



Pitzer College – A Case Study in Fossil Fuel Divestment

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Pitzer College

- Youngest of the 5 undergraduate Claremont Colleges (1963)
- 1,000 students, \$125 mm endowment
- Motto: *Provida Futuri (Mindful of the Future)*
- Mission Statement
 - Social Justice
 - Intercultural Understanding
 - Environmental Sensitivity





Key #1: Put Policy First, Investments Second

- Divestment is usually dumped (wrongly) in the lap of the investment committee (IC) because it comes in the form of a request for investment action within the endowment.
- Divestment consideration should start at the highest level – with the board.
- IC's role is as consultant – only after board determines that divestment is desirable; IC considers:
 - Impact on return, risk
 - Implementation issues



Key #2: Involve All Constituencies

- Pitzer board created a trustee-led climate action working group:
 - 3 trustees
 - 2 faculty members
 - 3 students
 - 2 staff members
- Buy-in across constituencies is critical.
- Board makes final decision, but genuine inclusiveness greatly improves odds of consensus.



Key #3: Make Divestment Part of Larger Plan

- Never waste a crisis! At Pitzer, divestment created an opportunity for a much broader conversation about climate issues.
- Board was unlikely to support divestment as a stand-alone action.
- Board enthusiastically endorsed divestment as part of holistic set of climate-related actions to be undertaken by each of the constituencies.
 - Divest of substantially all fossil fuel stocks by 12/31/2014
 - Develop an ESG investment policy by 6/30/2015
 - Reduce carbon footprint by 25% by 12/31/2016
 - Create Pitzer Sustainability Fund – environmentally responsible endowment sub-fund
 - Establish standing Campus Sustainability Committee



Addressing the Most Common Objections

It's Un-Fiduciary

- An improperly narrow definition of fiduciary duty; Pitzer board concluded it had a fiduciary duty to divest.

Selling Won't Affect the Fossil Fuel Companies or Their Stocks

- Beside the point; divestment is about changing public discourse and policy.

We'll Look Like Hypocrites, Driving Our Cars and Heating Our Dorms

- Misses the point; we buy cars for transportation, not as a means to burn fossil fuel! Building the carbon-dependent economy took a long time; so will its dismantling.
- For Pitzer to bet its endowment on continued profits from fossil fuel producers would be the real hypocrisy.



Addressing the Most Common Objections

It Will Hurt Returns and Increase Risk

- Divestment must be rare to avoid excessively restricting the endowment asset universe.
- That said, there's little evidence to support return and risk impairment claim.
- In stranded asset scenario, divestment reduces risk.

We Would Have to Sell All Our Mutual Funds, etc.

- Presents divestment as all-or-nothing; in fact, it's a continuum.
- Assumes that institutional investors have no influence over the products and services of the investment management industry; reality is 100% opposite.

The Endowment Should Never Be an Instrument to Impel Social Change

- Seriously?