Divestment as a Strategy of Hope

How does this work?

Faith communities who hold investments are being asked to take the first step toward revoking the social license that the fossil fuel companies have so egregiously abused by divesting from the 200 publicly-traded companies that hold the vast majority of the world’s proven coal, oil and gas reserves. Each Friends’ institution will want to discuss and decide whether to sell the stocks of these companies that persist in exploring for new hydrocarbons, in lobbying in Washington and state capitols across the country against renewable energy, and in preparing to extract, process and sell the 80% of their current reserves which need to be kept underground forever.

The very specific proposal is that local, regional and national institutions immediately freeze any new investments 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. While this goal makes sense for universities with large endowments, most Friends Meetings could accomplish this goal almost immediately. We urge Friends to witness on this question as expeditiously as possible.

The Moral Argument

It has become increasingly difficult to reconcile owning stock in fossil fuel companies with our values. We see a growing incompatibility with our testimonies.

Respect for God’s creation—Climate change is leading to the destruction of countless communities and human lives. Climate change threatens the basic elements of life for people around the world - access to water, food production, health, and use of land and the environment. A recent report links climate change to 5 million deaths/yr (400,000 due to hunger & disease; 4.5 million to (air) pollution) from the carbon economy. Fossil fuel usage is expected to cause 100 million deaths over the next 18 years.

Environmental stewardship—We have a deep concern that current fossil fuel emissions must take responsibility for the potential mass extinction of animal and plant species and the general destruction that climate change will bring to the planet if it remains unchecked. With an unstable climate, pollination becomes irregular and seeds don’t germinate leading to massive failures in agriculture.

Peace—Violence and suffering ensue from the practical consequences of climate change. The competition for scarce arable land and other natural resources leads to increased conflicts and wars over access to these resources. Note that in Darfur “recurrent drought, increasing demographic pressures, and political marginalisation are among the forces that have pushed the region into a spiral of lawlessness and violence that has led to 300,000 deaths and the displacement of more than two million people since 2003. “ The situation is Syria, as we are learning, is also related to extended drought.

Honesty/Integrity—Fossil fuel companies are “polluting the public discourse” by their dishonesty about the effects of climate change and their funding of climate change deniers.

Equality—Fossil fuel companies’ very significant financial contributions to elected officials undermine our democracy and thus the equal voice of all citizens. They have severely limited the possibility for a meaningful public discourse by corrupting elected and appointed leaders, as the tobacco industry did some time ago. Likewise Friends express deep concern for the disproportionate impact climate change is already having on children, the elderly and those living in poverty. Thos who suffer most are often those least responsible for the emissions of greenhouse gases.

The Economic Argument: What are the risks?
When people express concern about the risk of divestment, in general, they are wondering if they will lose money if they sell their fossil fuel stock and reinvest in another sector. While it is true that fossil fuel companies have been extremely profitable, the same could be said for the tobacco and defense industries, yet we eschewed profiting from them and have done well without them in our portfolios. There is certainly tremendous evidence that it is possible to invest and do well without owning stocks in the fossil fuel sector.

Perhaps more important, they are also becoming very risky investments: coal, oil, and gas companies’ business models rest on emitting five times more carbon into the atmosphere than civilization can handle according to a report for the Carbon Tracker Initiative. For a simple visual explanation of the relation between the carbon budget and the carbon bubble see this short presentations: [http://www.carbontracker.org/carbon-bubble-interactive](http://www.carbontracker.org/carbon-bubble-interactive) The journal The Guardian comments directly on the financial risks, which we quote here at length.

The world could be heading for a major economic crisis as stock markets inflate an investment bubble in fossil fuels to the tune of trillions of dollars, according to leading economists.

“The financial crisis has shown what happens when risks accumulate unnoticed,” said Lord (Nicholas) Stern, a professor at the London School of Economics. He said the risk was "very big indeed" and that almost all investors and regulators were failing to address it.

The so-called "carbon bubble" is the result of an over-valuation of oil, coal and gas reserves held by fossil fuel companies. According to a report published on Friday, at least two-thirds of these reserves will have to remain underground if the world is to meet existing internationally agreed targets to avoid the threshold for "dangerous" climate change. If the agreements hold, these reserves will be in effect unburnable and so worthless – leading to massive market losses. But the stock markets are betting on countries' inaction on climate change.

The stark report is by Stern and the thinktank Carbon Tracker. Their warning is supported by organisations including HSBC, Citi, Standard and Poor's and the International Energy Agency. The Bank of England has also recognised that a collapse in the value of oil, gas and coal assets as nations tackle global warming is a potential systemic risk to the economy, with London being particularly at risk owing to its huge listings of coal.

Stern said that far from reducing efforts to develop fossil fuels, the top 200 companies spent $674bn (£441bn) in 2012 to find and exploit even more new resources, a sum equivalent to 1% of global GDP, which could end up as "stranded" or valueless assets. Stern's landmark 2006 report on the economic impact of climate change – commissioned by the then chancellor, Gordon Brown – concluded that spending 1% of GDP would pay for a transition to a clean and sustainable economy.

The world's governments have agreed to restrict the global temperature rise to 2C, beyond which the impacts become severe and unpredictable. But Stern said the investors clearly did not believe action to curb climate change was going to be taken. "They can't believe that and also believe that the markets are sensibly valued now."

"They only believe environmental regulation when they see it," said James Leaton, from Carbon Tracker and a former PwC consultant. He said short-termism in financial markets was the other major reason for the carbon bubble. "Analysts say you should ride the train until just before it goes off the cliff. Each thinks they are smart enough to get off in time, but not everyone can get out of the door at the same time. That is why you get bubbles and crashes."

Paul Spedding, an oil and gas analyst at HSBC, said: "The scale of 'listed' unburnable carbon revealed in this report is astonishing. This report makes it clear that 'business as usual' is not a viable option for the fossil fuel industry in the long term. [The market] is assuming it will get early warning, but my worry is that things often happen suddenly in the oil and gas sector. . .

Ratings agencies have expressed concerns, with Standard and Poor's concluding that the risk could
lead to the downgrading of the credit ratings of oil companies within a few years.

Jeremy Grantham, a billionaire fund manager who oversees $106bn of assets, said his company was on the verge of pulling out of all coal and unconventional fossil fuels, such as oil from tar sands. "The probability of them running into trouble is too high for me to take that risk as an investor." He said: "If we mean to burn all the coal and any appreciable percentage of the tar sands, or other unconventional oil and gas then we're cooked. [There are] terrible consequences that we will lay at the door of our grandchildren."

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. 

Friends recognize the complexity of these issues, both moral and financial. This is a complicated issue with real tensions - tensions not unlike those that early Quakers faced when they freed their slaves. They were immersed in an economy dependent on slavery. They were still buying clothing with cotton produced by slaves. There is some tension for us likewise. Each of us lives in a society that is predicated on fossil fuels. There is also a very real financial tension based on the risks of maintaining carbon based investments as we must, by necessity, move to a low carbon world. We also take that seriously. This is going to be a long and complex process for us to resolve as a society, for the global community to shift to a low carbon future.