

UBC and Divestment from Fossil Fuels

1. Introduction

In the January 2014 AMS General Election, 6,786 students, representing 76.9% of voters, voted in favour of the following referendum question:¹

Whereas the University of British Columbia has demonstrated a strong commitment to environmental sustainability, and whereas it is unconscionable to fund our education with investments in fossil fuels that threaten our future on this planet, UBC should immediately forgo further investments in fossil fuel companies, and divest from all existing fossil fuel holdings within five years. Do you call on the Alma Mater Society to make all reasonable efforts to urge UBC to divest from fossil fuels?

This question was put on the ballot after a campaign by members of UBCC350 collected over 1,200 student signatures in support of their Divest UBC initiative.²

This report outlines the main supporting arguments for why the AMS should officially adopt the position outlined by this referendum question, and recommends action items for the VP Academic and University Affairs to perform in order to advocate for divestment to UBC. The final section also contains suggestions for how the AMS can take future internal action to increase its own commitment to responsible investment.

2. Background Context

2.1. The UBC Context

UBC recently released an updated *Endowment Responsible Investment Policy*, outlining how it will invest its endowment fund based on principles that incorporate environmental and social sustainability. UBC's Responsible Investment website contains information about this policy, as well as about UBC's endowment fund, where it comes from, and how it is invested.³ The policy includes conditions that will need to be met before UBC considers any proposals for divestment.

It should also be noted that in 1986 the UBC Board of Governors previously adopted a selective divestment strategy in response to apartheid in South Africa.⁴ In doing so, UBC joined a global movement of universities, governments, and other institutions who demonstrated their

1 Full results of the 2014 AMS Election at <https://amsvoting.as.it.ubc.ca/index.php?mode=results&election=54>

2 Information about this campaign and about UBCC350 can be found at <http://www.ubcc350.org/>

3 <http://treasury.ubc.ca/responsible-investment/>

opposition to apartheid by divesting from companies doing business in South Africa. The goal of this movement was to have both a financial as well as a political impact.⁵ This sets a precedent with respect to UBC's attitude towards divesting for ethical reasons.

2.2. UBCC350

UBCC350 is part of a growing list of worldwide climate action movements taking part in campaigns to urge institutions to divest from fossil fuel holdings. Information about this global movement can be found at <http://350.org/>.

2.3. The AMS Context

The AMS has a history of commitment to environmental sustainability. The 2008 *AMS Lighter Footprint Strategy* sets a goal of lobbying UBC to create more environmentally sustainable policies, including urging UBC to adopt "socially responsible investments."⁶ The arguments for divestment below will show that the position outlined in this referendum question is in line with the AMS's previously expressed position on UBC's sustainability policies.

3. Why the AMS should Support UBC Divestment

This section summarizes several main arguments for why the AMS should support UBC divestment, and cites links to several supporting documents where deemed necessary. Further development of additional arguments and a larger range of academic research on this topic can be found at http://www.ubcc350.org/fossil_fuel_divestment_brief.

3.1. Investing in fossil fuels actively contradicts UBC's commitments to Sustainability

UBC has repeatedly stressed its commitment to sustainability. One of the nine goals in UBC's strategic plan *Place and Promise* is to be a leader in "all aspects of economic, environmental, and social sustainability."⁷ To fulfill its environmental sustainability goal, UBC has developed commendable initiatives such as targeted reduction in greenhouse gas emissions and continued

4 http://www.library.ubc.ca/archives/pdfs/ubyssey/UBYSSEY_1986_02_07.pdf

5 <http://www.smithschool.ox.ac.uk/research/stranded-assets/SAP-divestment-report-final.pdf>

6 http://amssustainability.ca/wp-content/uploads/2AMS_Lighter_Footprint_Strategy_Mar_10_2008.pdf

7 <http://strategicplan.ubc.ca/the-plan/sustainability/>

excellence in sustainability research.⁸ However, despite this commitment and the many tangible steps UBC has taken, continued investment in fossil fuel companies supports corporate practices that undermine the long-term health of the environment. Since the AMS shares UBC's commitment to environmental sustainability, it should support UBC divesting from its holdings that financially help to enable these practices.

There is widespread scientific consensus that emissions from human carbon consumption cause great damage to the earth, and that these damaging effects will need to be stopped or reversed very soon to avoid becoming irreparable.⁹ In order to put into practice its commitment to environmental sustainability, UBC should cease its financial support of companies that contribute to this damage.

Furthermore, research has shown that large fossil fuel companies have power to effectively lobby governments to refrain from implementing policies that restrict carbon pollution.¹⁰ UBC is committed to research into sustainable technologies and practices, but its financial investments support companies that influence policy-makers to not put these very technologies and practices into widespread use.

Would divestment really allow UBC to have a significant influence over these types of corporate practices? UBC's *Endowment Responsible Investment Policy* argues that, since UBC is a relatively small investor with its investments spread among pooled funds, divestment would be "more symbolic than effective." This argument falsely assumes that symbolic actions cannot be effective, and it ignores the fact that campaigns similar to Divest UBC are taking place at major institutions worldwide. If multiple large institutions with reputations for sustainability leadership comparable to UBC's take the drastic step of divesting from fossil fuels and re-investing in future-oriented, sustainable energy companies, this would send a symbolic message to the energy industry and to policymakers that is potentially very influential.

3.2. Divestment is a move toward long-term financial stability

To continue supporting UBC's community for generations to come, *Place and Promise* makes a strong commitment to economic sustainability. However, there is reason to believe that investments in fossil fuels are not economically sustainable in the long-term. As students, members of the AMS are at the core of UBC's academic community, and should advocate for practices that allow UBC to support future students. The AMS should thus urge UBC to divest from economically unsustainable holdings in fossil fuels.

8 <http://sustain.ubc.ca/our-commitment/ubc-commitments>

9 http://www.climatechange2013.org/images/report/WG1AR5_SPM_FINAL.pdf

10 <http://link.springer.com/article/10.1007%2Fs10584-013-1018-7>

Along with scientific consensus that carbon emissions need to be capped comes consensus that there is a limit on the amount of the earth's fossil fuel reserves that can be burnt while still avoiding irreparable damage. However, fossil fuel companies are currently valued based on the entirety of unused fossil fuel reserves. If these reserves become recognized as unburnable, this will have significant effect on the value of these companies and in turn on the value of investments in them.¹¹ Furthermore, as widespread divestment campaigns evince, worldwide demand is shifting more and more away from fossil fuels to green energy sources. There is also likely to be continued incremental increases in restrictions on carbon emissions by policymakers. These factors will likely also have negative impacts on the future value of investments in fossil fuel holdings. Overall, it thus seems probable that the value of fossil fuel holdings will deflate in the future. To be economically sustainable, UBC should divest from its holdings in fossil fuel companies to shield itself from this potential deflation.

The students of the AMS voted to support a divestment process over a five year period. This period gives the university time to calculate and minimize risks as they undertake this project. Research has demonstrated that, while divesting from fossil fuels could pose some short-term risk to investors, this risk is very minimal and it is even possible to divest from fossil fuel holdings and re-invest in alternative energy sources without significantly effecting returns; given that trends are shifting away from fossil fuels and towards green energy sources, this shift may even increase these returns.¹²

3.3. Divesting from fossil fuels would cement UBC's place as a global leader in sustainability

In its *Place and Promise* commitment to sustainability, UBC celebrates its "international reputation" as "a global sustainability leader." However, the arguments and trends outlined above show that investment in fossil fuels conflicts with this reputation, as well as that a widespread shift away from fossil fuels will likely be necessary in the near future. As members of the UBC community, students of the AMS should be proud of their university's prestige and their contributions to it, and should support practices that uphold it.

Due largely to student-led activism, in May 2014 Stanford University became the first major university to halt future investment in and to divest from all holdings in coal companies.¹³ With divestment campaigns in place at major institutions worldwide, UBC needs to take action immediately if it wants to remain ahead of the curve and position itself as an exemplary model of sustainability. While UBC no longer has the chance to be the first major university to take

11 <http://carbontracker.live.kiln.it/Unburnable-Carbon-2-Web-Version.pdf>

12 https://s3.amazonaws.com/s3.350.org/images/Impax--20130704_white_paper_fossil_fuel_divestment_uk_final.pdf

13 <http://news.stanford.edu/news/2014/may/divest-coal-trustees-050714.html>

action on this issue, taking steps now will ensure that it remains a leader in this area. Furthermore, since Stanford's pledge was to divest only from coal-mining companies, UBC has a chance to enact its commitment to sustainability leadership by taking steps towards divesting from all fossil fuel companies.

Recommended Action: Based on the findings given in Section 3, it is recommended that the AMS vote to officially adopt the stance toward UBC outlined in the divestment referendum question: that UBC should take all possible measures to forgo future investments in fossil fuel companies and should divest from all existing fossil fuel holdings within five years.

4. AMS Action

The above arguments show why the AMS should advocate for UBC to divest from fossil fuel holdings; this section recommends actions for the AMS VP Academic and University Affairs to take to perform this advocacy. The *Endowment Responsible Investment Policy* outlines the steps for submitting a Responsible Investment Proposal to the newly established Responsible Investing Policy Committee, which is advisory to the Board of Governors. Given that this policy states that proposals will only be considered when submitted through these steps, it would be in the interest of efficiency and a spirit of good will for the AMS to try to perform its advocacy within the framework UBC has laid out. These steps have two main components: the proposal itself, and a showing of support from two of UBC's stakeholder constituencies. The first two parts of this section recommends AMS action on each of these components. The third part recommends additional, internal action that the AMS can take to ensure its own investment policies are in line with the rest of this report.

4.1. Responsible Investment Proposal

UBC's policy specifies that any Responsible Investment proposal must contain specific proposed actions, as well as show that these proposed actions meet the following five criteria:

1. A proven and overwhelming social, political, economic or environmental rationale supported by a body widely seen as competent and objective;
2. Reasonable evidence that divestment is an effective way to achieve the desired outcome;
3. Illustration that the request is consistent with its other University relationships or a further argument to align other University academic activities with the request;
4. The demonstration of a lack of alternative policies as effective at a lower cost or more effective at the same cost;
5. Consistency with the University's legal obligations as trustee.

Many of the arguments for why the AMS should support divestment given in Section 3 of this report are related to these criteria, and these arguments are even further fleshed out in UBCC350's research, to which a link is provided above. These research-based arguments for divestment suggest that it is realistic to believe a strong case could be made on each of UBC's

five requirements; nevertheless, writing a comprehensive Responsible Investment proposal that meets the high standards UBC has set out will require additional resources. Substantial further research will need to be undertaken both in order to comprehensively address each of UBC's five criteria, and to draft a concrete divestment plan.

Given that the AMS's divestment referendum question was passed due to the efforts of UBCC350, who have already made significant strides in research into this area, and given that the AMS VP Academic's office is not as well-equipped with the expertise required to write an effective divestment proposal as are the members of UBCC350, the most logical role for the AMS VP Academic to undertake in this area is one of supporting the members of UBCC350 in writing a divestment proposal that will be submitted to UBC's Responsible Investing Policy Committee.

Recommended Action: Based on the findings in Section 4.1, it is recommended that the AMS VP Academic and University Affairs work with UBCC350 to determine how the AMS can best support UBCC350 in writing a Responsible Investment proposal; this proposal should urge UBC to divest from all fossil fuel holdings within the next five years, should satisfy the criteria for divestment proposals specified in UBC's *Endowment Responsible Investment Policy*, and should be submitted to UBC's Responsible Investing Policy Committee by UBCC350 (and co-submitted by the AMS, if this is identified as best practice by UBCC350 and the VP Academic and University Affairs).

4.2. Constituency Support

Along with a divestment proposal, evidence of adequate support for divestment from at least two of the constituencies identified in UBC's investment policy must be submitted, with "adequate support" defined as follows:

- A referendum by the students of The University of British Columbia (as a system) that has achieved a majority (50% +1) and a quorum of at least 20% of eligible votes.
- A referendum by the Faculty (across both campuses) that has achieved a majority (50% +1) and a quorum of at least 20% of eligible votes
- A referendum by the Staff (across both campuses) that has achieved a majority (50% +1) and a quorum of at least 20% of eligible votes
- A written request from the Alumni Association Board.

The 2014 AMS referendum demonstrated this support from students; in order for UBC to consider a divestment proposal written by UBCC350 and the AMS, evidence of support from faculty, staff, or alumni needs to be provided. The obvious next step is to seek support from one or more additional stakeholder groups.¹⁴ Having representatives from both UBCC350 and the

14 UBC Faculty are represented by the Faculty Association, headed by an Executive Committee: <http://www.facultyassociation.ubc.ca/executive.php>; UBC Alumni are represented by the Alumni Association, headed by the Alumni Association Board: <https://www.alumni.ubc.ca/about/board/>; UBC staff are represented by various employee groups: <http://www.hr.ubc.ca/faculty-staff-resources/employee-groups/>.

AMS approach these groups together would be an effective strategy: this would involve the main group spearheading the UBC divestment campaign in partnership with one constituency that has already shown support for this campaign.

Recommended Action: Based on the findings in Section 4.2, it is recommended that the AMS VP Academic and University Affairs work with UBCC350 to reach out to UBC's Faculty Association, Alumni Association, and staff, to encourage these groups to seek evidence of support for divestment from their constituents. This evidence should be submitted to UBC's Responsible Investing Policy Committee along with UBCC350's divestment proposal (to be co-submitted by another constituency, if this is identified as best practice by UBCC350 and the VP Academic and University Affairs).

4.3. Ensuring the AMS Continues to Lead on this Issue

The above report makes a case for why it is irresponsible for UBC to invest in fossil fuels. Clearly, the same considerations apply to the AMS itself, especially given the AMS's previous commitments to sustainability. The AMS currently does not have investments in fossil fuels. However, the AMS could go even further in positioning itself as a leader on this issue by passing an internal policy that commits the organization to refraining from investing in fossil fuels in the future. Care would need to be taken to craft this policy in cooperation with various internal stakeholders who can provide direction and insight.

Recommended Action: It is recommended that the AMS VP Academic and University Affairs consult with the AMS Executive Committee and Director of Finance to determine the feasibility and ramifications of creating an internal policy committing the AMS to refraining from investment in fossil fuel holdings. The VP Academic should then work with the Executive Committee, the Director of Finance, and other internal individuals as deemed necessary to create the AMS's own Responsible Investment Policy.
