RESOLUTION TO ALIGN THE UNIVERSITY’S FINANCIAL INVESTMENTS WITH ITS COMMITMENT TO LEADERSHIP IN SUSTAINABILITY

Sponsored by: Justin Bare, GPSS Senator
Written by: Justin Bare, GPSS Senator; Members of Confronting Climate Change
Resolution Number: 03.13-14

WHEREAS the current value of fossil fuel companies is based on the assumption that they will burn all of their fossil fuel reserves; and

WHEREAS fossil fuel companies together possess reserves of at least three times the amount of carbon that scientists have deemed relatively safe to burn¹; and

WHEREAS fossil fuel investments are therefore becoming increasingly financially risky, and have lost value over the past decade compared to a stock market average which excludes fossil fuels²; and

WHEREAS in carbon-constrained scenarios compatible with a livable planet, the fossil fuel extraction projects with the highest break even costs and most egregious contributions to climate change (e.g. oil sands, tar sands, and coal) will suffer financial losses first³; and

WHEREAS even conservative economic analyses show that the costs of coal outweigh the benefits that it provides⁴, and

¹ Carbon Tracker Initiative: [http://www.carbontracker.org/site/wastedcapital](http://www.carbontracker.org/site/wastedcapital)
² A study done by Standard & Poors showed that if a university with a $1 billion endowment had divested 10 years ago their endowment would have grown by an extra $0.12 billion when compared to an endowment that had not divested (Begos & Loviglio, 2013). Providing a more comprehensive analysis of the potential benefits from divestment, IMPAX Asset Management conducted an analysis to determine how a fiduciary should compare the risks to portfolios presented by stricter carbon regulations (IMPAX Asset Management, 2013). IMPAX compared four different investment strategies with varying aggressiveness towards reducing carbon risk, using the MSCI index from 2008-2013. The study concluded that each of the fossil-free strategies offered equal if not slightly better returns than a portfolio which did not screen out carbon risk.
³ For instance, “through Deutsche Bank, WWF swapped its coal and tar sands-related stocks for returns from the S&P 500 index. The hedge has already worked, producing a net annualized gain of 21.7 percent over the last three years.” ([http://www.cnbc.com/id/101669392](http://www.cnbc.com/id/101669392)).
³Looking forward, consider that the ratings agency Standard and Poor’s recently concluded that the business models of tar and/or oil sands could be “invalidated” in a world acting to constrain carbon (Redmond & Wilkins, 2013). Recently, Carbon Tracker Institute concluded that oil companies risk wasting $1.1 trillion of investors’ cash through 2025 on expensive, uneconomic projects from the Arctic and deep seas to tar sands. Similarly, for the coal industry, Paul Gilding points out that “even with the modest goal of giving us just a 50 per cent chance of not crossing the agreed 2°C threshold, two-thirds of proven reserves of coal, oil and gas can never be burnt, with the loss of income for the coal industry estimated at around $1 trillion per year by 2030.”
WHEREAS investing in fossil fuels bets against the world’s ability to prevent catastrophic climate change; and

WHEREAS fossil fuel companies have undermined common understanding and the political process through public relations schemes, bribery, corporate coalitions, lobbying efforts, and think tanks, which created an illusion that scientific controversy exists around the imminent dangers posed by climate change; and

WHEREAS the Intergovernmental Panel on Climate Change and leading economists, engineers, scientists, and academics have all published studies showing that it is quite feasible for us to transition to a clean energy alternative and that it is in our collective interest to do so, and

WHEREAS the university is committed to being a leader in sustainability; and

WHEREAS the university has a fiduciary responsibility to protect the endowment from risky assets.

THEREFORE BE IT RESOLVED BY THE GRADUATE AND PROFESSIONAL STUDENT SENATE OF THE UNIVERSITY OF WASHINGTON:

THAT the GPSS requests that the Board of Regents of the University of Washington immediately instruct the UW Treasury to divest the endowment from direct holdings in oil sands, tar sands, and coal assets - the three riskiest and most destructive carbon assets; and

THAT the GPSS supports implementing a carbon risk assessment tool to screen all fossil fuel assets for financial risk to align our finances with a carbon-constrained world.

THAT copies of this resolution be sent to the UW Board of Regents; the UW Associate Treasurer Ann Sarna; UW President Michael Young; UW Provost Ana Mari Cauce; Faculty

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8 http://priceofoil.org/fossil-fuel-industry-influence-in-the-u-s/
11 The International Energy Agency estimates that even when excluding costs associated with the impacts of climate change we can save $71 trillion by 2050 by transitioning away from fossil fuels.
14 Carbon risk is defined as the family of financial risks correlated with the greenhouse gas emissions associated with an asset.
Senate Chair John M Lee; GPSS President Chris Lizotte; ASUW President Michael Kutz; GPSS
Director of University Affairs Austin Wright-Pettibone; ASUW Director of University Affairs
Jeffrey McNerney; Editor-in-Chief of The Daily Joshua Bessex; the 2014-2015 GPSS
leadership; and the 2014-2015 ASUW leadership.