

Faculty of Harvard University to the President and Fellows

April 10, 2014

Summary of the Letter

Harvard faculty members signing this Open Letter are disappointed in the President's statements regarding divestment from the fossil fuel industry. The October 3, 2013 statement treats University investments in fossil fuel corporations as if they were like all other investments, and the announcement of April 7, 2014 reiterates the conviction that divestment is an option that the Corporation is unwilling to consider. Many fossil fuel corporations misinform the public, promote denials of accepted science, and exert an undue degree of influence on government, while marketing a product the consumption of which cannot be sustained.

Extreme weather, rising levels of acidified oceans, reductions in biodiversity, and major threats to human health with disproportionate impact on the poor, all expected to persist for centuries or millennia—these are among the grave, documented consequences of continued fossil fuel extraction and consumption. We urge the Corporation to recognize that they warrant the same degree of serious investor action as tobacco or apartheid South Africa.

Increasingly, international financial and political institutions warn of the risks of fossil fuel investment; and increasingly, academic institutions and major pension funds are publicly moving to divest. They do so in response to overwhelming scientific evidence and objective economic analysis.

The President's statements claim that while Harvard owns a very small fraction of these stocks representing a small fraction of its endowment, the University will exert greater influence if it continues to hold these shares than if it openly divests. This indicates a misunderstanding of the purpose and goals of divestment, and ignores the lessons of the past.

Finally, the statements construe divestment as a political act discordant with purposes of the endowment. We do not dispute the political character of divestment. We wish to remind the Corporation that Harvard boasts a tradition of divestment for ethical purposes—and that now, with massive global consequences from climate change occurring, continued investment represents a political act, too. We therefore ask that the Corporation begin, as soon as possible, to divest from fossil fuel corporations.

An Open Letter

Our University invests in the fossil fuel industry: this is for us the central issue. We now know that fossil fuels cause climate change of unprecedented destructive potential. We also know that many in this industry spend large sums of money to mislead the public, deny climate science, control legislation and regulation, and suppress alternative energy sources.

We are therefore disappointed in the statements on divestment made by President Faust on October 3, 2013 and April 7, 2014. (<http://www.harvard.edu/president/fossil-fuels>; <http://bit.ly/1jrUkbq>). They appear to misconstrue the purposes and effectiveness of divestment. We believe that the Corporation is making a decision that in the long run will not serve the University well.

Our sense of urgency in signing this Letter cannot be overstated. Humanity's reliance on burning fossil fuels is leading to a marked warming of the Earth's surface, a melting of ice the world over, a rise in sea levels, acidification of the oceans, and an extreme, wildly fluctuating, and unstable global climate. These physical and chemical changes, some of which are expected to last hundreds, if not thousands, of years are already threatening the survival of countless species on all continents. And because of their effects on food production, water availability, air pollution, and the emergence and spread of human infectious diseases, they pose unparalleled risks to human health and life.

The World Health Organization estimated in 2005 that climate change caused some 150,000 deaths worldwide each year. The heads of the American College of Physicians and the Royal College of Physicians of London in 2009 joined leaders of medical colleges from 12 other countries in calling climate change "the biggest global health threat of the 21st century."

Divestment is an act of ethical responsibility, a protest against current practices that cannot be altered as quickly or effectively by other means. The University either invests in fossil fuel corporations, or it divests. If the Corporation regards divestment as "political," then its continued investment is a similarly political act, one that finances present corporate activities and calculates profit from them.

The only way to remain "neutral" in such circumstances is to bracket ethical principles even while being deeply concerned about consequences. Slavery was once an investment issue, as were apartheid and the harm caused by smoking.

In the past, the University did divest from certain industries on ethical grounds. Harvard's leadership—initiated by faculty, students, and alumni—is credited with making campaigns against apartheid and smoking far more effective.

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Financially, no evidence exists that planned divestment would damage Harvard. As awareness grows that burning known fossil fuel reserves will accelerate climate change to a catastrophic degree, and as fossil fuel consumption moderates, planned divestment will, in fact, strengthen the portfolio of the University. A number of studies, including one by S&P Capital IQ, demonstrate that over the last ten years, for example, an endowment reflecting the S&P 500 without targeted fossil fuel companies would have outpaced one with them. Moreover, study of fossil fuel divestment suggests it need not lower the overall value of investors' holdings, and that "those that commit to divestment should consider re-directing investment to renewable energy alternatives" (Atif Ansar, Ben Caldecott, James Tilbury, "Stranded assets and the fossil fuel divestment campaign: what does divestment mean for the valuation of fossil fuel assets?" Smith School of Enterprise and the Environment, University of Oxford, 2013, pp. 71-72).

Recent pronouncements from authoritative quarters support our call for action. Christiana Figueres, Executive Secretary of the United Nations Framework Convention on Climate Change (UNFCCC) states that the "continued and dangerous rise in greenhouse gases . . . is in large part the direct result of past investments in . . . fossil fuels." She warns that "institutional investors who ignore climate risk face being increasingly seen as blatantly in breach of their fiduciary duty." (January 15, 2014)

World Bank President Jim Yong Kim, Harvard Medical School graduate, and former Professor and Chairman of HMS's Department of Global Health and Social Medicine, even includes divestment as a legitimate tactic: "The good news is that there is action we all can take . . . we can divest and tax that which we don't want, the carbon that threatens development gains over the last 20 years." He goes on to urge: "Be the first mover. Use smart due diligence. Rethink what fiduciary responsibility means in this changing world." (January 24, 2014)

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If any doubt remains about long-term plans of fossil fuel corporations, consider the signature statement of the American Petroleum Institute: "a secure energy future for generations to come." API corporations are determined to produce more of the same "for generations": more fossil fuel extraction, more sales, more denial or evasion of science. Coal companies, similarly, proclaim plans to continue mining for hundreds of years.

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The aim of divestment is not to drive these corporations out of business. It was never the intention of Harvard's South African or tobacco related divestments to eliminate industries.

Instead, divestment aims to expose corporate attitudes and change corporate behavior. And indeed, the most comprehensive study of divestment to date, published by the Smith School of Enterprise and the Environment at the University of Oxford and cited above, indicates that past divestment strategies forced changes in corporate behavior, government regulation, legal statutes, and even share prices, that would not otherwise have been accomplished.

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It seems self-contradictory to argue that Harvard owns a very small percentage of shares in a group of stocks (shares that, moreover, represent a small percentage of its own holdings) yet can nevertheless exert greater influence on corporate behavior by retaining rather than selling that stock as protest. If Harvard were a major shareholder, that argument might make sense, but Harvard is not.

The President and Fellows are working assiduously to reduce the University's greenhouse emissions, while maintaining investments that promote their increase locally and worldwide. The President and Fellows are right to be concerned about the "troubling inconsistency" of these investments.

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As the statements of October 3, 2013 and April 7, 2014 indicate, the Harvard Corporation wishes to influence corporate behaviors in the fossil fuel and energy sectors. We therefore ask:

How, exactly, will the University "encourage" fossil fuel corporations in "addressing pressing environmental imperatives"? Will Harvard initiate or support shareholder resolutions? Will it divest from coal companies? Will it ask questions at shareholder meetings? Will it set standards analogous to the Sullivan Principles? Will it conduct private meetings?

In short, how long will Business As Usual continue?

The questions in this section are not rhetorical. They require answers.

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We know that fossil fuel use must decrease. To achieve this goal, not only must research and education be pursued with vigor, pressure must also be exerted. If there is no pressure, then grievous harm due to climate change will accelerate and entrench itself for a span of time that will make the history of Harvard look short.

We the undersigned are faculty and officers of the University, many with knowledge and research in climate science, energy, business management, ethics, and the effects of climate change on health, prosperity, and biodiversity. Many are alumni and donors. We appeal to our colleagues, fellow alumni, and donors to join us in signing this statement, as an act of conscience and fiscal responsibility, and in asking the Corporation to divest, as soon as possible, its holdings in fossil fuel corporations.

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