Divestment Frequently Asked Questions

What is Divestment?

When you invest your money, you might buy stocks, bonds, or other investments that generate income for you. Universities (and colleges in the US), as well as religious organizations, pension funds, and other institutions put billions in these same kinds of investments to generate income to help run their institutions.

Divestment is the opposite of an investment — it simply means getting rid of stocks, bonds, or investment funds that are unethical or morally ambiguous. Fossil Fuel investments are a risk for investors and the planet -— that's why we're calling on institutions to divest from these companies.

There have been a handful of successful divestment campaigns in recent history, including Darfur, Tobacco, and others, but the largest and most impactful one came to a head around the issue of South African Apartheid. By the mid-1980s, 155 campuses — including some of the most famous in the country — had divested from companies doing business in South Africa. 26 state governments, 22 counties, and 90 cities, including some of the nation's biggest, took their money from multinationals that did business in the country. The South African divestment campaign helped break the back of the Apartheid government and usher in an era of democracy and equality.

What are we asking for, and who are we asking?

We want institutional leaders to immediately freeze any new investment in fossil fuel companies, and divest from direct ownership and any commingled funds that include fossil fuel public equities and corporate bonds within 5 years.

200 publicly-traded companies hold the vast majority of listed coal, oil, and gas reserves. Those are the companies we're asking our institutions to divest from. Our demands to these companies are simple, because they reflect the stark truth of climate science:

They need to stop exploring for new hydrocarbons immediately. They need to stop lobbying in Washington and state capitols across the country to preserve their special breaks.
Most importantly, they need to pledge to keep 80% of their current reserves underground forever.

Why divestment? Shouldn't we just focus on stopping fossil fuel projects like offshore drilling, tar sands pipelines, coal power plants and hydrofracking wells?

Stopping fossil fuel infrastructure projects are important. Coal plants cause asthma and dump mercury into the air and water; fracking fluid can leak into groundwater and make people sick; pipelines can leak, and so on. We can and should stand with people on the front lines of these fights to stop projects like the Keystone XL pipeline that would destroy communities and the planet, and contribute to climate change.

But, we can't stop global warming one pipeline, coal plant, or fracking well at a time – the numbers just don't add up. At the same time that we're working hard to stop these destructive projects, we need to loosen the grip that coal, oil, and gas companies have on our government and financial markets, so that we have a chance of living on a planet that looks something like the one we live on now. It's time to go right to the root of the problem – the fossil fuel companies themselves – and make sure they hear us in terms they might understand, like their share price.

Companies like ExxonMobil, Shell, BP have billions of dollars/euros. How can divesting the funds from a few institutions like universities, pensions and churches make an impact?

Divestment isn't primarily an economic strategy, but a moral and political one. Just like in the struggle for Civil Rights here in America or the fight to end Apartheid in South Africa, the more we can make climate change a deeply moral issue, the more we will push society towards action. We need to make it clear that if it's wrong to wreck the planet, then it's also wrong to profit from that wreckage. At the same time, divestment builds political power by forcing our nation's most prominent institutions and individuals (many of whom sit on university boards) to choose which side of the issue they're on. Divestment sparks a big discussion and – as we're already seeing in this campaign – gets prominent media attention, moving the case for action forward.

At the same time, there are certain economic impacts. The top 500 or so university endowments hold nearly $400 billion (1). That's a huge number – and getting all of that money out of coal, oil, and gas will make a pretty big splash. Add in the big state pension funds and church, synagogue, and mosque investments, and we're well on our way to making ExxonMobil, Shell, and Peabody sweat.

While sale of stock might not have an immediate impact on a fossil fuel company, especially one as gigantic as Exxon, what it does do is start to sow uncertainty about the viability of the fossil fuel industry's business model. Here's why: in order to keep warming below 2°C, a target that the United States and nearly every other country on Earth has agreed to, the International Energy Agency calculates that the fossil fuel industry will need to leave approximately 80% of their reserves of coal, oil, and gas unburned. Those reserves may be below ground physically, but they're already above ground economically and factored into the share price of every fossil fuel company. Globally, the value of those reserves is around $20 trillion, money that will have to be written off when governments finally decide to regulate carbon dioxide as a pollutant. By divesting from fossil fuels, universities not only build the case for government action, they also start this important discussion about the fossil fuel industry's "stranded assets."

On the flip side of that coin, divestment also starts to build momentum for moving money into clean energy, community development, and other more sustainable investments. Let's say our campaign succeeds in moving just 1% of the $400 billion in university endowments towards sustainable alternatives. That's roughly $4 billion worth of new investments in things like solar bonds, revolving loan funds, and advanced energy industries. More importantly, when other investors, be they individuals or pension funds, see the nation's leading universities begin to move in this direction, they're more likely to follow suit. University endowments won't be enough to fuel a clean energy revolution – that's why we're still pushing for government action – but they build the case for investment in important ways.

Which companies are the worst offenders?

We're all complicit in fossil fuel consumption, and we should do all that we can to reduce our own use, but the real culprits — the ones who are rigging the system — are the fossil fuel companies. The largest 200 coal, oil, and gas companies own reserves that represent a significant percentage of the entire global market (1). These companies, incidentally, are also the largest contributors to politicians of all stripes in this country and around the world — they're the ones writing laws and getting billions in government handouts each year (2).
There are many more companies that contribute indirectly to climate change — the multinationals that build drilling equipment, lay oil pipelines, transport coal, and utilities that buy and trade electricity. But right now, we're focused on these 200 companies. For a full list of the companies and their reserves, check out this list.

Top 5 Coal companies: Coal India; Shenhua Group; Adani Enterprises; Shanxi Coking Company; BHP Billiton

Top 5 Oil and Gas companies: Gazprom; Rosneft; PetroChina; ExxonMobil; Lukoil

(1)http://fossilfreeindexes.com/the-carbon-underground-2014/
(2) http://endfossilfuelsubsidies.org/files/2012/05/fossilfuelsubsidies_report-nrdc.pdf

Divestment sounds complicated. Do I have to be an expert to start a divestment campaign?

Nope — none of us at 350.org are experts on financial markets, but we've talked to a lot of divestment experts and they've given us a few tips. It's useful to have the phone number or email address from a local economist, broker, or financial analyst, but it's not necessary. Here's what you need to do to get started.
We have a whole crew of folks at 350.org Headquarters happy to answer your questions and help you along — you can reach us at divest@350.org.

What if my campus administrators say that they don't know where the endowment is invested?

A common refrain from administrators, and even sometimes university Presidents or Board members is "We can't divest because we don't even know where the money is invested — and even if we did know, we couldn't make that information public because it would reduce our profits."

Well, here's where you get to play your trump card. It may be true that administrators don't know what stocks or bonds they own at any given moment, but administrators and boards hire the money managers, and thus get to decide where their money is, or isn't, invested. If they really wanted to divest from fossil fuels, all they would have to do is tell the money managers to do just that! Touché.

It sometimes makes sense to bring public attention to the fact that Presidents and Boards are trying to keep their investments secret, but don't let this argument distract you from the fact that they are the ones who get to make the call, not the money manager. Transparency becomes a much more important issue after you've won your divestment campaign with the President and Board, so that you can hold them and the money managers accountable for actually following through with the divestment promise.

Can we still make a reasonable return without investing in Exxon or Peabody Coal?

While it's true that fossil fuel companies are extremely profitable (In 2011, the top five oil companies made $137 billion in profit — that's $375 million per day), they're also very risky investments (1). Coal, oil, and gas companies' business models rest on emitting five times more carbon into the atmosphere than civilization can handle, which makes their share price five times higher than it should be in reality. In addition, disasters like Exxon Valdez, the BP oil spill, along with massive fluctuations in supply and demand of coal, oil, and gas, make energy markets particularly volatile, and therefore risky.

Report after report has shown that investing in clean energy, efficiency, and other sustainable technologies can be even more profitable than fossil fuels (2). It's a growing market, with over $260 billion invested globally in 2011, and a safe place for your institution to invest (3).

There are also a number of ways to re-invest locally that help build your community and stimulate good jobs. Projects like energy efficiency and rooftop solar have high up-front and labor costs, but save institutions money in the long run because electricity, heating, and other costs are reduced significantly. Read more about reinvestment for your college or university here.

(1)
http://www.ceres.org/resources/reports/sustainable-extraction-an-analysis-of-sec-disclosure-by-major-oil-gas-companies-on-climate-risk-and-deepwater-drilling-risk/view
(2)
http://www.forbes.com/sites/mindylubber/2012/03/20/investors-are-making-money-on-renewable-energy/
(3) http://www.reuters.com/article/2012/01/12/us-clean-tech-investment-idUSTRE80B1NX20120112

Can shareholders pressure fossil fuel companies without divesting?

Shareholder action can be an effective tool to make small reforms at a company, such as pressuring Apple to institute better labor practices at the factories it works with in China. Over the last decade, there has been an attempt to use shareholder action to change the behavior of the fossil fuel industry, as well. While there have been some limited successes — instituting sustainability practices inside the company, for instance — there haven't been any resolutions that have been able to address the core problem with the industry: the massive amounts of carbon they insist on dumping into the atmosphere for free. Voting for climate friendly resolutions is a good thing to do, but it's not going to solve the problem. Scientists say that in order to keep warming below 2°C, we need to leave about 80% of the fossil fuel industry's current reserves underground. This is an achievable goal, but it's the type of move that no group of shareholders would ever vote for willingly. Make no mistake, Exxon could still make a profit as an energy company if it transitioned its massive wealth and expertise over to renewables, but they'll do it because of government regulation, not because they willingly decide to make the move.

That's why it's time for divestiture. We need to make the moral stakes of our current situation clear: the fossil fuel industry is wrecking the planet, and it's immoral to profit off that wreckage. Divestment is a clear and powerful action that helps build the case for government action, along with making the economic point that we should be moving our money into the solution as supposed to the problem. If we'd started this campaign 30 years ago, then shareholder action would make more sense, but with the rapidly closing window for action, we need to act swiftly and boldly. Divestment can be an uncomfortable step to take, but it's the right thing to do — and it will make a far greater impact than any shareholder resolution we could ever pass.

How do I get involved?

You can search for a divestment campaign in your community here. If you see a campaign that you want to be part of, sign on and contact the person who created the petition through the mail icon next to their name.

Nothing going on near you? Go ahead and start a campaign from scratch. Campaigns can take many different forms, but here's a basic roadmap to help you get started.
From there, the work we need to do won't all be exciting. Some of you may need to go to jail before this is over, but long before that the labor will be dryer and harder — it involves meetings and petitions, rallies, and all the work of being an organizer on a campus or a city or a society or a planet. Some of it will be uncomfortable — it will involve asking good people and institutions to change their ways. But this is the fight of our lives, and we'll be right behind you every step of the way: hello@gofossilfree.org.

I'd like to divest my own money from fossil fuel companies as well--how can I do that?

As grassroots divestment campaigns take hold of institutions across the country, many individuals are taking matters into their own hands and choosing to divest their personal finances from fossil fuels. And that's great!

Fossil fuel companies are currently overvalued, and as the international community moves toward regulating carbon emissions, divestment may be a good long-term investment strategy as well as the right thing to do. We've put together these resources to help you determine whether personal divestment from fossil fuels is right for you: gofossilfree.org/mymoney

The not-so-fine print: The Fossil Free campaign and 350.org are not making investment recommendations, but merely providing information about possible alternatives to fossil fuel related investments. Individuals should evaluate any investment alternative for personal appropriateness.

What does the number 350 stand for?

The number 350 means climate safety: to preserve a livable planet, scientists tell us we must reduce the amount of CO_2 in the atmosphere from its current level of 400 parts per million to below 350 ppm. Accelerating arctic warming and other early climate impacts have led scientists to conclude that we are already above the safe zone at our current 400 ppm, and that unless we are able to rapidly return to below 350 ppm this century, we risk reaching tipping points and irreversible impacts such as the melting of the Greenland ice sheet and major methane releases from increased permafrost melt.
For more on the science of 350, visit 350.org/science

What does 'Do the Math' mean?

To grasp the seriousness of the climate crisis, you just need to do a little math. Fossil fuel corporations have 5 times more oil and coal and gas in known reserves than climate scientists think is safe to burn. We have to keep 80% of their fossil fuels underground to keep the earth in livable shape.

Here are the three numbers you shouldn't forget:

2 degrees — Almost every government in the world has agreed that any warming above a 2°C (3.6°F) rise would be unsafe. We have already raised the temperature .8°C, and that has caused far more damage than most scientists expected. A third of summer sea ice in the Arctic is gone, the oceans are 30 percent more acidic, and since warm air holds more water vapor than cold, the climate dice are loaded for both devastating floods and drought.

565 gigatons — Scientists estimate that humans can pour roughly 565 more gigatons of carbon dioxide into the atmosphere and still have some reasonable hope of staying below two degrees. Computer models calculate that even if we stopped increasing CO_2 levels now, the temperature would still rise another 0.8 degrees above the 0.8 we've already warmed, which means that we're already 4/5 of the way to the 2 degree target.

2,795 gigatons — The Carbon Tracker Initiative, a team of London financial analysts, estimates that proven coal, oil, and gas reserves of the fossil-fuel companies, and the countries (think Venezuela or Kuwait) that act like fossil-fuel companies, equals about 2,795 gigatons of CO_2, or five times the amount we can release to maintain 2 degrees of warming.