

U.A. Resolution # 6

Divestment from Companies producing Fossil Fuels and Holding Fossil Fuel Reserves

March 24, 2015

1 **Sponsored by:** University Assembly Campus Infrastructure Committee (CIC) members
2 **Jeffrey Bergfalk (UA member), Emma Johnston (UA member), Martin Hatch (UA**
3 **member and Vice Chair for Operations), Robert Howarth (Faculty appointee to the CIC);**
4 **Additional Sponsor(s): Sarah Balik (UA member)**
5

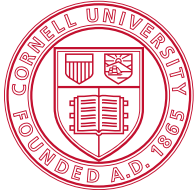
6 **Whereas,** overwhelming evidence indicates that increasing emissions of greenhouse gases due to
7 fossil fuel mining, transportation and combustion are disrupting planetary climate
8 systems by elevating both atmospheric and marine temperatures, altering ocean
9 chemistry, raising sea levels, and melting ancient ice fields. Concurrently, the probability
10 of epic storms, drought, flooding, and extreme temperatures, both high and low has
11 increased;ⁱ and
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13 **Whereas,** these disruptions pose significant risk to all public and private sectors, national
14 security, biodiversity, and fundamental biological systems; and
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16 **Whereas,** world leaders have agreed that in order to avoid potentially disastrous climatic effects,
17 the increase in global temperature must be limited to 2°C above preindustrial levels;ⁱⁱ and
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19 **Whereas,** sophisticated climate modeling has shown that in order to have a 50% chance of
20 holding the earth to a 2°C rise, the world must limit greenhouse gas emissions (measured
21 in gigatons of carbon dioxide or its equivalent, GtCO₂) to about 1,000 GtCO₂ between
22 2015 and 2050, and thereafter, very little carbon can be burned unless it is captured and
23 permanently sequestered or offset by sequestration of previous emissions; and
24

25 **Whereas,** a slippery slope exists because each additional °C of global warming requires
26 successively less human controlled emissions due to positive feedback loops. It has taken
27 250 years and over 2,000 GtCO₂ to achieve a 1°C rise, yet 2°C will be reached by
28 emitting only 1,000 GtCO₂ and it is projected that a 3°C increase would only require an
29 additional 350 GtCO₂. At current emission levels, that would occur within 10 years of
30 crossing the 2°C threshold; and
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32 **Whereas**, world reserves of fossil fuels presently contain over 3,000 GtCO₂, it is apparent that a
33 majority of these reserves may become stranded or impaired assets going forward.
34 Meanwhile, companies holding fossil fuel reserves continue to invest hundreds of billions
35 of dollars annually in reserve replacement activities that may soon be widely perceived as
36 a misallocation of capital. Taken together, this creates an elevated risk that such publicly
37 traded companies are over-valued by the financial markets. Traditional investment
38 analysis is not designed to look more than a few years ahead and relies on historical data
39 which are unlikely to provide an accurate forecast of future performance of fossil fuel
40 linked investments; and

41
42 **Whereas**, it is highly unusual for extractive industries to refrain from the development of
43 resources they control unless they are constrained by poor returns on investment which
44 may be caused by various factors including regulatory action, low demand, low prices, or
45 prohibitive capital costs; and

46
47 **Whereas**, financial analysis by many impartial public and private research bodies has shown
48 fossil fuel investments over the past 10 years have slightly underperformed in
49 comparison to the rest of Cornell's long term investment pool, even before the massive
50 loss of value in the fossil fuel industry over the past 9 months as the price of crude oil has
51 fallen. Publically traded fossil fuel investments constitute at most 3% of the
52 endowmentⁱⁱⁱ; and

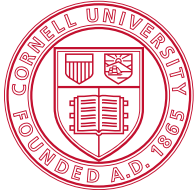
53
54 **Whereas**, Cornell's Board of Trustees has repeatedly voted to divest Cornell's endowment when
55 it was deemed appropriate and necessary to help achieve the greater good. This is a
56 history that honors us;^{iv} and

57
58 **Whereas**, in keeping with its public service mission, Cornell has committed via its Climate
59 Action Plan to the arduous and upfront costly actions needed to reach carbon neutrality
60 by 2035, divestment will be a relatively easy task; and

61
62 **Whereas**, most campus advisory bodies and many student organizations have enthusiastically
63 endorsed divestment from fossil fuel companies as well as Cornell's pursuit of carbon
64 neutrality by 2035. This issue is not going away; and

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

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70 **Whereas**, divestment carries clear potential for Cornell to improve its brand image and is highly
71 likely to enhance future fund campaigns built around the Climate Action Plan (CAP); and
72



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73 **Whereas**, contrary to the arduous and upfront costly path to carbon neutrality, which is where
74 we all need to be headed, divestment is an easy task once the decision is made to do so;
75 and
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77 **Whereas**, the 21st century may well be viewed historically as a watershed moment at the dawn
78 of the Anthropocene epoch when humanity briefly turned away from business as usual,
79 slamming a lid on the fossil fuel era and by doing so ushered in a cleaner, greener and
80 more sustainable future. Or not. The question to be answered is not why should Cornell's
81 endowment divest from companies holding fossil fuel reserves, but why not?;
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83 **Be it therefore resolved**, that Cornell University Trustees instruct their investment officers to
84 divest Cornell's investments in the companies holding the largest fossil fuel reserves^v on
85 an approximately linear schedule aimed at complete divestment by no later than
86 December 31, 2035; and
87

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

Respectfully Submitted,

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

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 "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.