Proposal for Boston University to Divest from Fossil Fuels and Reinvest into a More Sustainable Economy

Written by: Bolaji Olagbegi, Bridget De La Torre, Masha Vernik, Giancarlo Lobo, and Owen Woodcock

Executive Summary

The DivestBU coalition asks for Boston University's full divestment from fossil fuels and reinvestment into a Green Economies Fund and a Social Impact Fund. Based on recent climatic, economic, and technological developments, BU should reconsider its 2016 divestment decision. BU should continue its legacy of social justice leadership, acting to meet the needs of its students, and advancing the well-being of its Boston neighbors. To embody these values in its endowment, BU must support the necessary transition away from a fossil-fuel based economy and towards an environmentally and socially just one through fossil fuel divestment and reinvestment into green sectors of the economy. BU's financial behavior should be consistent with both its values and its fiduciary duties, as fossil fuel stocks are increasingly precarious and the Green Economies funds proposed can generate equal or higher returns. In order to lead the necessary transition at this critical time and stem the impacts of the climate crisis on students and the city, we ask that BU:

1. Fully divest its endowment from all fossil fuel companies continuing to explore for fossil fuel reserves
    a. The 2016 decision was to 'avoid investing' in coal and tar sands
    b. Full fossil fuel divestment should include oil and natural gas companies, and it should be active divestment, not avoiding investments
2. Use the divested funds to establish a Green Economies fund. Such a fund should:
    a. Have no direct stock holdings in fossil fuels
    b. Be dedicated to promoting industries that will transition our economy towards a more environmentally and socially sustainable one
3. Take profits from the Green Economies fund, equal to 1% of total current fossil fuel holdings, to reinvest into a Social Impact fund that uplifts local Environmental Justice communities. BU's fund should invest in existing local social impact funds, like Ujima, Bluehub Capital, or others outlined in the Reinvest Report by the Solidarity Economy Initiative, which support:
    a. Businesses generally excluded from established sources of capital
    b. Affordable housing projects
    c. Public infrastructure
    d. Community-owned energy
    e. Other endeavors that align with BU's values of forging strong community connections, adapting to the needs of its students, and social justice leadership.

Why Reconsider Fossil Fuel Divestment

On September 20, 2016, BU's Board of Trustees decided to 'avoid investing in coal and tar sands', in response to an Advisory Committee for Socially Responsible Investing (ACSRI) recommendation to divest from all companies continuing to explore for fossil fuel reserves. The Report on Board Decisions on ACSRI Proposals states that "the Board [will] revisit this issue every five years, or more often, as economic, climatic, technological, and other developments may warrant." Recent economic, climatic, and technological developments present grounds for a reconsideration of the divestment discussion. Firstly, new conditions have come to light about the dire consequences of the progression of climate change. The 2018 Intergovernmental Panel on Climate Change (IPCC) report implies that we must radically transition the economy away from fossil fuels to avoid the worst effects of climate change. If global warming is to be kept at or below 1.5 C warming, we must reach net zero carbon emission by 2050 (IPCC 2018). If emissions are not curtailed during this brief window, the consequences include: mean temperatures and extreme weather events; rises in sea levels; negative impacts on marine and terrestrial ecosystems; and risks to health, livelihoods, food security, water supply, human security, and economic growth. The consequences of global warming are already taking shape. Since 2016, a plethora of extreme weather events have alerted us to the increasingly disastrous impacts of natural catastrophes rendered more severe by climate change. In 2018 alone, such events included wildfires in California, Greece, and Australia, extensive flooding in Japan, droughts and crop failure in India, intense Hurricanes in the Carolinas and Florida, and shrinking Arctic ice (World Resources Institute, 2018).

Reflecting the growing understanding of the collective urgency to address climate change, a number of universities and institutions have divested since BU's 2016 decision. Institutions like Middlebury College, Seattle University, Georgetown University, the University of Maryland, and Oregon State University have divested from fossil fuels, alongside states like the Republic of Ireland and New York State. The city of Boston is now considering divesting its pension and retirement funds from fossil fuels, too. These financial advancements reveal that the decision to divest from fossil fuels should be made earlier rather than later, before a drop in the price of fossil fuel stocks. Technological advancements since 2016 have made renewables a preferred source of energy. Artificial intelligence systems that more accurately predict weather, Blockchain technologies conducive to trading renewable energy certificates, and more efficient Perovskite-silicon solar cells are just some examples of technological advancements that make renewable energies more appealing than before (Deloitte Insights, 2018). Finally, rapid transitions away from fossil fuels and towards a less carbon intensive economic systems seem ever more likely given recent political discussions. The Green New Deal (GND) would decarbonize the American economy by 2030. Whether the GND comes to fruition or not, it is instilling a sense of urgency in actors across local and global scales and in private and public spheres, such that transitions away from fossil fuels seem likely to happen faster and sooner. Policies to this effect are already taking shape: in February

2019, EU ministers agreed to reduce car emission by 35% by 2030 (Reuters, 2019), for example. All of these advancements render fossil fuel stocks increasingly unpalatable for both moral and economic reasons. As the world understands the urgency of a just transition away from fossil fuels and towards a less carbon intensive economic system, the fossil fuel industry will plummet. It would be wise for Boston University to divest itself from the fossil fuel industry sooner rather than later. For this reason, we implore the Board of Trustees to reconsider divestment now, and not in 2 years time.

The second grounds for a continuation of the fossil fuel divestment discussion is our novel proposal for reinvestment. We now propose that the University not only divest from fossil fuels, but also reinvest divested fossil fuel stocks into Green Economies Funds and Social Impact Funds. Reinvestment aligns with the growing urgency to not only mitigate a harmful industry, but also to construct new ones to take its place. In order to limit global warming to 1.5°C, the 2018 IPCC report calls for "rapid and far-reaching transitions in energy, land, urban and infrastructure (including transport and buildings), and industrial systems (high confidence). These systems transitions … imply deep emissions reductions in all sectors, a wide portfolio of mitigation options and a *significant upscaling of investments in those options*." (italics added). For this reason, we ask the Board to consider reinvesting fossil fuel funds into Green Economies Funds, which will help build a less fossil fuel-intensive economy. The second ask is for reinvestment into a social impact fund, which aligns with the necessity to invest in local, frontline communities projected to bear the brunt of climate change. These proposals are novel and have not yet been considered by the Board of Trustees. Because of the urgent need to respond to the climate crisis by building a regenerative and just economy, we ask that the Board consider this proposal at its upcoming meeting.

Through immediate divestment and reinvestment, BU has the opportunity to meet the demands of the day, satisfy the values that have guided this institution since its inception, and make financially prudent decisions. By reconsidering the 2016 decision immediately, the Board of Trustees takes up to task what is required of the current historical moment. Boston University is a major, forward-thinking research institution that has consistently acted as a social justice leader, in the interest of the local community, and to meet the needs of its students. Building towards a just transition through divestment and reinvestment is consistent with BU's values, and presents the opportunity to alleviate the pressing climate catastrophe on local communities and its students. Which are the groups of people projected to be disproportionately impacted by the climate crisis. Furthermore, divestment and reinvestment are financially prudent decisions, demonstrated through the increasing precariousness of fossil fuel stocks and the rising value of stocks belonging to alternative economies. These decisions must take place immediately, in line with the urgency required to address the climate crisis.

Reinvestment Proposal

This proposal demonstrates the need to divest Boston University's endowment from fossil fuels and reinvest that money into funds that are building a better future. As students we request that the university that prepares us for bright futures not contribute to financing the climate crisis which threatens those same futures. We ask that BU: 1. Divest fully from the fossil fuel industry 2. Reinvest the amount of money that is divested from fossil fuels in Green Economies Funds 3. Reinvest 1% of the money that is currently invested in the fossil fuel industry in a local Social Impact Fund. Additionally, the students have to be able to hold the university accountable to meet these demands. There must be an update on what progress BU has made in the process of divestment and reinvestment that is released to the public annually.

The money that BU has invested in the fossil fuel industry is part of larger mutual funds that include stocks for fossil fuel companies. In order to divest from fossil fuels, BU either needs to convince the operators of the mutual funds that we are already in to divest the entire mutual fund from fossil fuels or take our money out and put it into other mutual funds that do not invest in the fossil fuel industry.

Green Economies Fund

The money for this reinvestment should come directly from the money that BU currently invests in fossil fuels. We ask that 100% of the money that is invested in the fossil fuel industry is taken out and reinvested into funds that aim to build a greener and more just economy. Moving all of the money invested in the fossil fuel industry directly into a green economies reinvestment fund sends a clear message that BU is focused on a sustainable future for its students and for the world as a whole.

In addition to sending a clear message that BU cares about the future of their community and students, divesting from fossil fuels and putting that money into a green economies fund makes financial sense. As the economy transitions away from fossil fuels and towards cleaner sources of energy, the value of the fossil fuel industry and their stocks will decrease and the value of renewable energy and energy efficiency stocks will increase. BU has taken steps to prepare its campus for climate change. It only makes sense to prepare the finances of the university for climate change as well. The future does not include fossil fuels and BU has an opportunity to be on the right side of that transition, both morally and economically.

Boston University must go beyond just divestment. We are asking that the same amount of money that is divested from fossil fuels is put into a diverse, renewing green economies fund. Specifically, that money should be put into sectors of the economy that are actively supporting the transition away from the use of fossil fuels and other environmentally detrimental practices. Those sectors of the economy include but are not limited to energy efficiency, green energy, sustainable agriculture, green transportation and infrastructure, and sustainable management of our freshwater resources.

The current climate crisis is a large issue that needs many solutions in all sectors of the economy. BU can fund many of those solutions and diversify its investments by putting money into these different solutions based sectors of the economy. The transition of the economy towards more sustainable practices is a growing industry, dependent on the introduction and implementation of new technologies. As a result, some of the investments will grow faster than others. This reinvestment fund should be spread over all sectors of this growing, green economy so that it can hedge against uncertainties and take advantage of stocks that will be increasing in value very quickly.

The money that we reinvest should go into mutual funds that are intentionally advancing the transition to a more sustainable economy. Reinvested money should go beyond a mutual fund that has some green practices included in its portfolio. The purpose of the reinvestment is to place the money into funds originally established to help transition the economy towards sustainable practices. Many of these funds are operated by reputable investment firms and have witnessed a lot of success in generating growth. In our efforts to be as competent and honest in our recommendations, we met with numerous firms in Boston to discuss how a green investment by a large institution like BU would truly impact our finances. In our talks we were fortunate to meet with Trillium Asset Management, Blue Hub Capital, Sunwealth, UJIMA, and more. Throughout this process our stance was further reaffirmed by what these firms said and their history of success.

Some examples of potential funds to look at are Parnassus Investments, Green Century Funds, and The Vanguard Group. These funds exemplify characteristics we think are valuable in choosing a green economies fund: they have no direct stock holdings in fossil fuels, and are dedicated to promoting investments that will sustain the environment and economy simultaneously. The Green Century Balanced Fund is focused on providing capital to environmentally conscious companies, especially innovative entities in energy efficiency, and financing climate change mitigation and renewable energy projects. Its total net assets equate to $232.59 million, with each share valued at $25.14. The mutual fund itself is founded and owned by nonprofit organizations, and their profits are channeled towards continued support of nonprofit organizations (Green Century Funds, 2018). Alternatively, the Parnassus Endeavor Fund prioritizes ESG companies with outstanding workspaces, which are common with leading technology businesses. The portfolio invests with low turnover which is beneficial for educational institutions with long-term goals, and since its inception in 2005, has generated 10.49% in returns (Parnassus Investments, 2018). Some funds, like the Vanguard Real Estate Index Admiral fund, screen out fossil free stocks but do not actively promote the emerging green economy. This fund excludes fossil free stocks by investing in real estate REIT and has an expense ratio 90% lower than average funds with similar compositions, and can further diversify classical stock and bond portfolios (Vanguard Group, 2018). While such funds are certainly necessary, they do not promote the emerging economy to the extent required to achieve a full shift away from fossil fuels. We thus encourage BU to reinvest into funds that actively transition our economy to a greener one. Conveniently, a lot of these solutions-based mutual funds are in the same or a similar asset class to that of fossil fuel company stocks.

The funds suggested here all meet the expectations of this reinvestment report and would be good options for BU to invest in. However, it is of course up to BU where it chooses to put its money, as other funds that invest into the greener industries would also satisfy this reinvestment proposal. The funds that invest specifically in green energy are higher risk than the general green economies funds. However, if it is possible for BU to invest in these funds we believe it would have a great impact in supporting the alternative energy industry that is most directly advancing our transition away from fossil fuels.

In proposing these alternative funds we acknowledge the importance of the fund manager relationships that BU has already cultivated with its existing funds, and seek to reassure that the managers overseeing green economy funds are equally competent in helping the university meet its fiduciary responsibilities. For example, the Green Century Balanced Fund is supervised by four managers from Trillium Asset Management, the oldest advisory firm exclusively focused on sustainable and responsible investing. Matthew W. Patsky is the CEO of Trillium and one of the four who manage the Green Century Fund. He has prior experience at Lehman Brothers, as Director of Equity Research for Adams, Harkness, and Hill, and at Winslow Management Company as a the former chairman for the investment committee and portfolio manager of their Green Solutions Strategy Fund (Green Century Capital Management, 2019). This fund and countless others in the green economy are managed by knowledgeable, distinguished professionals who would be open to building mutually-beneficial relationships with the university.

This report outlines the need for Boston University to be intentional about where it invests its money so that it can embody its values of leadership, justice, and accommodation to its students in an ever changing world. In order to accomplish that, BU must divest its endowment from fossil fuels and reinvest the same amount of money into green economy funds that diminish our economy's dependence on fossil fuels. Divesting from fossil fuels is a crucial step in working to ensure we do not destroy our future; reinvesting that money into funds that are actively contributing to a greener economy will help build a more just future for our students, the Boston community, and the whole world.

Social Impact Fund

Based on BU's principles of adapting to its students' needs, fostering strong connections in Boston, and being a leader in social justice, BU should empower local environmental justice communities through a Social Impact Fund that invests in local businesses, affordable housing, and community owned energy projects. This fund will amount to 1% of the total funds currently invested in fossil fuels, and be comprised of profits from the Green Economies fund until that total is met.

Boston University's potential as a leader in the just transition towards a livable future goes beyond supporting an alternative economy and includes empowering communities most impacted by the climate crisis. Climate change is urgent, and the groups most harmed by it are those who cannot afford to be resilient, those who have already been marginalized by a social system that favors the white, male, and wealthy through processes like gentrification, racial and gender-based discrimination, wealth inequality, barriers to entry in the workforce, and much more. Such marginalization is happening in our own backyard to communities where at least a quarter of residents are people of color, non-English speakers, or earning less than 65 percent of the statewide median - places that have been denominated by the state of Massachusetts as Environmental Justice communities. The state of Massachusetts identifies neighborhoods like Roxbury, Dorchester, the South End, and nearby cities like Chelsea, Everett, and Malden as EJ communities, meaning they have and will suffer disproportionately from the effects of pollution, sea level rise, climate change-induced natural catastrophes, and more. Being an institutional leader taking steps to solve the climate crisis, means actively stemming climate change-related suffering in our neighboring communities and ensuring that the community undergoes an equitable transition away from fossil fuels.

Social impact investing is a surging field, arising out of both demand from investors who recognize their responsibility to profit from businesses that align with their values, and visionaries in the financial and community organizing fields who put in the work to make it happen. Boston specifically is a hub for such pioneers, with Community Development Financial Institutions (CDFI) and financial non-profits which have led the call nationally for impact investing. The Boston Ujima Project, for example, is the first non-profit of its kind that invests in local EJ communities based on participatory, democratic consensus among community stakeholders. Ujima was born out of Boston Impact Initiative, which was also a pioneer in the field with its structurally innovative investment vehicles that stem racial inequality in a place-based context. The city's other anchor institutions are paying attention to this growing trend in social impact investing. Harvard University invested a total of $4 million, part of which was subordinated debt to leverage other incoming investors, into BlueHub's growing local development investments. Boston's organizations are re-envisioning what investment means, and if BU wants to live up to its legacy of social justice leadership and concern for the local community, it must work to define and work towards these visions, too. The opportunity is ripe for the university to be a leader in this field through environmental justice-oriented investing.

For example, BlueHub Capital is a mission-driven non-profit organization focused on constructing a healthy, sustainable future for low-income communities to live and work in. BlueHub SUN is an innovative program that partners with struggling families facing foreclosure by purchasing their homes at discounted rates from mortgage holding institutions, and sells back to homeowners at affordable rates over 30 years. Since its establishment in 2009, this initiative has helped over 1,000 families avoid foreclosures while reducing their principal balances by about 32%. Ujima Project also works directly with improving local communities. Through their democratically structured investment process, the businesses they invest in are based on the consensus of the wider community and ensures an equal voice is given to all its participants. Many communities have benefitted from businesses like the Diablo Glass School, a public access glass studio which provides technical glassblowing training and exposes students of all ages to new learning experiences. Additionally, places like the Dudley Cafe which provides Roxbury residents with locally farmed wholesome food, provides youth empowerment programs, and has partnered with Madison Park Technical High School to connect students with employment opportunities.

We propose that BU establish a Social Impact Fund that invests in a few existing CDFI's or financial nonprofits, outlined in this Reinvestment Proposal, ensuring that BU:

1. Supports environmental justice communities in the Boston Metro Area, as defined by the state of Massachusetts, through investment in:
    a. Local businesses that are generally excluded from established sources of capital
    b. Affordable housing projects
    c. Public infrastructure
    d. Community-owned energy endeavors, like those funded by Sunwealth which strives to equitably distribute the benefits of renewable energy.
    e. Organizations outlined in the Reinvest Report by Solidarity Economy Initiative, which details local social impact funds that uplift local communities.
2. Embodies one or more of BU's values of:
    a. strong community connections
    b. adaptation to the needs of students
    c. social justice leadership

The money for the Social Impact fund should be sourced from the profits of the Green Economies fund, until it reaches 1% of the amount currently invested in fossil fuel funds. This will ensure that positive impacts of the Social Impact Fund directly remediate some of the harms caused by BU's past investments in the fossil fuel sector. The direct reinvestment of divested fossil fuel funds into funds with high social returns will prove that BU can make a significant impact by reorganizing a small percentage of its endowment, without making a large financial sacrifice.

Based on discussions with multiple local social impact funds, such funds can have financial returns of 2-7%, depending on the fund, duration of investment, and financial vehicle. They offer financial vehicles such as senior notes, loans, subordinated debt, and grants. While financial returns on Social Impact funds are generally lower than those of Green Economy funds, a SIF will be comparatively small and therefore will not necessitate large financial sacrifices. In social impact investing, a little can go a long way. For a relatively small amount of money, BU can have high social returns that significantly uplift neighboring EJ communities. If only 1% of the current money invested in fossil fuels is moved towards an asset class with lower financial returns, a small financial sacrifice can boast large social impacts and Boston University's reputation simultaneously.

Making the Case for Divestment and Reinvestment

Boston University: A History of Stewardship

Boston University's mission statement establishes that the institution is "dedicated to our founding principles: that higher education should be accessible to all and that research, scholarship, artistic creation, and professional practice should be conducted in the service of the wider community—local and international." These principles endure in the University's insistence on the value of diversity, in its tradition and standards of excellence, and in its dynamic engagement with the City of Boston and the world: "With the support and oversight of the Board of Trustees, the University, through our faculty, continually innovates in education and research to ensure that we meet the needs of students and an ever-changing world."

Boston University's original approach towards higher education was groundbreaking in the mid-19th century and with it, a highly inclusive, altruistic, and prosocial foundation was laid which continues to shape the institution's cultural identity. In 1867, Boston University's first president, William F. Warren, a man committed to co-education, opened all BU departments to women in his first year of his administration. BU became one of the first legitimate academic institutions to permit women in the East Coast, and in 1887 BU became the first university in the country to give a Ph.D. to a woman, Helen Magill. (Kilgore 1991, 45) .

During WWI, Boston University again demonstrated a willingness to adapt to students' needs and benefit the community at large. Because WWI demanded a great workforce in the early 1920s, many employed students at Boston University found themselves unable to study during the day as their course schedules conflicted with their work schedules. As a result, BU adapted by creating evening classes in the College of Business Administration (CBA) to accommodate student work schedules. This change was a huge success; before the evening division opened, only 369 of the 701 students enrolled in CBA attended classes, but after, over 1,600 students attended classes while also working day jobs (Kilgore 1991, 132).

During WWII, BU recognized that the nation's youth needed to participate in war efforts, so to expand the number of troops available to fight overseas, BU sped up the education process by increasing its course offering during mid-year intercessions and throughout the summer. In 1943, BU opened a Wartime College Training Program enabling students to do 2 years of work in 15 months. The course catalogue proclaimed: *"You will be doing your patriotic duty by preparing yourself for advance service and building up your ability to its maximum usefulness,"* ultimately allowing more people to help in the county's war efforts (Kilgore 1991, 199). Even after the war, BU supported local education by founding the General College, which offered educational opportunities to veterans who could not qualify for admission to other schools within the University but were in fact able to perform at the college-level (Kilgore 1991, 216). In doing so, BU enabled many more students to get a degree and again met the needs of its students by adapting to provide all types of academic opportunities.

BU has proven itself to be a leader time after time because of its commitment to its founding principles. Since its earliest days of operation, Boston University has risen to many challenges while remaining loyal to the communal needs of its students in an ever-changing world. Such values are cornerstones of the University's culture, which BU only partially upholds today and must continue to uphold by addressing the most existential threat of today: climate change.

Boston University and Climate Change: Addressing the Needs of Students

Today, the students of Boston University and greater community face a new challenge which is becoming an ever more eminent threat: climate change. Through many scientific reports and international government conferences, it is clear that climate change is real and already a dire threat to humanity. In fact, according to a report from the UN Intergovernmental Panel on Climate Change (IPCC), international governments only have 12 years to get the climate change crisis under control or face disastrous, irreversible consequences. Ramifications of the climate have already had an impact on a variety of groups, including the students of BU and Boston residents.

Figure 1: East Boston in winter of 2018 facing severe flooding and cold

Boston neighborhoods within close proximity of the seafront are in constant threat of flooding and uncharacteristically common strong storms. For example, during the winter of 2018 residents of

Boston's Seaport area and East Boston faced the effects of intense weather phenomenon when severe cold struck their neighborhoods as shown in *Figure 1*. Historic high tides, surpassing tide record level from the 1970s, flooded streets and residents needed to be evacuated from their homes or risk death from freezing temperatures. Unfortunately, this type of meteorological occurrence is only expected to become stronger and more frequent as climate change progresses.

Furthermore, the impending threat of climate change is not only affecting the residents of Boston but also the students of Boston University throughout the world. In an email sent from BU's Dean of Students on November 14th, 2018, Dean K. Elmore sent his prayers to all the students from California whose communities were damaged by the disastrous wildfires of this past year. The email read:

> *"Good afternoon,*
>
> *I continue to think of you and hope that you and the ones you love are okay.*
> *I have been following the news regarding the effects of the wildfires throughout California – deaths, missing people, and loss of homes and communities – and the impact it may have had on some of your communities. I send you and the ones you love good vibes."*

In the past couple years alone, students of Boston University have been severely hurt by the damages of climate change. In 2017, Texan students lost their homes in Hurricane Harvey, in 2018, students from California watched wildfires decimate their communities. In recent months, students from Indonesia and other parts of Southeast Asia have witnessed their home countries endure multiple hurricanes, earthquakes and tsunamis. BU students from around the globe are in danger and under constant, heightened threat. Moreover, as the effects of climate change become more severe with natural disasters expected to become stronger and more frequent, occurrences like the recent disasters will only intensify. Therefore, Boston University must engage in intentional, proactive efforts in order to protect its local communities and its domestic and international students.

Indeed, Boston University has acknowledged the climate crisis in the past and has taken honorable actions to help mitigate the problem. In 2016, BU's administration agreed to establish the Advisory Committee on Socially Responsible Investments (ACSRI) which later approved the commendable BOLD Climate Action Plan (CAP), a long-term strategy to reduce the university's greenhouse gas emissions and fund infrastructural improvements in preparations for flooding and heat surges. Furthermore, in 2018 BU righteously made the decision to participate in a power purchase agreement with a wind farm, thereby making the university carbon-neutral by 2020. We applaud these recent actions, and see them as initial stepping stones necessary to fully embody the progressive values of the university. However, in understanding that climate change has already begun to severely impact the

BU community at large, it is the school administration's responsibility to engage in sustainable practices which seek to alleviate the impending disasters exacerbated by climate change. What we are urging for in this proposal is a crucial first step; by divesting the endowment from fossil fuels and into a greener economy geared towards sustaining the economy and environment, BU strongly exemplifies an institution that is grounded by its values and invested in its students.

Boston University and Fossil Fuel Divestment

We agree that as a university with a sizeable endowment, BU should exercise caution when making financial decisions that will impact the wellbeing of its students. However, BU should also realize that how we choose to invest our endowment empowers other industries albeit financially or symbolically. The fossil fuel-based economy is a primary cause of climate change, and if BU truly wants to confront the climate crisis, it must stop supporting this pernicious industry and instead begin to support regenerative, sustainable ones.

In recent years, DivestBU proposed reconsideration of divestment to the President of the University, but these requests were declined because the divestment decisions had already been made. According to the BU Board of Trustees' According to the BU Board of Trustees' "Principles for Board Decision-Making on Divestment Requests," the primary reasons the Board divests are: "*When the Board... is asked to prohibit investments of the endowment in a given industry… it is being asked to express an opinion or take action on an external social or political issue that, in the overwhelming majority of cases, is not directly related to the operations of the University."* However, the official document also states that although, *"non-investment or divestment actions based on social or political principles should be very rare and occur in only the clearest of circumstances, such circumstances exist only when (i) the degree of social harm caused by the actions of the firms in the asset class is clearly unacceptable; and (ii) any potential negative consequences of the decision... are clearly outweighed by the importance of taking the divestment action in order to lessen or mitigate the social harm."*

In accordance with the Board's Principles for Decision-Making on Divestment Request, Boston University should consider divestment from the fossil fuel industry because the pressing and fatal threat of climate change is an extreme social harm that already has and will continue to affect all BU students. Climate change does not only impose infrastructural damage in certain vulnerable communities, it also digresses economic growth, upends livelihoods, and forces whole communities to relocate. Low-income and minority groups, who are disproportionately exposed to greater amounts of water and air pollution, and do not have the necessary resources to reduce these contaminants, face continuous oppression from powerful leaders in the fossil fuel industry. Climate change, and the corporations that maintain it, pose a threat to the health and well-being of communities worldwide, and encompasses issues like food security, transportation inefficiency and racial inequality. The environmentally hazardous effects of urban sprawl and industrialization within these environmental justice communities is a problem that currently impacts populations around the country and can no longer be addressed with passivity by institutions that are able to contribute to a solution. In short, climate change is not only a threatening scientific theory, it is an extremely dire intersectional social problem that is already impacting local, national and international economies, and consequently increasing the amount of social inequalities that will continue to negatively affect BU's community and its student body.

In the past several years, many universities and municipalities have recognized this urgent need and have divested from fossil fuels. Since 2015, universities such as the University of Massachusetts, Middlebury College, Georgetown University, Seattle University, the University of Maryland, Oregon State University, and others have divested their endowments from holdings in fossil companies. Seattle University, the largest independent university in the Northwest United States, and an institution with an endowment valued at approximately $230 million was investing an estimated 6.7 percent in fossil fuel reserves. Despite this, in September 2018, the Seattle University Board of Trustees addressed a letter to students, faculty and staff announcing their decision to "fully divest the marketable portion of the endowment from any investments in companies owning fossil fuel reserves." This decision to fully divest is an acknowledgment of what Seattle University President Stephen V. Sundborg called "a social and ecological issue of grave urgency that is connected to all around us and that has especially devastating consequences for society's most vulnerable."

Leading institutions around the country are not only participating in the movement to divest, they are also organizing projects and funds that reinvest in their surrounding communities. Consider the Wharton Social Venture Fund (WSVF) which is operated by the University of Pennsylvania's Wharton School and Wharton Social Impact Initiative. The WSVF is the largest student-run platform in the world for investing in socially minded companies. Undergraduate and graduate students participate in the research of various companies which are then presented to investment committees. Through collaborations with the Jerusalem-based crowdfunding platform, OurCrowd, and investment firm Locust Walk Impact Partners, WSVF is able to invest in two to four companies annually, allotting to them at least $250,000 each. Co-President of the Wharton Social Venture Fund Eddie Nie describes the dual mission of the fund to "support the social impact community as a whole by providing investments to social entrepreneurs across the U.S. and the world and to provide our students with experiential learning in impact investing." Partnerships, similar to WSFV and OurCrowd provide students at Wharton with more exposure to leadership and field experience in the field of impact investing, while supporting socially minded companies that give back to their communities.

Morally, BU should consider divestment to protect its surrounding communities and student wellbeing. Economically, BU will gain more from divesting in the long term and less by remaining engaged with this temperamental, unstable commodity stock. And institutionally, the Board of Trustees should vote in favor of divestment and reinvestment if BU intends to maintain its mission and uphold its reputation as an innovative and progressive campus.

Throughout our history, BU has always been a social leader and exemplified its values time after time by standing for what was right. During the civil rights era, BU supported racial justice by allowing students and teachers to mobilize protests against the upsurge of the KKK. (Kilgore 1991, 249) In the 1950s, BU internally organized to stop discriminatory practices on campus when President Marsh openly supported Brotherhood Weeks, BU's first radio production exploring the Truman civil rights program. In 1968, following the assassination of MLK Jr., the black student group, Omaja, stormed the administration building to demand better racial justice policies. BU complied to Omaja's proposal and BU President Christ-Janer agreed to all of the recommendations Omajo presented to him which included: establishing a MLK Jr. Afro-American Society and the recruitment of 100 additional black students to the university. (Kilgore 1991, 301)

These examples throughout our history have proven BU's commitment to its students and social justice. And once again BU has found itself in a revolutionary time that requires bold and immediate action, not just for the sustainability of the environment, but also for the advancement of our school. Prospective students will admire the institution's investment in a more sustainable future, the country and ranking systems will recognize and applaud BU's commitment to its students, and it would solidify the university's legacy as a socially responsible leader among academic and non-academic institutions in Boston and around the world.

The Economic Case for Divestment and Reinvestment

By collaborating with the city of Boston to reach net zero carbon emissions by 2050 and the University's goal of being carbon neutral by 2040, BU has demonstrated its commitment to preserving our environment and our future. Eliminating carbon financing from investments is untraditional but not incorrect, with respect to fiduciary responsibilities and objectives, there are numerous well performing ESG (Environmental, Social, and Governance) and SRI (Socially Responsible Investment) indices focusing on the environmental and social impacts of companies.

Despite initial constraints when diversifying financial portfolios, incorporating Environmental Social Governance (ESG) criteria has the potential to increase investment performance and stability. The Head of Sustainability Research at the Morningstar investment management firm, Jon Hale, concluded that sustainable investments showed no performance penalty, "Of the 20 equity indexes in Morningstar's Global Sustainability Index family, sixteen have beaten their non-ESG equivalent over their lifespan", while also increasing valuation of their indices (Lefkowitz, 2018). In fact, research shows that sustainable investment returns from "constituents of the ESG indexes have been less volatile and possessed of stronger competitive advantages and healthier balance sheets than their non-ESG equivalents."[1] As such, it is imperative that investors incorporate climate risk and sustainable investment strategies which will limit fossil fuel investments to prevent volatile performance risks. Such risks are attributed to stranded assets and lawsuits associated with the energy sector, which according to MSCI has been consistently one of the most volatile sectors in the global economy since 2005 (Green Century Funds, 2018). Yet when it comes to sustainable investing, a report by Morningstar cites that “the performance of sustainable/responsible portfolios, mutual funds, and indexes suggests that there is no performance penalty associated with sustainable investing.” In addition, sustainable and fossil fuel free investments allow “more-sustainable companies greater access to capital, which reduces the cost of equity and supports higher stock prices” that in turn encourages other companies to improve their own sustainability performance (Hale, 2016).

The Carbon Clean 200 list serves as a socially responsible investment resource that ranks 200 companies worldwide based on their clean energy revenues, of which no “oil and gas companies and utilities producing less than 50 per cent of their power from renewables, and companies engaged in ‘negative climate lobbying’” are included (Brittlebank, 2016). The ‘Clean200’ provides quarterly performance reports on the significant revenue generated from clean technology by the 200 companies which “together represent an average market capitalization of $9.4 billion while generating over $363 billion in clean energy revenues each year” across 29 countries (Hill, 2019). In the first quarterly report of 2018, the Carbon Clean 200 index had “generated a total return of 32.1%, which is almost double the 15.7% for fossil fuel companies on the S&P 1200 Global Energy Index” and by the 3rd quarter had increased 16.5% since its formation in 2006. The growth of clean energy capital as clean technology costs continue to plummet supports enterprises conducting economic behavior in a socially and environmentally conscious ways towards a sustainable future.

In 2018, the energy sector experienced the worst investment performance in the S&P 500 Index. Recent volatility peaked when “the stock of the unconventional oil and gas companies that specialize in hydraulic fracturing lost 30% of value, and the oil and gas supply companies lost more than 40%.” (IEEFA, 2018). This uncertainty in the health of fossil fuel investments is further exemplified in the case of the natural gas company Pacific Gas & Electric (PG&E) which had been “one of the first major financial casualties from climate change — and far from the last.”(Penn, 2019). Exacerbated by dry climate conditions, the PG&E utility operated in risky conditions which destroyed over a hundred thousand acres of land in northern California and led to its eventual bankruptcy. This attests to the dangers fossil fuel corporations will face as climate change makes operating conditions increasingly risky and financially unstable.

Financial institutions, countries, and local governments have committed to divesting money from fossil fuel companies that globally amounts to a pledged commitment value of 8.05 trillion dollars (Go Fossil Free, 2019). Research by political scientist Olaf Weber at the University of Waterloo found that divestments from publicly traded fossil fuel companies affected stock prices when “share prices fell on those days on which institutional investors announced they were divesting of fossil fuels."(Hale, 2016). Institutions should take this pattern of depressed economic behavior into account when managing fund assets, especially as money continues to be divested from fossil fuel companies. Considering that "global warming affects the geography within which the global economy operates", the Global Finance Journal affirms that financial assets which "divest from fossil fuels and utilities and invest in clean energy perform better than those with fossil fuels and utilities" (Forbes, 2017).

The expected decrease in performance of fossil fuel-free funds has been a risk that financial managers argue is a reason to avoid divestment. However, a report from the Institute for Energy Economics and Financial Analysis, depicts that financial indices without fossil fuel stock such as the MSCI ACWI ex Fossil Fuels can actually outperform fossil fuel including portfolios, such as the MSCI ACWI which is shown from 2013 to 2018 in the graph below.

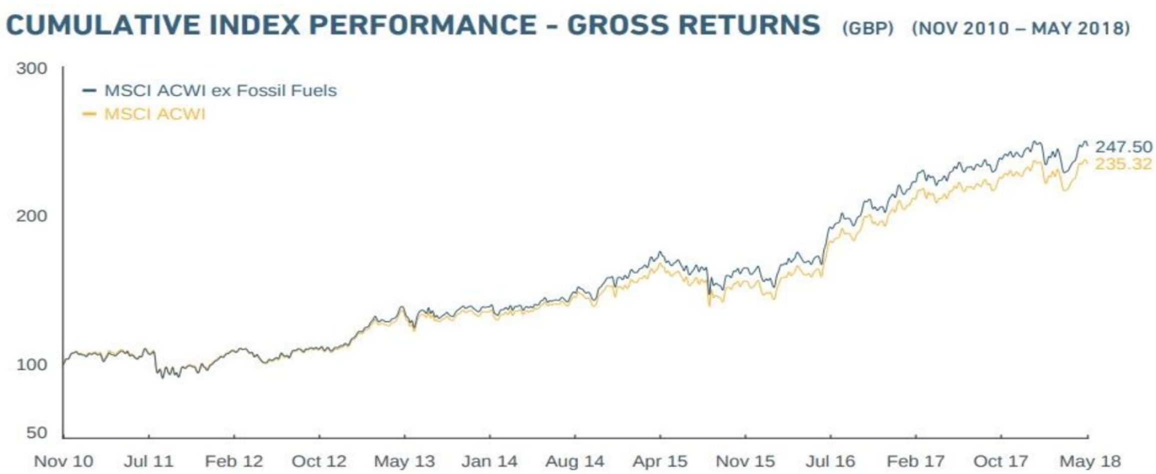

Figure 2. Sourced from the IEEFA (Sanzillo, 2018).

The Journal of Sustainable Finance and Investing used 2,000 empirical studies dating back to the 1970s to distinguish a relationship between ESG criteria and CFP (Corporate Financial Performance). The journal found that overtime investment strategies including ESG factors were linked to positive impacts on CFP, illustrated by **Figure 3.** below.

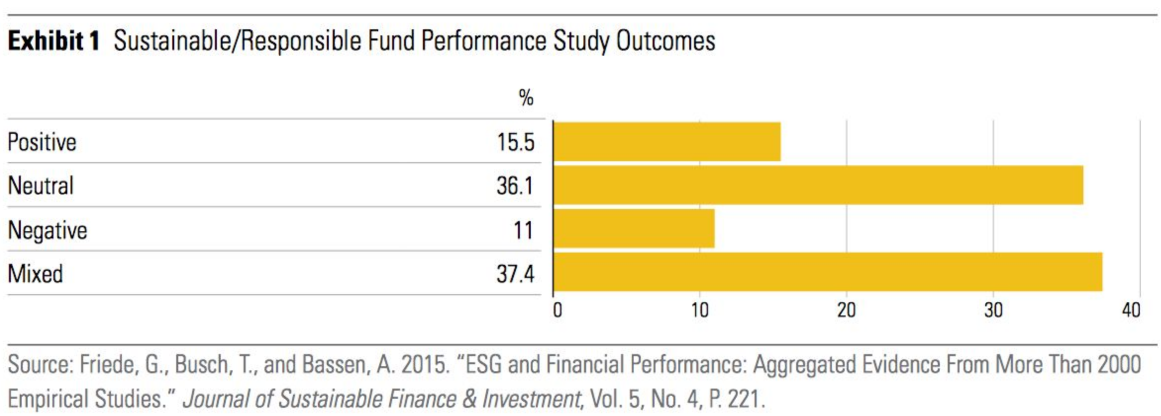

Figure 3.

Global warming is now “costing the world more than $1.2 trillion a year, wiping 1.6% annually from global GDP” with damage from extreme weather projected to wipe out 2% of the US GDP by 2030 (Harvey, 2012). Researchers at Stanford University found that worldwide temperatures would rise 4ºC by 2100 and the global GDP would fall by more than 30% from 2010 levels if nations renegated on commitments made in the Paris Agreement and continued operating with a business as usual approach (Amadeo, 2019). The projected global economic output would then surpass a loss similar to the one experienced by the global economy during the Great Depression when the global GDP had fallen by 15% . As climate change threatens an estimated 1.2 billion jobs, “efforts to stop climate change would create 24 million new jobs by 2030” and with the creation of these climate conscious jobs, would reduce the economic impacts perpetuated by climate change as global productivity benefits from reduced emissions (TCFD, 2018).

As Boston University pledges to continue decreasing its environmental footprint through sustainable campus operations, the University should also seriously consider the economic benefits of divesting from fossil fuels. Establishing a cleaner investment approach will promote a stable, sustainable endowment that simultaneously increases the school’s profits while building towards a better future.

Conclusion

It is abundantly clear that there is no place in Boston University’s endowment for fossil fuel industries. If BU wants to uphold its values of social justice leadership, adaptation to meet the needs of its students, and community engagement - values which have guided the university since its inception - it must divest from fossil fuels. Profiting from an industry that advances the very same climate crisis that destroys the homes of BU students, Boston residents, and people all over the world, flies in the face of the values which constitute the core of the university. Profiting from the industry that advances a humanitarian crisis of existential proportions also contradicts BU’s very own transition away from fossil fuels through the Climate Action Plan, a plan that testifies to BU’s commitment to social justice leadership and adapting to meet the needs of its students. Fossil fuel divestment is an extension of BU’s past actions; not divesting is contradictory to them. BU must embody its values through education, operations, *and* its endowment, which BU already partially does by ‘avoiding investments’ in coal and tar sands.

From an economic standpoint, BU has little to lose by divesting from fossil fuels and everything to gain from reinvesting into Green Economies and a Social Impact Fund. In fact, maintaining stocks in an industry that will undoubtedly come to an end is a financial liability. There is no reasonable argument for continuing to profit from this pernicious industry. Nothing holds us back except for inertia and the difficulties associated with changing the status quo. We do not claim that divestment, confronting the climate crisis, or enacting systemic social change is easy. But it is both necessary and urgent. Time is running out. If Boston University is to join the ranks of world renowned, leading institutions who have already divested, if it wishes to evade the next inevitable drop in fossil fuel stocks, and advocate for community members already suffering at the hands of climate change, there is no choice but to divest from fossil fuels today.

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