



Minutes
University Assembly
Tuesday, April 8, 2014
4:30 – 6:00 p.m.
401 Physical Sciences Bldg.

I. Call to Order

J. Blair called the meeting to order at 4:31 p.m.

Attendance:

Present: S. Balik, J. Blair, D. Bunck, J. Burns, M. Dumas, E. Loew, M. Lukasiewicz, C. McGrath, G. Mezey, A. Moore, G. Ruizcalderon, B. Schaffner, U. Smith, R. Wayne

Absent: R. Adessa, R. Booker, N. La Celle

Others Present: J. Bergfalk, J. DeStefano, AJ Edwards, D. Roth, D. Shalloway

II. Approval of Minutes

The minutes of the March 25, 2014 meeting were approved unanimously.

III. Business of the Day

Approval of the Appointment of E. Sanchirico to serve as Judicial Codes Counselor

R. Wayne presented E. Sanchirico and explained his position on the selection committee as a representative of the UA. President Skorton had previously approved her appointment, but the UA needed to formally confirm it. E. Sanchirico's appointment to the position of Judicial Codes Counselor was approved unanimously.

To introduce the next order of business, J. Blair recounted that the UA was charged with considering carbon neutrality and divestment. Various experts were present to assist the UA in moving forward with these issues.

Importance of Carbon Neutrality and the University's Climate Action Plan (D. Roth)

D. Roth began by outlining the university's Climate Action Plan. He noted it has been updated every two years to reflect progress. He then presented background information on the issues of global climate change and the probable consequences of inaction. In 2007, the university joined a national initiative to achieve climate neutrality. Since then, dramatic progress has been seen. As a whole, the university's emissions impact has been reduced by 32% over this time. He then explained where Cornell's emissions come from. The university purchases far less electricity than in the past. This, along with some other major improvements, represents the most easily solved problems tackled through significant capital expenditure, mostly with the expectation of reasonably favorable return on investment. However, he warned that this means progressing from the current state to neutrality will require surmounting increasingly difficult, costly, and risky challenges. To help move toward these ultimate goals, he suggested some conditions for success to be possible. Increased attention to relevant research and learning opportunities,

as well as prioritizing conservation in university facilities and climate neutrality goals in university fundraising will be necessary. He added that administrators could work to lower barriers to success, provide access to capital, initiate feasibility studies, and explore partnerships.

D. Bunck noted that ground and air travel were included in the list of sources of Cornell's emissions. These will always be necessary, no matter how much they are minimized or made more efficient. He looked to confirm that neutrality would be reached by offsetting these emissions through other means. D. Roth confirmed this, saying that offsets can come from using land to sequester emissions or from supporting climate related activities outside of Cornell.

Why Cornell's Investment in Companies Producing Fossil Fuels Should be Reduced Consistent with Cornell's Progress Toward Carbon Neutrality (J. Bergfalk)

J. Bergfalk began by describing divestment initiatives as very effective in general. He gave the example of the partial divestment of university holdings in South Africa. He believes divestment is an effective tool for inciting and leading a movement and, in this case, is also financially prudent due to the possibility of fossil fuel companies' future instability.

D. Bunck suggested that the civil unrest in South Africa likely had at least as much of an effect on the cost of doing business there as did any divestment efforts. Separately, D. Bunck also asked what companies or other organizations he envisions developing the technologies necessary for a fossil fuel independent society if the current fossil fuel companies do not take this on. J. Bergfalk agreed that the unrest in South Africa was certainly important. Replying to D. Bunck's second question, he stated he was unsure.

R. Wayne asked about how to look after the needs of people currently working in industries that will shrink dramatically as the world moves away from fossil fuels. J. Bergfalk said that this concern is real and is one of the major challenges associated with any large-scale multi-industry shift. He noted that an increase in the ubiquity of renewable and sustainable energy sources will lead to the creation and expansion of industries and the addition of jobs for workers displaced from their fossil fuel jobs.

Advocate's Assessment of the Financial Consequences of Divestment (D. Shalloway)

D. Shalloway recognized the financial risks associated with a divestment strategy. He believes the risks companies who continue to rely nearly entirely on fossil fuels for their revenues face are far greater. It is his feeling, then, that Cornell would be wise to accept the risk of divestment in order to avoid the future risk fossil fuel companies represent. To support his claim that divesting would represent a low risk, he presented information on past market performance. He also asked members to keep in mind that divestment would be implemented over the course of more than twenty years.

R. Wayne asked for sources that describe the geological effects related to global temperature changes. D. Shalloway said the National Academy of Sciences has a good

reference for this purpose. Additionally, the Intergovernmental Panel on Climate Change 2013 report contains some related information.

University's Assessment of the Potential Consequences of Divestment (AJ Edwards and J. DeStefano)

AJ Edwards began his presentation by explaining that approximately 9% of the university's long-term investments are in the energy sector. Of this, one third is in public stocks. He clarified that he would talk only about these public investments because most of the private ones are illiquid and would not be implicated in any divestment action. He stated that the investments in question have added about 100M USD to the value of the endowment over the past ten years. Next, he clarified the process through which Cornell makes investments. The university hires managers specializing in investing in certain market sectors. Placing restrictions on these managers would tend to hurt Cornell's ability to partner with the best managers. The university currently sees returns significantly better than the median managers. Further, he showed the relative fraction of the energy companies' total value held even by the entire Ivy League is vanishingly small. Therefore, divestment would be strictly a symbolic measure. Edwards noted that this is troubling because it is his mission to protect every dollar and only make choices that meet agreed upon risk versus return parameters. Additionally, he said setting the precedent of using the investment of the endowment to make symbolic statements runs the risk of starting a trend. Finally, he stated that among other institutions, most are not divesting or would not if asked. Of those that have agreed to divest, the average value of the investments involved is much smaller than those that Cornell and the Ivy League control. As alternatives to divestment, he offered support for the university's goal of climate neutrality by 2035, suggested support for the Atkinson Center, and also identified an increase in related research and teaching.

J. DeStefano briefly described her position on the issue. She said she is responsible for the overall financial health of the university. Of all university revenues, nothing is significant compared to endowment earnings. She also reminded members that the S&P's downgrade of Cornell has not been reversed. She also said divesting does not move the university toward its goal of carbon neutrality, a goal she believes is worthwhile. Recognizing that divestment would be symbolic, she said that there is apparent disagreement regarding the purpose of the endowment. It is her belief that it should not be used to make statements. She expressed hope that the university could focus on endeavors that make real differences as opposed to symbolic gestures.

B. Schaffner asked if the university has any control over the actions of its investment managers. AJ Edwards responded by saying that Cornell begins by hiring the best and most ethical managers available. From there, the university's level of involvement usually depends on the asset class and upon what the individual manager says they are able to provide. The university sets risk controls but not exclusionary policies.

The meeting was extended by fifteen minutes.

J. Blair asked D. Shalloway about mechanisms for projecting leadership if the university does decide to divest. D. Shalloway recalled that, indeed, President Skorton had been asked a similar question regarding divestment by 2035. He responded by creating an additional task centered on answering this question. Probably, a similar response is appropriate here. J. Blair clarified that he asked because he has heard comments suggesting not risking the endowment until the capability to have a significant PR impact is in place.

J. Burns questioned the idea of taking the moral high ground by way of divestment when it was agreed, at least to a point, that divestment would have little effect. D. Shalloway said that aside from new research, it is true that divestment would be mostly symbolic. He noted that, in the case of an issue like this, an organization of Cornell's size cannot do anything that is not almost strictly symbolic.

J. Blair concluded discussion by informally introducing two resolution drafts, one supporting the FS resolution as written and the other supporting carbon neutrality by 2035 but not divestment. The other two options for the UA would be to either not address the issue at all or to propose something totally separate. J. Blair announced he would solicit comments and general opinions and preferences via email before the next meeting.

IV. Adjournment

J. Blair adjourned the meeting at 6:24 p.m.

Respectfully submitted,

Noah Wegener
Assemblies Clerk