

Statement on Divestment for University's Fossil Fuels Review Group Consultation

This letter is a collective statement representing the consensus view of the Sustainable Consumption Institute, School of Social Sciences

This statement supports a full divestment from companies whose principle business is in the extraction and/or processing of fossil fuels. We support the paper presented to the University by the UoM Students' Union and Fossil Free Manchester¹ and will not repeat all the arguments therein.

There are two, inter-related, reasons for divestment we would particularly highlight: consistency with the University's social responsibility agenda; and the economic risks of continued investment in fossil fuels.

Social responsibility is one of the three core strategic goals of the University's Manchester 2020 strategy and commitment to environmental sustainability is a major aspect of that policy. We suggest continued institutional investment in the fossil fuel industry is incompatible with a credible commitment to environmental sustainability, and thus social responsibility.

Continued investment in fossil fuel companies is effectively a long term bet against the success of achieving global emission reductions to levels compatible with the aspirations expressed at the Paris Climate Summit and against a credible chance of avoiding catastrophic climate change.

Fossil fuel companies are valued on the basis of their fossil fuel reserves, and their capacity to exploit them. Fossil fuel reserves far exceed those compatible with the 50 year 'carbon budget' necessary to meet global CO₂ reductions targets. Only 20% of total fossil fuel reserves can be burned unabated, leaving up to 80% of fossil fuel assets unburnable in a credible scenario for meeting emission reduction targets.² Furthermore, no major fossil fuel companies offer credible scenarios for mitigating the climate change impact of their reserves or their large scale conversion to renewable energy.

The University's investment fund managers, if they are to continue investing in fossil fuel companies and meet their fiduciary duty, must therefore judge that global attempts to reduce carbon emissions to levels compatible with mitigating dangerous climate change will fail, and that the University's fossil fuel investments will perform as hoped.

Of course, the judgements of investment managers, and of institutions which support and benefit from those judgements, are not neutral. Divestment from fossil fuels and investment in renewable energy resources contributes to the likelihood of meeting carbon emission reduction targets. Given the clear constraints of a global carbon budget compatible with avoiding dangerous climate change the long-term business plans of fossil fuel companies' are immoral. Divestment does not therefore simply concern the allocation of resources, it concerns the social and political acceptability of fossil fuel company operations in their current form: their 'social licence to operate'. It is in that context that a broadly based social movement of divestment has developed.³

¹ UoMSU & Fossil Free Manchester, 'The Case for Fossil Fuel Divestment'; <http://documents.manchester.ac.uk/display.aspx?DocID=27050>

² <http://www.carbontracker.org/report/carbon-bubble/>

³ <http://gofossilfree.org/about-fossil-free/>

Investment in fossil fuel companies is investment in dangerous climate change. There is therefore no possibility of a credible institutional commitment to environmental sustainability whilst continuing to invest in and profit from fossil fuel companies. We call on the University to show intellectual and ethical leadership by joining the 509 institutions globally that have committed to divest from fossil fuel operations.⁴

Further comments

The consultation call asked specifically for comments on three items, to which we briefly respond:

1. ‘the implications of divestment from fossil fuel companies in terms of the University’s research/teaching relationships, its standing, profile or in terms of its wider engagement;’

We think that investments should be considered completely separately from research relationships and funding. We note that the University is committed to offering learning opportunities in fields related to sustainability. We note also issues around divestment and the ethics and politics of climate change are an intrinsic component of some of these courses. We believe the University would demonstrate leadership in its commitment to social responsibility and environmental sustainability to staff, students and wider stakeholders through divestment in fossil fuels, and enhance its institutional reputation.

2. ‘your opinion on divestment from fossil fuel companies as an approach to influencing corporate behaviour and/or combating climate change;’

Divestment from fossil fuel companies is less about influencing the corporate behaviour of those companies in the short term and is more about medium term change in the social, institutional, ethical and political environment in which investment decisions, regulation and legislation is made, and in which corporate strategy is pursued. The incompatibility of carbon reduction targets and the realisation of the value of fossil fuel companies’ reserve assets clearly demonstrates that large scale regulatory and institutional change is needed as part of a transition to a low carbon future.⁵ Divestment should be understood in this context.

3. ‘noting the different definitions of fossil fuel companies and the different divestment decisions taken by other HEIs, including [statements from Harvard, Stanford, Edinburgh and Glasgow](#), if you believe that divestment could influence corporate behaviour/combat climate change, what scale or scope of divestment would you propose?’

We note⁶ the majority of divestment campaigns are asking institutions to:

- Immediately freeze any new investment in fossil fuel companies;
- Divest from direct ownership and any commingled funds that include fossil fuel public equities and corporate bonds within 5 years

We suggest that divested funds be invested in economic activities that the University believes makes a positive contribution to environmental sustainability.

⁴ <http://gofossilfree.org/commitments/>

⁵ See, e.g. <http://www.oecd.org/sd-roundtable/papersandpublications/Divestment%20and%20Stranded%20Assets%20in%20the%20Low-carbon%20Economy%2032nd%20OECD%20RTSD.pdf>

⁶ <http://gofossilfree.org/about-fossil-free/>