

COOK AND HEINTZMAN

Dumping fossil-fuel investments isn't just ethical – it makes sense

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Recently, the first Canadian university joined a growing global movement to divest endowments from fossil fuels. Concordia's \$5-million was largely symbolic; it still has \$95-million invested in oil and gas companies. But its decision was another signal that the divestment movement is gaining momentum.

In fact, divestment is creating a significant new challenge for an oil industry that is already fighting hard to maintain its pre-eminence in the world of energy.

This year alone, over 800 organizations with more than \$50-billion in assets have officially committed to divestment. These include the Rockefeller Brothers Foundation, the World Council of Churches, the University of Glasgow, Stanford University, and a pending vote at the University of California. In Canada, several faith-based organizations have signed up as well, including parts of the United Church. Their congregations are well versed in the issues and highly committed to pushing divestment from oil the way they did from tobacco 15 years ago.

On campuses throughout the Western world, students and faculty are forcing their governors to vote on divestment. Last week Dalhousie became the first university in Canada to vote. The result was 15 to 3 (with several abstentions) to keep its investment in oil stocks. George McLellan, the committee head, said afterwards: "If we turn our backs on a number of [big oil] companies, why would they put their money in here?"

Indeed, the arguments in Canada track those in America and Europe: a battle of philanthropic and research support versus moral, scientific and investment arguments. But votes are pending at the University of British Columbia, the University of Toronto and the University of Victoria; McGill, Trent and Simon Fraser University are all likely to vote in the next twelve months. The implications of the "no" vote at Dalhousie could go both ways, providing ammunition to university advancement teams, but also

steeling the resolve of students and faculty.

The moral argument for divesting has taken on a new nuance. As University of Toronto student Ben Donato-Woodger recently said, “It is a structural injustice against young people to have people who won’t be paying the price make judgments that will harm the next generation. Failing to divest would be a clear act of not caring about their students.”

Simon Rockefeller admitted on a recent webcast that the \$50-million of fossil fuel company shares his foundation planned to sell would quickly be picked up by other investors. But he also said that focusing on the money misses the point; it’s about leadership and awareness. Politicians will have to think carefully about ignoring the growing wave of engaged students, professors, church-goers and other voters.

They’re less patient and more organized than their forebears in the South African Apartheid divestment movement in the 1980s, who were told divestment was hopeless and would never work. They know that it eventually did.

It isn’t hurting their cause that the operating economics of the fossil industry are deteriorating as quickly as the price of oil is falling. Even over longer periods, the argument that investment returns would significantly suffer without oil doesn’t seem to bear out.

- In the past five years, the TSX with all its oil and gas constituents has significantly underperformed the TSX 60 *excluding* fossil companies.
- Over the past 10 years, the performance is almost identical *with or without* oil and gas in the index.
- According to the *New York Times*, U.S. universities hold an average of just 2.1 per cent of their assets in fossil investments. If this is so, it will be an even easier argument in the States that divesting won’t really affect investment returns.

Indeed, sector past performance and “investable universe” arguments are small potatoes. The real risk investors face sits on the balance sheets of the petro companies. As much as 80 per cent of fossil reserves may be worthless if the oil, gas and coal is kept in the ground by regulation or capital constraints.

Even Bank of England Governor Mark Carney told a recent World Bank seminar that the “vast majority of reserves are unburnable” if global temperature rises are to be limited to below 2C. But to stay within that 2 degree limit, we can only emit 565 more gigatons of carbon. Yet oil and gas companies have five times that amount frozen in their fossil fuel reserves.

Activism doesn’t come naturally to Canadians. But this battle has legs and divestment is finding its historic place in the transition to a more sustainable energy future.

