Pitzer College – A Case Study in Fossil Fuel Divestment

Boston Carbon Risk Forum

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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?