

April 29, 2016 - What We Heard: Fossil Fuel Divestment Engagement

Overview of Engagement Process

Over the month of March and into early April, The University of Winnipeg engaged in a campus-wide conversation about fossil fuel divestment. This conversation, which was part of an extensive risk assessment process, invited students, faculty, staff, Board members, and members of our wider community to consider the issue of fossil fuel divestment from a variety of perspectives.

The UWinnipeg process was a marked departure from other approaches to the divestment question on university campuses in Canada. The UWinnipeg approach was inclusive and offered a forum for nuanced conversation about this complex issue. All members of the University community were invited to hear the same expert advice that was offered to the oversight committee conducting the risk assessment. The engagement process also invited all members of the Winnipeg community to offer comment in writing or share their views at one of the three engagement events. The process was designed to ensure that people holding strong opinions in support of divestment, strong opinions against divestment, and opinions resting in other places on the spectrum of views were provided an opportunity to make their arguments and be heard. It also allowed for a broader discussion about climate change and the University's role in addressing this global challenge.

The consultation process involved four parts:

- (1) The University created a dedicated divestment risk assessment web site that included a background discussion document and provided a range of links to research and other divestment-related activities in Canada, information on the engagement process, and a link to an online feedback form.
- (2) The University created an online feedback form that was open to all students, faculty, staff and community members. The form was live during the engagement process and was advertised prominently on the UWinnipeg home page, via social media, and at engagement events. UWinnipeg has a current student population of 10,000, an additional 2,000 are continuing education learners, 800 are faculty and staff, and our alumni base is 50,000 people. 189 people provided feedback through this link. Of the respondents, approximately 50 per cent were students, 25 per cent were faculty or staff, ten per cent were alumni, ten per cent were community members, and five per cent were from other groups (e.g., University of Manitoba students). Given the potential size of the population, the number of responses cannot be assumed to be representative of the larger populations or sub-populations and caution must be exercised when interpreting the feedback received.
- (3) A donor survey of current and past donors to The University of Winnipeg Foundation was conducted online over the course of two weeks. The survey was sent to a total of 3025 email addresses. 343 of these invitations “bounced”, meaning there was an error with the email

address or the email address was no longer functional. Of the remaining 2682 participants, 593 responses were received. This represents a 22% response rate.

- (4) The University, in consultation with students from Divest UW, organized three public events on various angles of the fossil fuel divestment question. These events were held during the noon hour “free period” to encourage participation. Speakers invited to the events constituted the external experts that were consulted as part of the risk assessment process. The first event (attendance of approximately 30 people) was an internal discussion facilitated by members of faculty from a variety of departments on campus. The second event (attendance of approximately 25 people) considered fiduciary and financial issues related to divestment. This second panel also presented to UWinnipeg’s Board of Regents. The third event (attendance of approximately 130 people) considered the question of divestment from the lens of Indigenous rights. The names and biographies of speakers and facilitators are provided as an appendix.

Through this process, UWinnipeg sought perspectives from within and outside the University community on the following questions:

- What is the University’s role in taking positions on contemporary issues such as divestment?
- Where does fossil fuel divestment fit in to the constellation of work related to addressing global climate change?
- What other approaches or efforts might be higher impact?
- What might the financial impacts of divestment be?
- How real is the risk of stranded assets?
- What is the university’s fiduciary responsibility?
- How have other entities approached financial and fiduciary questions related to divestment?
- What is the relationship between divestment and Indigenous Rights?
- How can the results of the Truth and Reconciliation Commission inform our discussion about divestment?

As is often the case with conversations, these guiding questions often led our community into new areas of inquiry. Several themes and arguments were repeated in different events as well as in written responses to online questionnaires. The key themes and arguments that we heard are summarized below.

Financial Impacts & Fiduciary Responsibility

In surveys and in audience questions, we heard concerns that fossil fuel divestment would mean that the University would sacrifice returns on its investments. Our invited financial experts highlighted that the current general consensus on the impact of divestment on portfolios is that divestment would not adversely affect the potential for returns on investment in the short term, due in part to the current price of oil. Opinions about the potential for returns on investment in the longer term reiterated the arguments and findings highlighted in the discussion guide that the University published at the beginning of this process. Most models predict equal or modest increases in divested portfolio

performance over time while some predict modest decreases in performance over the longer term.¹ We heard debate and discussion about how assumptions based on climate scenarios and policy responses to climate change can have a substantial impact on the outcome of these longer range prediction exercises.

These same experts did not necessarily agree on the degree of financial risk UWinnipeg would experience by maintaining investments in fossil fuels in the years ahead.

Before the Paris Agreement, which has established a target of holding the increase in global temperatures well below two degrees Celsius, a number of credible agencies developed models that take into account the total amount of carbon emissions that could be emitted and still achieve the two degree target. This is important to understand from a financial perspective because it underpins forecasts that predict whether or not investing in fossil fuels is prudent.

The International Energy Agency has produced an energy outlook based on the target of achieving a 50 per cent probability of keeping global temperature rise at or below two degrees Celsius.² The Intergovernmental Panel on Climate Change (IPCC) describes a range of 860 to 1180 million metric tons of carbon dioxide equivalent (expressed as Gt CO₂e) for the period 2011 to 2050 as providing a scenario in which we are “about as likely as not” to be successful in limiting global temperature rise, and the IEA uses the mid-point of this scenario to complete its modeling work.

We heard that based on this outlook, and on current fossil fuel projects that are planned or underway, further exploration is required to meet projected demand. Within this scenario, it would be prudent to invest in those fossil fuel projects that have a competitive advantage by having extraction processes that are relatively low emission. It would be less prudent to invest in projects that have extraction processes that are relatively higher emission.

We also heard about another scenario, set out by the Carbon Tracker Initiative³. This scenario looks at modeling undertaken by the Potsdam Climate Institute to describe what would be required to achieve an 80 per cent chance of keeping global temperature rise to two degrees Celsius. The International Panel on Climate Change generally describes scenarios that offer “likely” success as those which provide

¹ [http://www.impaxam.com/fossil-fuel-divestment-research-finds-performance-not-issue;](http://www.impaxam.com/fossil-fuel-divestment-research-finds-performance-not-issue)
[http://www.tai.org.au/content/climate-proofing-your-investments-moving-funds-out-fossil-fuels;](http://www.tai.org.au/content/climate-proofing-your-investments-moving-funds-out-fossil-fuels)
[https://www.aperiogroup.com/resource/138/node/download;](https://www.aperiogroup.com/resource/138/node/download)
[http://www.msci.com/resources/factsheets/MSCI ESG Research FAQ on Fossil-Free Investing.pdf](http://www.msci.com/resources/factsheets/MSCI_ESG_Research_FAQ_on_Fossil-Free_Investing.pdf)

² <http://www.iea.org/etp/explore/>

³ <http://www.carbontracker.org/wp-content/uploads/2014/09/Unburnable-Carbon-Full-rev2-1.pdf>

66 per cent to 100 per cent chance of constraining global temperature rise.⁴ This implies a 550 to 1000 Gt CO₂e carbon budget for the period 2011-2050.

Climate action based on striving for an 80 per cent chance of success, rather than a 50 per cent chance, of success comes with requirements for much more aggressive actions to accelerate emission reduction and energy transition. These aggressive actions would include a rapid “decarbonization” of global energy supply, which would render investments in fossil fuels financially risky. The value of fossil fuel companies would be affected.

We also heard about the importance of thinking not just about the impacts of divestment on portfolios, but also about the impact of climate change writ large on our institutional investments. Two papers written by two separate groups of legal analysts have argued that in an era of climate change, fiduciaries have a responsibility to ensure that climate risk is being addressed within investment portfolios,⁵ since it is clear that some sectors are more exposed to climate risks than others.⁶

Environmental Racism & Justice

Several speakers and engagement participants addressed issues related to fossil fuel extraction and “environmental racism,” particularly in Alberta. We heard that the Truth and Reconciliation Commission did not address issues related to extractive industries in large part because other documents, especially The United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP), have already articulated the key principles and issues that need to be considered in relation to resource extraction and Indigenous rights.

In particular, we heard about the notion of “free, prior and informed consent” as a pathway to reconciliation. Free, prior and informed consent refers to the principle that “No relocation shall take place without the free, prior and informed consent of the Indigenous peoples concerned and after agreement on just and fair compensation and, where possible, with the option of return.”⁷ We heard from some experts that some fossil fuel developments represent a particularly troubling example of the failure to implement UNDRIP.

We heard a firsthand account of the health impacts on the lands, water, wildlife and people living in communities surrounded by diluted bitumen extraction, of the effects of an undetected oil spill, and of the inadequacy of land restoration efforts in decommissioned bitumen mines. We also heard about the

⁴ <https://www.ipcc.ch/pdf/supporting-material/uncertainty-guidance-note.pdf> p.3; https://www.ipcc.ch/pdf/assessment-report/ar5/wg3/ipcc_wg3_ar5_summary-for-policymakers.pdf p.12, p.13

⁵ http://www.unepfi.org/fileadmin/documents/fiduciary_duty_21st_century.pdf

http://www.share.ca/files/KM_Climate_Change_Paper_web_1.pdf

⁶ <http://www.mercer.com/services/investments/investment-opportunities/responsible-investment/investing-in-a-time-of-climate-change-report-2015.html>

⁷ http://www.un.org/esa/socdev/unpfii/documents/DRIPS_en.pdf

disparity between the quality of life of local Indigenous peoples when considered in the context of the vast wealth generated by bitumen extraction activities.

As we discussed these issues, people offered different approaches to how to respond as an institution. Some argued that the University should not have any affiliations with entities that contribute to these kinds of lapses in environmental justice and demonstrations of environmental racism. Others asked where we would draw the line if we set out to disentangle ourselves as an institution from entities involved with these kinds of efforts. Are fossil fuel companies more guilty of these offences than others, or are they demonstrating larger patterns of systemic injustice? If they are demonstrating larger patterns, will divesting achieve the desired outcome? Would principled engagement be more effective? What other avenues should be considered?

Aligning Value and Actions

Several speakers, conversation facilitators, conversation participants, and authors of written feedback questioned divestment as a strategy by highlighting our ongoing personal and institutional use of fossil fuel resources. How could we reasonably divest when we are users of this resource? Some asserted that it would be hypocritical to divest given our ongoing use and reliance on fossil fuels.

Others questioned what the University would say to potential donors who became wealthy by investing in fossil fuels, or whether we would lose potential donors with a decision to divest. The large majority of respondents (62.7 per cent) indicated that fossil fuel divestment would not have any effect on their decision to donate. Just over 20 per cent indicated that they would be more inclined to donate if The University of Winnipeg were to divest from fossil fuels and 15 per cent indicated that they would be less inclined to donate if The University of Winnipeg were to divest from fossil fuels.

We heard that the largest proportion of emissions from fossil fuels occurs downstream (81.5 per cent) and is the result of combustion through cars, buildings, and other end-uses. This fact led several people to argue that the key driver to ongoing fossil fuel extraction is demand. By this line of thought, fossil fuel producers are meeting market demand. If we want to contribute to solutions to the climate crisis, we should re-double our efforts to reduce our demand of fossil fuels. And, the argument continues, we should be mindful of how long the energy transition will take. Transitions have happened before – from wood to coal and coal to oil, each of which took approximately 70 years respectively.

Disagreements with this line of argument followed two lines of thought. First, speakers argued that there are systemic barriers in place that make environmentally sound decisions unrealistic, especially for low income and marginalized people and communities. One of the main goals of divestment is about tackling these systemic barriers to a safe and clean environment by attacking the sources of capital used to finance the expansion of the fossil fuel industry and by removing the social license from those entities.

Second, speakers argued that the transition away from fossil fuels needs to be accelerated and that there is clear evidence that fossil fuel companies as well as a variety of petroleum associations have been actively working to slow progress. We heard about efforts on the part of shareholders to force oil

companies, through shareholder resolutions, to review opposition to climate regulations and legislation. We also heard about shareholder engagement work related to ensuring that companies are not supporting entities like the American Legislative Exchange Council (ALEC) and industry associations that promote climate denial or block progress on climate action.⁸ We heard about legal investigations currently underway to determine whether or not Exxon intentionally misled the public and investors about climate change.⁹

These divergent views re-converged on the agreement that regardless of what other actions are chosen, UWinnipeg can and should continue to reduce its own carbon footprint.

Paths Forward on Investment

We heard a range of perspectives and options about how we might include our investment practices in our sustainability efforts. We discussed five key tools that can be used in a variety of permutations and combinations. They include divestment from companies or sectors that are incompatible with our values, reinvestment into companies and sectors that are aligned with our values, shareholder engagement, proxy voting, and work towards influencing public policy decisions related to climate action.

It was in exploring these options that we heard the greatest differences of opinions and perspectives. This engagement process was sparked by advocacy related to fossil fuel divestment as a proposed strategy to better align UWinnipeg values with investment decisions. Several invited speakers spoke in support of fossil fuel divestment. Respondents to the online questionnaire were asked to rate, on a scale of 1 to 5 how important they think the role of divestment is as it relates to UWinnipeg's work to address climate change on a global scale (with 1 being "not at all important" and 5 being "very important"). 79 per cent of respondents selected a 4 or 5, 18 per cent selected a 1 or 2. Some suggested partial divestment strategies that target companies with particularly egregious track records either on slowing climate progress or on disrespecting Indigenous rights. Others argued that a decision to divest would hamper our University's ability to influence precisely those companies most in need of some assertive nudging. Many holding this view see divestment as "checking out" of the challenge of fossil fuel transition altogether.

In many respects, differences of opinions on preferred investment approaches came out of different views on the roles that fossil fuel companies will play in the low-carbon economy. For some, the process of "decarbonization" is an opportunity to address issues of environmental racism and justice in a manner that would bring about a dramatic change in the size and influence wielded by energy companies, regardless of the type of energy they produce. Divestment proponents often articulated

⁸ <http://ga-institute.com/Sustainability-Update/tag/alec/>

⁹ <https://www.washingtonpost.com/news/energy-environment/wp/2016/03/31/investigation-broadens-into-whether-exxon-mobil-misled-public-investors-on-climate-change/>

support for more community-led and community-level energy economies as a replacement for large multinational energy companies in our low-carbon future. For others, questions about the practicality of this approach indicated a preference for approaches that were more oriented towards engagement with energy companies.

UWinnipeg's Role

Ultimately, the crux of this engagement process was about creating a respectful forum for discussion about a path forward. It is clear that this path forward will include concerted efforts on the part of UWinnipeg to maintain and grow its role as a sustainability leader in Manitoba and Canada. It is clear that ongoing work to address our own emissions will be part of this process. It is also clear that we will continue to support and mobilize excellent research and teaching related to countless aspects of climate change.

We heard and collectively acknowledged the fact that as a publicly funded institution, UWinnipeg should do what is in the public interest. We heard that the notion of public interests is contested and shifting in the academic literature, and arguments could be made either way as to whether divestment serves the public interest.

We heard and collectively acknowledged that UWinnipeg exists primarily to teach and do research. Some discussion participants asked what policy implications UWinnipeg research has that is relevant to fossil fuel divestment. We heard about many of these implications from discussion facilitators in our first event while also hearing that there is even more research taking place that could inform this question.

Throughout the divestment engagement process, it became clear that there is strong support and agreement that The University of Winnipeg is and should remain deeply committed to sustainability and climate change mitigation.

We know that The University of Winnipeg values academic excellence, access, Indigenization and sustainability. Our challenge and our opportunity is to grow our efforts to embody and demonstrate these values in a manner that reflects our commitment to evidence-based decision making and that ensures that the University can continue to thrive as an institution.