WHY THE UNIVERSITY OF CAMBRIDGE SHOULD DIVEST FROM FOSSIL FUELS

CAMBRIDGE ZERO CARBON SOCIETY
Cambridge University (& associated colleges) has endowment funds in the region of £5bn and no clear ethical investment policy. With climate change the biggest threat faced by humanity, the decisions we make will continue to shape our society for generations to come.

This booklet outlines why we believe Cambridge University must divest from fossil fuels, divided into the following sections:

- Divestment is morally right
- Divestment is effective & necessary for social & political change
- Divestment is needed to retain the University’s research integrity
- Divestment is a prudent financial decision

Last year, Cambridge Zero Carbon Society published an open letter signed by over 100 fellows, University societies, town groups and public figures. There is also an ongoing petition signed by 2300 University affiliates. The working group established to assess the University’s ethical investment policy agreed not to invest in coal and tar sands, but this is not sufficiently urgent action in the face of the climate crisis.

There will be a vote at the start of Lent term in which all fellows will be eligible to participate, and we encourage you to vote for divestment. For more information, we invite you to attend our discussion on the 22 November 2016 at Regent House.
1. DIVESTMENT IS MORALLY RIGHT

- Climate Change presents us with a challenge of unprecedented moral urgency. Unless significant action is taken, the consequences will be disastrous. The predictions are harrowing, including a 20% increase in child malnutrition[1], and the displacement of 250 million climate refugees by 2050[2].

- Climate Change will hit poor countries and communities hardest, as articulated in the United Nations Development Program[3]. The UK has the 5th largest cumulative emissions of any country – and this places a strong moral responsibility on British people and institutions to take action.

- Action against climate change must involve divestment. Fossil fuel companies’ core activities are fundamentally at odds with environmental sustainability. These companies exist to extract fossil fuels, and this is not set to change. At its peak, BP was still only investing 6% of its portfolio into renewables[4], with other major oil companies far behind. We can choose to fight the climate crisis, or we can invest in fossil fuels. We cannot do both.
2. DIVESTMENT IS EFFECTIVE AND NECESSARY FOR SOCIAL AND POLITICAL CHANGE

- We need to leave 80% of proven fossil fuel reserves in the ground to have a chance of avoiding a 2°C rise. To do this, we need political will and financial change, because current governments are not doing enough.

- The main aim of divestment isn’t to directly impact the finances of fossil fuel companies – we want to “remove their social license to operate”, making support of fossil fuel companies as politically unfavorable as support of the tobacco industry.

- Divestment also highlights the financial risk of fossil fuel investments; indeed, some fossil fuel companies now face criminal investigations for misleading investors.

- Only 18% of the British public is very concerned about climate change, a record low. The University should divest to impact public consciousness, and compels political action. Cambridge has international influence – the possibility of the University divesting has already made the front page of The Independent.

- The movement has momentum; at least 505 institutions have divested, worth over $3.4 trillion. Recent funds to divest include the Rockefeller Family Fund and the Norwegian Sovereign Wealth Fund.

- Divestment has led to policy change in the past. The anti-apartheid divestment campaign preceded major anti-South Africa legislation in the USA.
3. DIVESTMENT IS NEEDED TO RETAIN THE UNIVERSITY’S RESEARCH INTEGRITY

- Much of Cambridge’s research and policy is focused on climate change, across both the science and engineering faculties, and the human and political sciences. This includes various large-scale research collaborations such as the Cambridge Institute for Sustainability Leadership and the Cambridge Conservation Initiative.

- Multiple taught courses include modules directly related to climate change, across a range of fields ranging from Geography and Earth Sciences to Chemistry and Applied Mathematics.

- The University directly runs the Cambridge Green Challenge, an interdepartmental climate initiative involving both academics and students. They recently published a report outlining plans for an ‘outstanding’ environmental sustainability policy[7]. It is our view that such an ambitious policy directly aligns with divestment from fossil fuel companies.

- Comparable institutions such as Warwick, Edinburgh, King’s College London and SOAS have divested, along with many universities in the USA and elsewhere.
4. DIVESTMENT IS A PRUDENT FINANCIAL DECISION

- Divested assets are more profitable and less volatile than fossil fuels. It is estimated that the Cambridge University Endowment Fund could have made an additional £112m had it divested three years ago.[9]

- Fossil fuel assets are becoming increasingly high-risk and have underperformed recently, causing a £673m loss to the UK Pensions Funds from 2013-2015.[10] Bank of England Governor Mark Carney warned that if regulation targets are “even approximately correct, it would render the vast majority of reserves...literally unburnable” (2015).

- Many investment products are now tailored to suit low carbon mandates. Stakes in alternative fuels are becoming increasingly attractive, particularly since the global effects of climate change have become more evident in recent years.

- Risks associated with fossil fuel investment are not factored into current asset prices. The resultant overvaluing of fossil fuels creating an unstable “carbon bubble”, the bursting of which could lead to a sudden repricing much like 2008.
The UN Paris agreement of 2015 aims to commit the world to no more than 1.5 degrees of warming, acting as the final nail in the coffin for the fossil fuel industry. High profile institutions around the world are divesting – the question is whether Cambridge University will join this trend or fight against it.

Divestment is a moral issue that Cambridge cannot ignore. It is not just the right thing to do, but also the most effective from the perspective of research integrity and financial advantage.

We thank you for taking the time to consider our reasons for divestment, and hope that you will vote for our grace in Regent House in Lent 2017.

For more discussion or information, we invite you to join us for a discussion in Regent House on 22 November 2016.

Please visit our website www.zerocarbonsoc.soc.srcf.net
Send enquiries to eb639@cam.ac.uk

This booklet is an abridged version of a 74-page report published last year. This report can be viewed at: https://bit.ly/DivestReport
“IF A UNIVERSITY SEeks TO Educe EXTRAORDINARY YOUTH SO THEY MAY aCHIEVE THE BRIGHTEST POSSIBLE FUTURE, WHAT DOES IT MEAN FOR THAT UNIVERSITY SIMULTANEOUSLY TO INVEST IN THE DESTRUCTION OF THAT FUTURE?”

STANFORD UNIVERSITY FACULTY, 2015

References