apache	0.969
24	Rio Tinto	3.696	24	Chesapeake Energy	0.909
25	Asia Resource	3.181	25	Inpex	0.908
26	Rusal	3.081	26	Bashneft	0.892
27	Neyveli Lignite	3.035	27	Devon Energy	0.889
28	Pingdingshan	3.023	28	BHP Billiton	0.854
29	Cloud Peak	2.753	29	Repsol	0.823
30	Sasol	2.731	30	Ecopetrol	0.774
31	Tata Steel	2.709	31	EOG Resources	0.772
32	AGL	2.704	32	Suncor Energy	0.715
33	Teck	2.603	33	Marathon Oil	0.683
34	Severstal	2.577	34	Hess	0.565
35	Coalspur	2.545	35	Imperial Oil	0.552
36	Kuzbass Fuel	2.504	36	Encana	0.548
37	Polyus Gold	2.294	37	Noble Energy	0.49

38 Energy Ventures	2.184	38 BASF	0.483
39 Whitehaven Coal	2.055	39 EQT	0.449
40 Banpu	2.04	40 Range Resources	0.443
41 Bayan	1.957	41 Continental Resources	0.426
42 RWE	1.943	42 OMV	0.42
43 Consol Energy	1.887	43 Antero Resources	0.41
44 WHSP	1.851	44 KazMunaiGas EP	0.4
45 Westmoreland	1.835	45 YPF	0.389
46 Resource Generation	1.818	46 Southwestern Energy	0.38
47 Churchill Mining	1.745	47 Cenovus Energy	0.374
48 NTPC	1.74	48 Linn Energy	0.364
49 Adaro	1.607	49 Woodside Petroleum	0.36
50 Nacco	1.557	50 Husky Energy	0.343
51 Idemitsu Kosan	1.53	51 PTT	0.317
52 ARLP	1.468	52 Consol Energy	0.312
53 Huolinhe Opencut	1.387	53 Pioneer Natural Resources	0.302
54 Golden Energy	1.354	54 Cabot Oil & Gas	0.3
55 Mitsui & Co	1.344	55 WPX Energy	0.275
56 CoAL	1.339	56 SK Innovation	0.263
57 NLMK	1.288	57 Whiting Petroleum	0.244
58 Tata Power	1.062	58 Murphy Oil	0.242
59 MMK OJSC	1.046	59 QEP Resources	0.233
60 Wesfarmers	1.011	60 Newfield Exploration	0.223
61 Kazakhmys	0.998	61 Dragon Oil	0.202
62 New World Resources	0.972	62 Sasol	0.201
63 MMC	0.903	63 Ultra Petroleum	0.2
64 Itochu	0.878	64 Santos	0.195
65 Cockatoo	0.8	65 Concho Resources	0.194
66 Shanxi Meijin Energy	0.784	66 Denbury Resources	0.19
67 Jizhong Energy	0.742	67 Freeport-McMoRan	0.183
68 Bandanna	0.731	68 Maersk Group	0.174
69 Polo Resources	0.726	69 MEG Energy	0.173
70 Alleite	0.723	70 SandRidge Energy	0.157
71 CLP Holdings	0.696	71 Crescent Point Energy	0.157
72 Aspire	0.67	72 GDF SUEZ	0.155
73 Marubeni	0.568	73 Pacific Rubiales Energy	0.154
74 China Resources	0.567	74 SM Energy	0.148
75 Walter Energy	0.556	75 JX Holdings	0.146
76 Coal Energy	0.503	76 Cimarex Energy	0.144
77 Indika	0.485	77 Mitsui & Co	0.142
78 Arcelor Mittal	0.464	78 Penn West Petroleum	0.137
79 FirstEnergy	0.458	79 Polish Oil & Gas	0.132

80 Black Hills	0.431	80 MOL	0.131
81 Wescoal	0.43	81 Energen	0.128
82 Grupo Mexico	0.42	82 TAQA	0.123
83 ARM	0.383	83 Oil Search	0.114
84 Shanxi Coal	0.376	84 Oil India	0.113
85 Capital Power	0.367	85 ARC Resources	0.112
86 PTT	0.359	86 Genel Energy	0.107
87 Shanxi Lanhua Sci-Tech	0.338	87 Canadian Oil Sands	0.102
88 Fortune	0.328	88 Energy XXI	0.096
89 Cardero	0.323	89 PDC Energy	0.095
90 Zhengzhou Coal	0.319	90 Oasis Petroleum	0.094
91 SAIL	0.307	91 Tourmaline Oil	0.093
92 JSPL	0.301	92 Rosetta Resources	0.093
93 Shougang Fushan	0.299	93 RWE	0.093
94 Jingyuan	0.297	94 National Fuel Gas	0.088
95 Stanmore	0.287	95 Peyto E&D	0.088
96 Prophecy Coal	0.272	96 Xcite Energy	0.088
97 Cliffs Natural Resources	0.247	97 Tullow Oil	0.087
98 James River	0.195	98 Energi Mega Persada	0.085
99 CESC	0.185	99 Breitburn Energy Partner	0.081
100 Alcoa	0.18	100 Enerplus	0.08