"Inequalities in society and climate change are the two biggest challenges we face in the world today"

David Skorton Nov 2013
Proposed actions:

• Achieve climate neutrality by 2035

• Divest from the 200 companies with the largest carbon reserves
Why now?
Assessing dangerous climate change: Required reduction of carbon emissions to protect young people, future generations and nature

“Rapid emissions reduction is required to restore Earth’s energy balance and avoid ocean heat uptake that would practically guarantee irreversible effects. Continuation of high fossil fuel emissions, given current knowledge of the consequences, would be an act of extraordinary witting intergenerational injustice.”

(J. Hansen +21 others, Plos One December 2013)
This is a moral, ethical issue
Albert Einstein: “Setting an example is not the main means of influencing others; it is the only means.”

Edmund Burke: “Nobody made a greater mistake than he who did nothing because he could do only a little.”
Resolution Designed for Minimal Financial Risk

• **Specifically targeted:** The resolution does NOT call for divestment from all energy-related companies; only from the publicly-traded 200LCR companies.

• **No constraint on reinvestment:** Divested funds can be reinvested in the most profitable alternatives (i.e., including other energy-related investments)

• **Phased:** Linearly phased divestment over 22 years, consistent with our accelerated progress to carbon neutrality

• **Reinvestment:** To publically acknowledge companies that take positive action re fossil-fuel reserves.
The affected companies are *not* the leaders (or even strong participants) in the transition to climate-neutral energy sources

2012 *global corporate spending* on:

- “finding and developing” new fossil fuel reserves: $647 billion$^{1}$
- renewable energy research and development: < $4.8 billion$^{2}$

2012 *total global spending* on renewable energy research and development: $244 billion$^{2}$

$^{1}$The Guardian, April 19, 2013
$^{2}$Frankfurt School, UN Environment Programme, *Global Trends in Renewable Energy Investment 2013*
The CIO estimate does not correctly characterize this resolution
Divestment will affect < 1.5% of the Long Term Investment Pool (LTIP)

9% in energy*

*Office of University Investment
Divestment will affect < 1.5% of the Long Term Investment Pool (LTIP)

- 3% public energy equities*
- 6% Energy (private partnerships)
- 91% Other

*Office of University Investment; “Our private partnerships invest in private companies.” The 200 companies are public
Divestment will affect < 1.5% of the Long Term Investment Pool (LTIP)

< 3% in the 200 companies
Divestment will affect < 1.5% of the Long Term Investment Pool (LTIP)

< 1.5 % time average*

*22 year linear divestment schedule
Historical Effect of Complete 7.6% Fossil Fuel Divestment on Broad Market Return: $\pm 0.2\%$

“Full Carbon Divestment” = complete Oil, Gas and Consumables market subsector (7.6% of complete market capitalization)*

*Aperio Investment Group
Combined with the <1.5% fraction of the LTIP affected by the resolution, historical performance implies less than $\pm 0.04\%$ average annual effect on LTIP return$^1$

$^1 \pm 0.2\% \times (1.5/7.6)$
LTIP income is 13% of 2013-2014 Operating Budget\(^1\)

- \(< \pm 0.00025\%\) effect on operating budget in first year \((\pm$5,250)\)\(^2\)

- \(< \pm 0.01\%\) average annual effect over 22 year divestment period \((\pm$210,000/year)\)\(^3\)

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\(^1\) 2013-2014 Operating and Capital Budget Plan (13% for Ithaca campus; 8.8% overall)

\(^2\) \(\pm 0.2\% \times (3.0/7.6) \times 0.13/22 \times \frac{1}{2}; \times 2.1B\) (Ithaca operating budget) = \(\pm$5,250\)

\(^3\) \(\pm 0.2\% \times (3.0/7.6) \times 0.13 \times \frac{1}{2}\)
Our attempts to “beat the market” by emphasizing subsectors (e.g., energy) have failed.

10-year annualized returns

- Cornell LTIP:* 8.2%
- Russell 2000 (through Fidelity): 9.6%
- Vanguard 500 Index Fund: 7.7%

*OUI June, 2013 Quarterly Report
It’s hard to predict the stock market, with or without divestment.
No Time to Waste

*Climate scientists:* Feedback and inertial effects require meaningful action by government (e.g., *carbon tax*) before 2020

*It’s time that our research results are implemented towards real-world solutions*

We must take action NOW to encourage this

The social benefit of our *leadership* in motivating grassroots and political action will be felt as *soon* as we pass the resolution.
"Environmental justice is an issue students care about."
- Cameron Pritchett, Student Assembly Minority Liaison At-Large