Divest UVic Submission to the January, 28, 2020 Board of Governors Meeting

The authors of this report acknowledge with respect that the work we do is taking place on the unceded territories of the Lekwungen and W̱SÁNEĆ first nations on which the University of Victoria stands. When considering the implications of fossil fuel investments it is necessary to consider the historical and ongoing displacement of Indigenous Nations from their traditional territories for the purposes of resource extraction and how this has impacted Indigenous people across Turtle Island. As a University striving towards reconciliation, it is very important for this consideration to always hold a space in conversations while making decisions. The climate crisis continues to threaten Indigenous ways of life that predate the university and colonization, it the responsibility of the university to act on their commitments to sustainability and reconciliation moving forward. While discussing the topic of divestment it is crucial to keep these commitments in the foreground of considerations and remembering the promises made through acknowledging the territories we stand on, but also to the students the University of Victoria represents.

In summary, negative screening is the only option that Divest UVic endorses and supports, as it is the only ethical investment strategy. Any other option, from Impact Investing to Active Ownership and Proxy Voting, will simply continue the unsustainable, ineffective, unprofitable path that UVic is currently on.

Students hope that the following method of addressing common myths about divestment and negative screening will clarify any misinformation or assumptions that members of the board may have received. Unfortunately, Divest UVic was not allowed to view the proposed Responsible Investment Policy ahead of the submission deadline for this package, but we strongly implore you to take our perspective and research into consideration.

Myth	Fact
Full Divestment is not in accordance with the Board's Fiduciary Duty	The fossil fuel industry doesn't lead the market like it used to; it lags. Energy was the worst performing sector in the S&P 500 Index in 2018 and 2019, and its cumulative returns over the past five years have been abysmal (Siblis Research, 2019). Fossil fuel investments result in volatile revenues, limited growth, and a negative outlook as the quality of its equities continues to deteriorate from the quintessential blue chip component of investment portfolios to one that is speculative and tied to the oil-price uncertainty. 1. Coal stocks have plummeted in value in recent years, as has the oil price in recent months, (Barchart, 2019) meaning recently divested funds will avoid losses. Furthermore, a series of analyses have suggested divestment need not dent profits. If profits are the Board's top priority, then avoiding climate risk with the use of a negative screen on fossil fuel extraction, refinement, and transportation companies is the Board's fiduciary duty. 2. Over 180 organisations have already asked themselves if divestment would help or hinder their missions and then gone ahead and done it. The most notable is the Rockefeller Brothers Fund, founded on a famous oil fortune. Valerie Rockefeller Wayne noted that funding companies that cause the problems being tackled by their programmes is hypocritical and described the breaking point in decision making as "the schizophrenic notion that we had investments that were undermining our grants." (Dickinson, 2015) This same question can be asked of the research being conducted at UVic, is the resistance of the Board of Governors to adopt negative screening undermining the research that it is funding? 3. Fossil fuel assets will become 'stranded' ('devalued' or 'obsolete') by the rise of alternative energy technologies, and this situation will be amplified by the implementation of emission-reduction legislation. As a result, the fossil fuel industries of some of the largest exporters (US, Russia and Canada) will face the biggest losses in asset wealth (Belliveau, 2018, p. 11; Mercure et al., 2018) -- this is known as the 'carbon bubble' scenario.
The oil & gas industry benefits Indigenous communities	1. A common defense of extraction projects is that they will benefit Indigenous communities, and that many Indigenous people support these projects. While it is true that certain communities and individuals are in favour of extraction projects, and may give consent for these projects, it is important to understand where this consent is coming from.

	2. Governments almost always seek approval from Band and Council systems for developments and extraction projects. Band and Council systems are a colonial imposition that came into being with the 1876 Indian Act. Many nations uphold a system of hereditary chiefs, who hold title passed down through families as the only authority on their territories. 3. Projects require consent from all communities and nations along the proposed routes. Many proposed energy corridors would cross the territories of and effect numerous nations. All of these nations must give Free, Prior and Informed Consent to the project. 4. Canada has endorsed the United Nations Declaration of Indigenous Peoples (UNDRIP), and British Columia has implemented it as law. UNDRIP outlines in article 32: "States shall consult and cooperate in good faith with the indigenous peoples concerned through their own representative institutions in order to obtain their free and informed consent prior to the approval of any project affecting their lands or territories and other resources, particularly in connection with the development, utilization or exploitation of mineral, water or other resources." Article 32 highlights that this consent must come from their own representative institutions, demonstrating the importance of recognizing the title of hereditary chiefs. 5. The government of Canada and British Columbia frequently push through extraction projects without the Free, Prior and Informed Consent of the relevant nations (as outlined in the UNDRIP). Nations often sign on to projects due to dire economic need (caused by ongoing colonialism) and because they understand the government and industry will force the projects even if they don't sign on, and receiving a sliver of the profits is the only option. 6. Indigenous Peoples have always been leaders in protecting their land, water, and resources. For example, the last decade saw the rise of the "Idle No More" movement, which is led by Indigenous women and is generally concerned with opposing resource exploitation on Indigenous lands. 7. More recently, hereditary chiefs from the Wet'suwet'en Nation have explicitly prohibited the use of their land for a proposed Coastal GasLink pipeline. Despite these assertions, the provincial government has sided with industry, and has even argued for 'lethal overwatch' in breaking up peaceful protests in areas such as the Unist'ot'en camp.
Negative screening reduces the	1. While the fossil fuel industry is currently important to the Canadian economy, a shift on the horizon is likely.

investable universe, especially in Canada, and would impact returns.	2. Policy Horizons Canada, a federal think tank, warns that “Canada’s status as an ‘energy superpower’ is under threat because the global dominance of fossil fuels could wane faster than previously believed” (Fletcher, 2016, pp.1). 3. Most young Canadians do not want a future that relies on oil and gas. Statistics from a CBC report show that Canadian citizens within the 18-35 year-old age bracket are the most concerned about climate change and are the most likely to support the development of clean energy and technology (Decilia, 2016, pp.5). 4. A report out of the Parkland Institute notes that at the same time support for fossil fuel industry is declining, so is the future of fossil fuel companies to be viable investment options. When looking at Canada’s ‘Big Five’ oil companies and their economic activity over the past few boom and bust cycles, the report concluded that “[w]ith the Big Five increasing production while squeezing costs and slowing down investment, a significant chunk of Alberta’s (and Canada’s) carbon budget is currently reserved for a slow-growing, cost-cutting sector with weak fiscal, investment, employment, and innovation benefits.” The report continues to state that: “If the Big Five are able to continue to steer provincial and federal fiscal, energy, and climate policies, Canada will not be able to live up to its Paris Agreement obligations for the year 2050” (Hussey, Pineault, Jackson & Cake, 2018, pp.5). 5. Ultimately, when looking at the current social and economic trends in the fossil fuel sector, there is good reason to believe that the Canadian economy will shift away from relying heavily on oil and natural gas.
Shareholder Engagement is an effective strategy for Responsible Investing and applying a negative screen to fossil fuel companies would no longer allow the university to engage with companies to encourage positive change and, that once divested, the remaining investors	1. There is little evidence to support this argument. When, for example, the Guardian asked the Wellcome Trust to give instances where, “engagement had produced change, it could not”, (Carrington, 2015). 2. As campaigner Bill McKibben has pointed out, “engagement is unlikely to persuade a company to commit to eventually putting itself out of business”; furthermore, “...some market regulators— such as in the US— do not even allow this kind of engagement” (Carrington, 2015). 3. “The leading environmentalist Jonathon Porritt spent years engaging with fossil fuel companies only to conclude recently that such efforts were futile. Nonetheless, serious engagement could drive some change and 2015 has seen both BP and Shell having to support such shareholder resolutions. But such resolutions need specific changes and deadlines to be effective. Whatever your view, remember this is not an either/or situation. Many campaigners view divestment as the stick and engagement as the carrot, with both aiming for the same ultimate goal” (Carrington, 2015).

will not push management to affect positive ESG goals.	4. Owning debt— as the Board of Governor's does through Short Term Investments and Bonds, or as few shares at the Endowment— does not allow for meaningful engagement as you hold next to no leverage over these companies. 5. This strategy may be effective for influencing things such as the labour practices of a company producing clothing. Take Nike as an example. Nike could be influenced to pay their workers a fair wage and still produce a profit for their shareholders. However, Nike could not be influenced to stop producing shoes and clothing because that is their main source of revenue. Oil & gas companies cannot be influenced through shareholder engagement to stop producing fossil fuels because that is their main source of revenue. 6. Fossil fuel producers have been the most prominent international anti-climate advocators. Supporting these producers goes against the university's framework to promote sustainable futures. Furthermore, there is a possibility that fossil fuel companies will have stranded assets as part of the energy transition to a greener economy, which would negatively impact the asset value of the companies.
Fossil Fuels utility in ending poverty	1. Fossil fuel supporters often argue that coal, oil and gas made the modern world and remain vital to improving the lives of the world's poorest citizens. However, the most recent report from the UN's Intergovernmental Panel on Climate Change— written and reviewed by thousands of the world's foremost experts and approved by 195 of the world's nations— concluded the exact opposite. The IPCC concluded that climate change, driven by unchecked fossil fuel burning, "is a threat to sustainable development." (IPCC, 2019, p.19). 2. The IPCC also warned that global warming is set to inflict severe and irreversible impacts on people and that "limiting its effects is necessary to achieve sustainable development and equity, including poverty eradication" (IPCC, 2019, p.32). The IPCC went even further, stating that climate change impacts are projected "to prolong existing and create new poverty traps." (IPCC, 2014, p.4). 3. Research conducted by the UN in 2017 has also found that disadvantaged groups, particularly those experiencing poverty, are disproportionately affected by adverse effects of Climate Change, and that this results in a subsequent increase in poverty (Islam and Winkel, 2017). 4. 2017 research by the Carbon Disclosure Project (CDP) found that 71 percent of all industrial greenhouse gas emissions since 1988 came from just 100 fossil fuel-producing corporations (e.g. BHP Billiton, ExxonMobil, Shell, Gazprom) (Griffin, 2017, p.8). Almost 60% of these

	historic emissions come from state-owned enterprises, with a third coming from public investor-owned companies, which nullifies the argument that "fossil fuels are needed to eliminate poverty" because: public actors that hold the political and economic power to end poverty are instead investing in companies responsible for an overwhelming portion of the world's GHG emissions (Griffin, 2017, p.8) 5. Climate change impacts co-create, and are caused by, socio-economic inequalities stemming from systems of oppression and domination, such as colonialism, neo-liberal capitalism, white supremacy and patriarchy (Belliveau, 2018, pp. 31-32; Mohai et al., 2019). 6. Sites of industrial development — such as oil pipelines and deep water ports (as in the case of the old plantation lots along the Mississippi River) — are most often constructed in areas with higher rates of poverty (Mohai, Pellow, & Roberts, 2019, p. 414). Mohai et. al. concluded that these sites are inordinately built in areas inhabited by racial and ethnic minorities that are disproportionately poor. If disadvantaged groups are disproportionately at risk of the negative effects of fossil fuel industry operations, how can we arrive to the conclusion that fossil fuel development eliminates poverty?
Divestment inefficiencies	1. "To sell a stock you have to have a buyer. But the amounts being divested are too small to flood the market and cut share prices, so they won't be going cheap. Also, the buyers of the stock are taking on the risk that the fossil fuel stocks may tank in the future, if the world's nations fulfil their pledge to keep global warming below 2C by sharply cutting carbon emissions. If these stocks are risky, then the public and value-based institutions primarily targeted by the divestment movement should not be holding them." (Carrington, 2015)
It's too early to adopt negative screening.	1. It's not early to adopt negative screening; it's timely. In order to keep global warming below 1.5C, the IPCC report recommends the reduction of carbon pollution by 45% from 2010 levels by 2030 (IPCC, 2019, p.12). Making a commitment to divest from fossil fuels now would allow the University to smoothly transition its investments over the course of several years in accordance with the necessary global transition away from fossil fuels. 2. To prevent global mean temperature from rising to 2°C, approximately 80% of coal, 50% of gas, and 30% of oil reserves must remain unextracted and unburned between 2010 and 2050 (Jakob & Hilaire, 2015, p. 150). By committing to fossil fuel divestment, the University can help prevent the existing level of exploitation and emissions from increasing by taking funds away from companies directly responsible for that extraction. The University would then be able to shift its investment

	portfolio to firms that use resources sustainably and produce fewer emissions. 3. Two other prominent Canadian post-secondary institutions, Lavall and Concordia, have already committed to divestment from fossil fuels (Friesen, 2019; Bruemmer, 2019). If we choose to divest, UVic may lead the way for other institutions to follow suit.
Impact Investing	1. If holdings don't change and investments in fossil fuels remain, then the investment strategy is effectively greenwashing. Greenwashing is defined as; "disinformation disseminated by an organization so as to present an environmentally responsible public image." (Oxford, n.d.). As mentioned earlier, investments in fossil fuels are undermining the critical climate research that the University is funding. If a negative screen is not applied to fossil fuel companies, than the "impact" of impact investing will be undermined by remaining investments.
Agreeing to divest could lead to more divestment requests on a variety of issues.	1. Divest UVic is focused solely on divestment from fossil fuels.
It is difficult to find a company not reliant on the use of fossil fuels.	1. Divest UVic has never called for divestment from all companies that use fossil fuels, the request is for a negative screen to be placed on extraction, refinement, and transportation companies.
Incorporating Environment, Social, Governance (ESG) Factors and becoming a signatory of the UN Principles for Responsible Investing (UNPRI) is an effective strategy for Responsible Investing.	1. While incorporating ESG Factors and becoming a signatory of the UNPRI are strategies for making it seem as though an investor is being responsible, if the portfolio has holdings in fossil fuels then any other strategy is greenwashing. 2. ESG Factors and the UNPRI are not binding, it is not a negative screen and will not move UVic's funds away from the companies that are undermining its research. 3. These tools may be useful, if a negative screen is placed on the fossil fuel extraction, refinement, and transportation companies causing the root of the problem.

Thank you kindly for taking the time to read this submission in full, we hope it clarifies some of the myths and misinformation that you may have received regarding divestment and negative screening. Please feel free to email divestuvic@gmail.com if you have any further questions or comments, or check out our website www.divestuvic.com to learn more.

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