Cornell University
University Assembly

U.A. Resolution # 6

Divestment from Companies producing Fossil Fuels and Holding Fossil Fuel Reserves

March 24, 2015

Sponsored by: University Assembly Campus Infrastructure Committee (CIC) members Jeffrey Bergfalk (UA member), Emma Johnston (UA member), Martin Hatch (UA member and Vice Chair for Operations), Robert Howarth (Faculty appointee to the CIC); Additional Sponsor(s): Sarah Balik (UA member)

Whereas, overwhelming evidence indicates that increasing emissions of greenhouse gases due to fossil fuel mining, transportation and combustion are disrupting planetary climate systems by elevating both atmospheric and marine temperatures, altering ocean chemistry, raising sea levels, and melting ancient ice fields. Concurrently, the probability of epic storms, drought, flooding, and extreme temperatures, both high and low has increased;[i] and

Whereas, these disruptions pose significant risk to all public and private sectors, national security, biodiversity, and fundamental biological systems; and

Whereas, world leaders have agreed that in order to avoid potentially disastrous climatic effects, the increase in global temperature must be limited to 2^{o}C above preindustrial levels;[ii] and

Whereas, sophisticated climate modeling has shown that in order to have a 50% chance of holding the earth to a 2^{o}C rise, the world must limit greenhouse gas emissions (measured in gigatons of carbon dioxide or its equivalent, $GtCO_2$) to about 1,000 $GtCO_2$ between 2015 and 2050, and thereafter, very little carbon can be burned unless it is captured and permanently sequestered or offset by sequestration of previous emissions; and

Whereas, a slippery slope exists because each additional ^{o}C of global warming requires successively less human controlled emissions due to positive feedback loops. It has taken 250 years and over 2,000 $GtCO_2$ to achieve a 1^{o}C rise, yet 2^{o}C will be reached by emitting only 1,000 $GtCO_2$ and it is projected that a 3^{o}C increase would only require an additional 350 $GtCO_2$. At current emission levels, that would occur within 10 years of crossing the 2^{o}C threshold; and

Whereas, world reserves of fossil fuels presently contain over 3,000 $GtCO_2$, it is apparent that a majority of these reserves may become stranded or impaired assets going forward. Meanwhile, companies holding fossil fuel reserves continue to invest hundreds of billions of dollars annually in reserve replacement activities that may soon be widely perceived as a misallocation of capital. Taken together, this creates an elevated risk that such publicly traded companies are over-valued by the financial markets. Traditional investment analysis is not designed to look more than a few years ahead and relies on historical data which are unlikely to provide an accurate forecast of future performance of fossil fuel linked investments; and

Whereas, it is highly unusual for extractive industries to refrain from the development of resources they control unless they are constrained by poor returns on investment which may be caused by various factors including regulatory action, low demand, low prices, or prohibitive capital costs; and

Whereas, financial analysis by the Cornell Faculty Senate, and by many impartial public and private research bodies, has shown fossil fuel investments over the past 10 years have slightly underperformed in comparison to the rest of Cornell's long term investment pool, even before the massive loss of value in the fossil fuel industry over the past 9 months as the price of crude oil has fallen. Publically traded fossil fuel investments constitute at most 3% of the endowment[iii]; and

Whereas, Cornell's Board of Trustees has repeatedly voted to divest Cornell's endowment when it was deemed appropriate and necessary to help achieve the greater good. This is a history that honors us;[iv] and

Whereas, in keeping with its public service mission, Cornell has committed via its Climate Action Plan to the arduous and upfront costly actions needed to reach carbon neutrality by 2035, divestment will be a relatively easy task; and

Whereas, most campus advisory bodies and many student organizations have enthusiastically endorsed divestment from fossil fuel companies as well as Cornell's pursuit of carbon neutrality by 2035. This issue is not going away; and

Whereas, setting a clear target of 2035 for full fossil fuel divestment would allow the endowment to make a timely exit from its fossil fuel holdings while sending a strong signal to the markets, policy makers and the general public; and

Whereas, divestment carries clear potential for Cornell to improve its brand image and is highly likely to enhance future fund campaigns built around the Climate Action Plan (CAP); and

Whereas, contrary to the arduous and upfront costly path to carbon neutrality, which is where we all need to be headed, divestment is an easy task once the decision is made to do so; and

Whereas, the 21st century may well be viewed historically as a watershed moment at the dawn of the Anthropocene epoch when humanity briefly turned away from business as usual, slamming a lid on the fossil fuel era and by doing so ushered in a cleaner, greener and more sustainable future. Or not. The question to be answered is not why should Cornell's endowment divest from companies holding fossil fuel reserves, but why not?;

Be it therefore resolved, that Cornell University Trustees instruct their investment officers to divest Cornell's investments in the companies holding the largest fossil fuel reserves[v] on an approximately linear schedule aimed at complete divestment by no later than December 31, 2035; and

Be it finally resolved, that the President of Cornell will submit an annual report to the University Assembly, Faculty Senate, Student Assembly, Graduate and Professional Student Assembly, and Employee Assembly which will describe the progress made toward both climate neutrality and divestment from companies holding the largest fossil fuel reserves.

Respectfully Submitted,

Matthew A. Battaglia
Chair *Pro Tempore*, University Assembly

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[i] See http://www.ipcc.ch/report/ar5/wg1/

[ii] Over 140 countries are party to the 2009 Copenhagen Accord, of which "The overall ambition [was] to keep the rise of the world's average annual temperature as far below 2°C warming as necessary, compared to pre-industrial levels, to avoid catastrophic climate change" (page 5 of the NGO Copenhagen treaty, Volume 1, linked at https://en.wikipedia.org/wiki/Copenhagen_Accord).

[iii] See "Financial Implications of the Faculty Senate Resolution; Cornell Investment and Divestment Strategies for a Sustainable Future", resolution #6 background document available at UA website.

[iv] See http://www.nytimes.com/1989/01/29/nyregion/cornell-will-continue-selling-stock-with-south-africa-ties.html; http://nvdatabase.swarthmore.edu/content/cornell-university-students-sit-divestment-apartheid-south-africa-1985; and page 43 of *Divestment on Campus* (Kibbe, Investor Responsibility Research Center, Washington, D.C., 1989.

[v] The definition of "…those companies holding the largest fossil fuel reserves" is the annually updated in "Carbon Underground 200" listing of the top 100 public coal companies globally and the top 100 public oil and gas companies globally, ranked by potential carbon emissions content of their reported reserves.