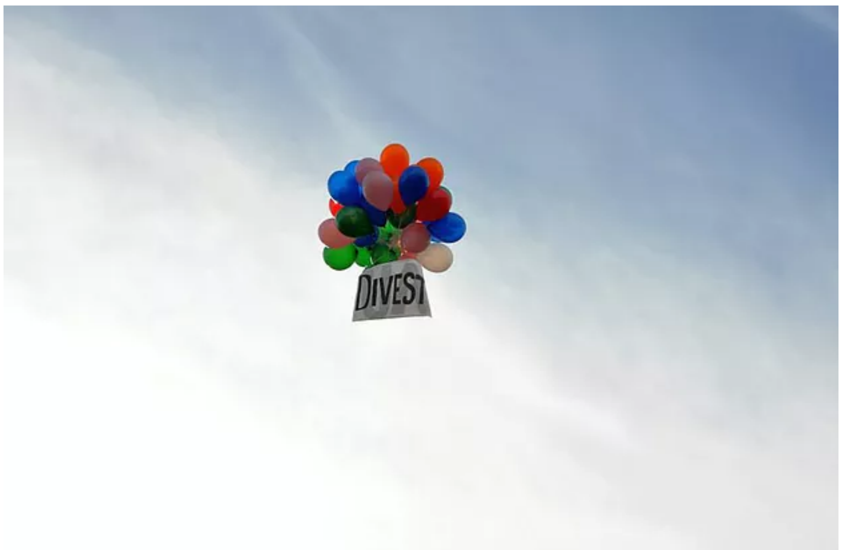
The American Agora

Board of Trustees rejected 2014 committee report recommending fossil fuel divestment

November 13, 2018 | Mark Lu



On the evening of October 13, I was anonymously sent a copy of a 2013 report authored by the Advisory Committee on Socially Responsible Investing (ACSRI) as a recommendation to the Finance and Investment Committee of the AU Board of Trustees. The report isn't listed on any sect of the AU website, but a quick Google search of the exact content verbatim showed that it is online, albeit buried in obscurity —the ACSRI report is not accessible through the ACSRI homepage, the Finance and Investment Committee homepage, or the Board of Trustees homepage, nor is it accessible through a wide database search. The report was simply a media upload without any tags. It's a public document, but it's difficult to locate.

The ACSRI's report, first submitted to the Board of Trustees in April of 2014, several months before the Board's November meeting, recommended that divestment of fossil fuel companies from the university's then-$506 million endowment was not only economically feasible, but that it was also potentially in line with the university's duties surrounding "fiduciary responsibility," a term used to describe the prudence that comes with managing the university's endowment funds in terms of investment. What led to the the report's ultimate rejection, however, was the exact opposite: the possibility that divestment would hurt future endowment returns and to turn away crucial donors, and thereby violating the university's fiduciary duties.

In 2013, 4.1 percent of the university's endowment was invested in fossil fuel companies. Today, AU's exposure to fossil fuel companies is comprised of a total of $18.8 million of a $703 million investment pool, or approximately 2.7 percent of the $647 million endowment, according to data provided to Fossil Free AU by AU Chief Financial Officer Douglas Kudravetz.

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Over the course of a little over a month, I talked to a number of individuals who were either directly or indirectly involved with the ACSRI report, as well as the push for divestment spearheaded by Fossil Free AU's organizing which culminated in a vote in November of 2014.

The ACSRI report starts with an introduction of its recommendation and a general rundown of its conclusions. Next came two clearly defined and recurring thematic tones: a financial argument affirming the importance of fiduciary responsibility, and a compelling social argument built on re-affirming the responsibility that comes with investing.

I went to Professor Jeff Harris, co-chair of the ACSRI and the current chair of the Finance Department in the Kogod School of Business, who was consulted in crafting the financial framework. After Prof. Harris, I went to Professor Paul Wapner, another co-chair of the ACSRI who authored much of the text in the 2014 report and is currently an Environmental Policy Professor in the School of International Service. Prof. Wapner crafted much of the social framework of the divestment recommendation.

The Great and Expensive Disentangling

AU's investment portfolio is not available to the public in any capacity, and for an understandable reason: you don't want other investors knowing what you're invested in. (You don't want other parties knowing who's at your party.) Every member of the ACSRI I talked to told me they had signed non-disclosure agreements with the university, most stringently on the specific funds and companies that AU was invested in.

Prof. Wapner told me that in 2013 and 2014, when the Board was considering divestment, the ACSRI was given considerable access to the university's books with the sole purpose of conducting research and writing a recommendation on the proposed divestment measure. The committee's report is competent, it's considerate, and it takes into account most, if not all, of the Board's concerns surrounding the issue.

[I wrote a surface-level article about divestment last year covering this; read it here.]

The far smaller portion of the university investments that aren't commingled make up the university's private equity. Professor Jeff Harris estimates that 5 percent of the university's investments are in private equity—direct, private investments to companies or mutual funds that aren't listed on public exchanges. "In private equity investments, you commit capital, and you let a portfolio manager decide where to put that money," Prof. Harris explained. "When an opportunity comes up and some private equity money hasn't been dispersed, the portfolio manager might invest in it." When I asked him whether or not the university or its advisors have more deciding power with respect to managing the portfolio, Prof. Harris replied, "A combination of the two. Our Treasury Office works with the managers, so they interview, vet, and choose managers, and Cambridge [Associates] is one of the advisors."

Outside of commingled and private assets, but overlapping with both of them, is Real Assets, which is its own collection of certain industrial assets—real estate, oil, etc. Prof. Harris specifically told me that AU has zero direct investments in oil and gas, which means that there are no Carbon Underground 200 companies in the university's private equity portfolio—which brings me to the university's commingled investments. (To clarify, private equity is direct investment and commingled assets are indirect and broad investments.) The university's indirect exposure to fossil fuel companies comes solely from its commingled assets, made up of a number of public, indirect mutual funds, index funds in particular.

A mutual fund uses a pool of capital to invest in a diversified catalog of assets. An index fund, as its name suggests, is a nonindependent type of mutual fund whose baskets of publicly traded components are linked to some sort of publicly listed financial index. What makes both of these so financially juicy is that they're an avenue through which broad market exposure can be acquired by an investor at lower cost and with lower risk. In other words, these types of commingled funds are a cheap, safe, and reliable way to acquire equity in a number of top-performing companies and ensure returns. If you're an institution with hundreds of millions of dollars to invest and you want to invest broadly in the stock market, then the mutual fund (more specifically, the index fund) is where you would start. Or, if you have sensitive responsibilities that compel your financial sustainability—let's say you're an education provider—the index fund or the mutual fund is where you would likely remain, because of the financial longevity that comes with both.

I asked Prof. Harris specifically if AU was invested in any independent, private mutual funds—or worse, hedge funds, which is unlikely due to the high-risk, short-term style of investing involved, engaged in by universities like Yale. (The components of an independently-managed mutual fund are private, not linked to financial indexes, or both.) As far as he knew, Prof. Harris told me, AU was invested in neither.

Regardless of the financial longevity of the index fund, however, there are two caveats to buying these types of bundled portfolios. Firstly, when you buy into an index fund, you buy into all its components—which very frequently include socially irresponsible companies. Secondly, if you want to disentangle those socially irresponsible companies from the index fund—a.k.a. if you want to divest from those companies—it would be quite complex, and therefore expensive, to do so.

The ACSRI report lists a number of potential routes the university could take in rerouting money that was indirectly invested in fossil fuel companies. "Let's say you buy the S&P 500 index," Prof. Harris explained. "ExxonMobil is gonna be about two percent of that portfolio." The first method suggested that the university simply work with its financial advisors to remove fossil fuel companies specifically from its index portfolios. Prof. Harris explained why it was the weakest option. "One of the problems with entangling from an index fund, which is a very cheap way to invest in a broad range of securities, is that it's more expensive [to withdraw]."

"There's a couple ways you can approach this," Prof. Harris continued, speaking of a number of avenues the university could take with the specific goal of minimizing the cost of divestment. "One of them is to immunize the portfolio and take out the effects of fossil fuels. Another one is to shift all those investments into assets that didn't have fossil fuels, so—sell off the index fund and buy another one."

The report outlines one particular negative-screen recommendation for the university to "instruct managers with separately managed accounts to remove investments in the top publicly traded fossil fuel companies as identified by Cambridge Associates, the university's major financial advisor, MSCI [a financial service provider] or the Carbon Tracker Initiative and continue to screen future investments accordingly," which meant to just sell off the index funds that included fossil fuel companies and explore fossil-free portfolios.

"Instead of investing in these indexes and shorting out, [the administration] could go into socially responsible funds that just didn't take the index," Prof. Harris explained. However, he also concedes that that is the weakest footing for a divestment recommendation, and therefore the suggestion that the Board would have crossed off first. "The point on that, however, was that it would be a lot more expensive," he said. "If you want to try to immunize, or try to take out the effects of oil and gas firms—Chevron, ExxonMobil, whatever it might be—from the index itself, you could theoretically do that, but you're sort of in a long position and you'd have to sell short or sell off from the index, when you don't really own the shares. And when you sell short, you'd have to pay interest. And if somebody wants the shares back, you'd have to buy them back. So, there are quite a few transaction costs involved."

The expenses required for a change as ambitious as full, complete divestment, all at once—including consulting and management fees, among many untrackable others that permeate the world of big-boy investing—would amount to approximately $1.1 million a year, according to the most recent estimate provided by the administration. If you factor in potential risk-adjusted losses on returns and the interest accrued over the longevity of shorting off fossil fuel shares from the commingled portfolio, it would cost the university over approximately $5 million a year to compensate—but only if the effects of divestment were to be as bad as they could possibly be.

Understanding the university and the Board's rebuttals on the divest-reinvest point, the ACSRI report goes on to suggest that the Treasurer's Office work with financial consultants to continuously "monitor the market for new fossil-free investment opportunities" and to "actively seek replacements for each asset class as they became available in the marketplace."

Buying into index funds are low-risk and low-cost—but only if you were buying the portfolio and committing capital, not if you were planning on immunizing something from the portfolio or considering a shuffle of financial priorities; that would require a full re-evaluation, which Prof. Harris explained earlier would carry a hefty price tag, and would therefore never receive approval from the Board of Trustees. Therefore, the ACSRI had to consider other possible routes that perhaps couldn't hit the divestment issue as poignantly as faculty and student activists had hoped it would. More on this in the next section.

Arguments made against divestment are often based on the supposition that AU wouldn't be doing any damage to the pocketbooks of fossil fuel companies by divesting, nor would it effect any real impact on climate change. One former student argued in The Eagle in 2013—the height of the divestment movement in university history—framed the issue of fossil fuel divestment with respect to the South African apartheid divestment movement throughout the late 1900s, writing that support of university endowments as social actors ended at the fact that "divestment has no empirically measurable impact." To that point, the ACSRI clarifies one of its central objectives in recommending a prudent divestment strategy. "The proposed divestment policy aims not to bankrupt fossil fuel companies," it reads. "Rather, it seeks to alter the balance of legitimacy regarding carbon-based fuels and spur innovation in green technologies." The report suggests that for smaller, more sustainable energy companies, a reinvestment strategy would not only constitute a dissociation from environmental malpractice, but also a reaffirmation of fiduciary responsibility—as well as a challenge to lead by example.

"There was always talk about having a positive screen where instead of just avoiding fossil fuels, we would point the endowment toward solar power or toward wind energy, which would be more proactive," Prof. Harris said. "Instead of avoiding oil and gas and investing in other stocks, we would continue avoiding oil and gas and maybe direct investments toward [renewable] energy sources."

"While large fossil fuel companies may be insulated from minor shifts in investments, small sustainable energy companies are particularly in need of greater capital," the report continues. "Altering AU's portfolio in ways that lead to greater investment in wind, solar, hydroelectric, and other renewable sources of energy would help advance the green technological revolution."

I asked Prof. Harris if he believed the ACSRI report, through the proposed green investment fund, refutes the idea that the university can't afford to divest. "No, I think the report is written in that context," he replied. "To provide options for the university to go one way or the other. I think when push came to shove on divestment—we don't have that much exposure, so we're not providing much capital toward [fossil fuel companies] anyway—there was talk about what the objective was: someone has given us their money to steward in higher education and so that's where this separate fund might've caught the Board's attention."

Prof. Harris speaks of an avenue spotlighted by the report, which suggested to the Board that a fossil-free investment fund be created and available for alumni to choose more proactively where their money is going—or more fittingly, where it isn't going. "The recommendation that was followed up on by the Trustees was to offer that objective to our alumni," he explained. "Anybody who was donating to AU could choose to put their donations into something that was immunized from fossil fuels." The suggestion, Prof. Harris thinks, represents an attempt to define the core objective of divestment.

The ACSRI's proposed design looked something like this: if a pro-divestment alumnus wanted to make a monetary contribution to the AU endowment, they could place a tag on their donation and their money would be placed in a separate fund managed accordingly by the university, the accruement of which would be set aside for investments in fossil-free portfolios. Fossil Free AU today is conducting a similar action through the Responsible Endowment Fund, which—according to one of its senior members, Gracie Brett—is tasked with rallying alumni support for the same purpose, through a similar concept. "In the past, alumni haven't made a huge push to get us out of fossil fuels," Prof. Harris told me. "But that doesn't mean we shouldn't."

Approving of the creation of the fossil-free investment fund strategy offered by the ACSRI, Jeffrey Sine's memorandum following the November 2014 vote on divestment stated that "AU's investment advisors will help review and evaluate managers with input from ACSRI, an appropriate fund will be chosen, and the University will make it available for donors who specifically choose a green fund." With respect to the "something" to Prof. Harris referenced earlier to alternative fossil-free investment solutions, "partial divestment," as the ACSRI and a number of administrators call it, has become and remains central to the discourse over climate justice on college campuses today.

"One of the things that overlays on the endowment [in the context of divestment] is that the endowment is also used as a source of funds for the university's operations," Prof. Harris continued, commenting on the administration's tendency to oppose divestment out of fears of financial insecurity—something I wrote about in late August regarding the AU budget for the fiscal year 2019. "I think the Treasurer is worried that we're taking some percentage of that endowment and giving scholarships and faculty—funding for some our green efforts on campus come from the endowment," he continued. "So, $5 million a year of management fees, transaction fees, or short-selling fees and all the things you need to do to provide for the financial arrangements [aren't helping that]."

Between 2012 and 2015

The last time divestment was given serious consideration was approximately five years ago when the Board of Trustees voted against the action in November of 2014. Fossil Free AU, a relatively new club at the time made up of around five to ten undergraduates, had run a two-year campaign beginning in the fall of 2012. "We met with administrators, with President Kerwin and Gale Hanson, who was the Vice President for Campus Life at the time. We also met with a couple of Trustees," Kate Brunette, a founding member of Fossil Free AU and a co-chair of the ACSRI from 2013 to 2014, told me. What the ACSRI found during those meetings was a granular understanding of how the university invests (which I covered earlier in this article), including the levels of exposure to fossil fuel companies between investment categories —mutual funds, index funds, Real Assets, as it were—as well as the reasons why the administration and the Board of Trustees would ultimately feel itselves to be too financially insecure to approve of divestment in the future.

Brunette was a co-chair of the ACSRI, which was created by the Board of Trustees in mid-November of 2013, and held a substantial role in writing the report that was ultimately brushed aside by the Board—the report that was sent to me. "Over the six months after the committee was put together, we met with the Budget Office, we gave presentations to Cambridge [Associates], and we also used personal research," Brunette explained of the process.

"When we were given the data sheets and signed non-disclosure agreements, we found that the university isn't all that invested in fossil fuel companies," she admitted. According to the ACSRI report, around $20,531,984—about 4.1 percent of the AU's then-$506 million endowment—was invested in fossil fuels as of September of 2013. During the time period, that exposure level was relatively average compared to some of AU's peer universities, like Syracuse University and New York University. "The important thing to keep in mind for us," Brunette noted, "was that [the low exposure level] meant the cost was small enough to be justified morally."

I talked to a total of five former students involved in the 2014 push for divestment, and most of them knew that the ACSRI report wasn't a central talking point during the campaign. "The report was walky, for lack of a better word," Thomas Meyer, another founding member of Fossil Free AU and a close colleague of Brunette's, told me. "Certainly, for our campaign, we wanted to make it a big deal, but it was just a concurrent thing that was happening."

Instead, Fossil Free AU's priority starting in early 2013, Brunette told me, was building a strong base of student support, and the ACSRI report was a way to get them there. When the Fall 2013 semester arrived, Brunette told me, "We realized we had an opportunity to develop an inside-outside strategy influencing the [ACSRI] to prepare a pressure campaign." From the remainder of 2013 into the beginning of 2014, Fossil Free AU mobilized to apply pressure to the administration around the committee's recommendation. "We also had a lot of support from student government," Brunette added. Meyer recalled, "I remember at the time, we also had a student body president and student trustee and student body treasurer who were all pretty broadly supportive of it. That was the one of the first big campaign pushes, to get an official nod from student government on divestment."

Fossil Free AU's efforts were especially focused on running a referendum to identify the level of support the campus was lending to the divestment movement. The Eagle quotes Brunette in an article published in late January of 2013, "The campaign hopes to get 600 signatures from students to make a fossil fuels referendum through Student Government." After the Undergraduate Senate approved the motion in March, a student referendum was scheduled on April 2nd and 3rd. It passed, with 79 percent of the student body voting in favor of fossil fuel divestment.

The ACSRI report was sent to the Board of Trustees on April 24, 2014. "We had hoped the [Board of Trustees'] vote would happen in May 2014," Brunette told me. It didn't. It was scheduled, instead, for the second of two Board meetings happening in the Fall of 2014. "For that final meeting in May [2014], we had planned and executed an action, we did a sit-in outside the Board meeting in front of Kay [Spiritual Center]," Brunette said. "I didn't know they had scheduled a vote in May. Otherwise, we wouldn't have done that action."

"[The Board] wouldn't really ever tell us when they were going to vote," Meyer told me. "We always tried to ramp up pressure before any Board meeting, not knowing whether they were going to vote at that meeting or not." The Board of Trustees' meeting agendas are still publicly inaccessible to this day.

When the November 2014 meeting came around, Brunette, Meyer, and a number of original divestment organizers had already graduated. Rebecca Wolf, a second-year student at the time and also a founding member of Fossil Free AU, however, had one more year left. The highest point of escalation between Fossil Free AU and the Board of Trustees, she told me, was on the day of the Board's November meeting, when a fervent rally was organized outside of Kay Spiritual Center. "We staged a takeover of the mic to hold it the entire time. When the Board members were leaving, students blockaded them in," Wolf explained. "We had built a faculty coalition, the biggest student coalition in 50 years, organized the biggest rallies on campus in 50 years, and we were the top political school in the country." Fossil Free AU's rally outside Kay on November 21, 2014, was covered by a number of popular media outlets, including Reuters and the Huffington Post.

When I asked Wolf how she knew the Board was planning to vote at their November meeting, she replied, "We suspected." Essentially, they guessed. "During the rally, we, the organizers, weren't really doing anything," Wolf recalled. "It was very student-driven. The intensity of the campaign and the intensity of the organizing. The ACSRI report had already been out and [the Board] said no."

I wrote in the last section that the ACSRI had to modify their divestment arguments to accommodate fiduciary duty that perhaps couldn't hit the issue as poignantly as on-campus activists had hoped it would. I asked Wolf why the report wasn't utilized as a main player in the campaign for divestment. "The general consensus everybody generally already knew what was in that report," she replied. "[The Board members] were always continually bringing up and hiding behind the 'fiduciary responsibility' argument. Kate [Brunette] played nice with the people on the President's Board, she played the inside game and responded to that 'fiduciary responsibility' argument through the ACSRI." Fossil Free AU's job was radical protesting, Wolf told me, because the ACSRI's style wasn't enough and simply wouldn't effect change. "If we could have won by being right, we would've won already," she explained. "It's all about power. We had to do something more radical and action-based, because the mechanism we were fighting against is all about power, not logic or morals."

Jeffrey Sine's memorandum, published Nov. 21, the same day of the vote, cited a crucial defining aspect of the decision: the recommendation from Cambridge Associates, the consulting firm that advises AU on its investment strategy. "The committee asked the university's investment advisors, Cambridge Associates, to review how divestment from the Carbon 200 would impact risk adjusted investment returns," the memo reads. "The Cambridge advisors could not provide assurance that divestment was unlikely to have an adverse effect." However, on November 20, 2014, one day before the meeting, Cambridge Associates announced that fossil fuel divestment was a doable financial venture it would embrace, if the Board were to vote in that direction. The same day, Fossil Free AU sent a letter to Neil Kerwin, Doug Kudravetz, and Jeffrey Sine with Cambridge Associates' announcement. Meyer summarized the letter and its motivations to me. "Our view on that was basically: AU is paying Cambridge to manage its investments," he said. "Cambridge is, therefore, the university's customer, and should follow the university on what it decides to do with its endowment."

On November 21, 2014, the day after the letter was sent, the Board voted against divestment anyway.

I reached out to Joe Ste. Marie, who served as student trustee during the 2014-2015 academic year. In many respects, he has a grasp on how the divestment push looked like from the Trustees' end. "The thing to understand is that this was a different way of doing business for the Board," he told me. "This was a real challenge. People viewed fossil fuel divestment as an attesting to this idea of shared governance. There are a ton of private universities where divestment would have never even been considered. The finances were probably just where they weren't supposed to be."

Right before the Board voted down divestment, their disposition was “this may be viable in the future, but we can’t do this right now without hurting the endowment,” Ste. Marie told me. “The entire divestment issue revolved around wanting to balance the principles of divestment with the finances of it,” Ste. Marie explained. “The evidence the [ACSRI] brought to the Board was just as seriously considered as what the administration brought to the Board. It was extensively discussed and it mattered a lot to Jeff Sine to engage the students on this issue. But before he could do anything else, he had to observe the fiduciary duty first.”

The fiduciary duty of the university is upheld and enforced by D.C. law. If the Board of Trustees receives a proposal for divestment and the university administration goes to Cambridge Associates and asks, “Will divestment harm the endowment?” Understandably, Cambridge replies, “Maybe.” Fiduciary duty says, no divestment.

Ste. Marie told me a key factor in the Board’s ultimately decision are the constraints on the type of actions they can approve, especially with regards to the potential financial effects of the policies they vote to implement. Even considering any (any at all!) policy at all that could potentially hurt the endowment would conflict with the Board of Trustees’ predisposed duties. The word “potentially” is a huge component of that—if the administration asks Cambridge Associates if divestment carried the merest possibility of hurting the endowment—which of course it did—then the administration would be compelled to argue against it and the Board, on the other hand, would be compelled to vote no. According to Ste. Marie, Jeff Sine and the rest of the Board found no method through which the university could divest from fossil fuels and at the same time, still ensure preservation of the endowment.

Disentangling certain companies from the university’s commingled equity is an expensive thing to do, by virtue of the fact that it requires a whole lot of transaction and management expenses—all with social and not necessarily financial motivations. Furthermore, AU’s comparatively small endowment won’t have room to accommodate any financial losses that come out of the Board’s decision should they ever approve of the measure, which is exactly why Cambridge couldn't assure the Board that divesting wouldn't *not* have an adverse effect.

According to Prof. Harris, the ACSRI was also reportedly told that it didn’t have the “technical expertise” to make such suggestions about investment strategy and management, in that the committee lacked the fiduciary mandate the Board was undeniably constricted by. “The Board created the [ACSRI] and then rejected its findings.” Brunette said to me, almost exactly five years after the ACSRI’s first meeting and almost exactly four years after the Board voted against divestment. “Our view was that they created it as a hope to divert our resources or appeasing the campaign without agreeing to our demands.”

Wolf took it further. “Public and private institutions will create committees in order to disperse political pressure and then they’ll just reject recommendations that come out of those committees anyway,” she said. “You’re basically gaslit by exactly what the committee was appointed to do. It’s a political tactic.”

A town hall led by Jeff Sine took place shortly after the Board’s vote. It was performative, Wolf told me. “It was basically just a space for students to react,” she said. “We had an action where people talked about how climate change had affected their lives, and [Sine] just responded [exactly the way they had been] for the last two years.”

I asked Ste. Marie what the Board thought of the students’ response to their ultimate decision. “At the time, the Board was trying to do as much divestment as they could, and were really frustrated with the students’ response to that,” he told me. Reportedly, a lot of dialogue between the Board and students was lost in translation, according to Ste. Marie. “A lot of folks on the Board was very upset,” he said.

I deeply wanted the AU administration's perspective on this story, so I reached out to AU CFO Doug Kudravetz's office, the first time in person and every following Monday over the phone for the next four weeks. The Office deferred the interview for a week each time. The fourth week I called, Kudravetz's assistant's assistant answered the phone and told me he and Melanie Ringle, his assistant, were both difficult to reach. Assuming that Kudravetz and Ringle had never received any messages I'd left for them, I gave it one last shot. I knew that if this article was published with perspectives from both the activists and the Board of Trustees, it would make the administration look bad, because essentially, it would have left it the only one left to blame—which I don't entirely believe it is. The Office of Finance took down my contact information for the fifth time. They never called back, and neither did I.

Leading by Symbol

The platform on which the divestment report would be based was simply the Board's "ask" of the ACSRI, which the ACSRI found to be a legitimate request worth the effort of trying to convince the Trustees. After two successful referendums went through the student body and student government respectfully early in 2013, the committee was compelled to reflect the opinions of the students, according to Prof Paul Wapner. "We asked ourselves, 'Because the university has a fiduciary responsibility, can the endowment be changed to have an impact on a social goal that would have a non-zero sum effect?'" he told me. "Our conclusion was that the university, by choosing to divest, would be making a symbolic statement, and that symbolic statement would be that the norm that fossil fuels are a legitimate source of energy, that to shift the balance of legitimacy in fossil fuels."

The end copy of the ACSRI report wasn't as much of a divestment proposal as much as it was a divestment blueprint—the Board wanted to divest, as Joe Ste. Marie said in the last section, but simply couldn't find a way to do it without potentially hurting the endowment by damaging future investment returns or by turning away certain donors. Prof. Wapner said to me during our interview, "I'm told—I'm just saying I've heard this—that the president [Sylvia Burwell] prefers to stay away from hot button issues that have to do with social justice, partly in deference to potential funders." Being politically engaged is a turnoff in the world of investing, because the public spotlight makes politically-engaged institutions more volatile in terms of their profitability and the external economic offshoots that vocal public relations introduce.

In general, if the ACSRI could provide a prudent strategy, then the Board would go ahead and ask Cambridge Associates to do it. In a way, AU has already divested by agreeing to divest—the disqualifying issue simply lies in the when and the how, not the why. Furthermore, the ACSRI had the hefty responsibility of establishing a much more personalized why?, because climate data simply wasn't enough—what would AU accomplish by divesting from fossil fuel companies? "We were under no illusions that the university getting out of the fossil fuels would somehow take down the fossil fuel industry," Prof. Wapner told me. "That wasn't the idea, anyway, The idea was to go on record as an institution of higher learning to take climate change seriously, and recognize that it was driven largely in part by fossil fuel companies, which we know now [fossil fuel companies themselves] have known about this."

"We've known for years that ExxonMobil did the research, they know about climate change," Prof. Wapner continued. "They're being sued right now by the state of New York now for defrauding their shareholders by keeping that information out of their reporting. We also know that they deliberately engaged in a campaign to sow just just a little bit doubt—they were avoiding saying that climate change wasn't real—but they sowed just enough doubt so that people wouldn't move on this in terms of legislation."

In October earlier this year, New York State Attorney General Barbara D. Underwood filed a lawsuit against ExxonMobil alleging that the oil and gas giant purposefully mislead investors with regards to the constraints that climate change—and the regulations that would come with it—would pose to the company's performance. The number of allegations include false or misleading representations of its U.S. holdings, refinery holdings, its natural gas holdings. The lawsuit also alleges that ExxonMobil purposefully misrepresented conclusions of assessments of its own oil and gas reserves.

I asked Prof. Wapner why it was important that institutions of higher education divest from fossil fuels. "As an institution of higher education, you have a certain responsibility," he replied. "Knowledge is what we are about and so, to speak with clarity—with moral clarity—universities, as I see it, are a part of civil society. Not part of the government, not part of the market. We're this unique realm of civil society. Civil society has always played a huge role in setting codes of good conduct, establishing norms, disseminating norms. And so, it's a matter of waking up to our political responsibility and our political potential to have an impact on this huge public issue."

Prof. Wapner went on. "We did the analysis to make sure that the university wouldn't be compromising its financial stability and potential for growth," he told me. "We found through a roadmap—rather than just divesting tomorrow—that that could be known that we thought could be in a responsible way." The committee laid out several different options, which I went over in Prof. Harris' section. To reiterate, the Board rejected them all except for one: the green investment fund, which the Board saw as a safe way to invest in fossil-free portfolios. A large portion of the university's equity acquired through the green fund is reportedly managed by Blackrock, an investment management firm that offers indexes that don't contain fossil fuel companies, as well as other socially responsible baskets.

Conversation now isn't necessarily the same as it was in 2014; the university's fossil fuel exposure has decreased from 4.1 percent in 2013 to 2.7 percent today, and the endowment has grown considerably. However, there are several concerns that are still there, including the 87 percent reliance on student tuition for operating funds, according to bond ratings by Moody's and Standard & Poor's, and the potential thus for divestment to affect the tuition rate or the amount of financial aid—an issue that is not nearly as dangerous as it is advertised, because the university controls all that on its own. It can lower tuition and increase financial aid if it so chooses, albeit at a cost much larger than that of divestment.

"I think two things," Prof. Wapner said. "First, I think the university thinks that [divestment] is *only* symbolic, so 'Let's not risk our financial investments.' I think the difference between that view and the [ACSRI]'s view was that—politics is all about symbolism. That's the kind of currency of political life. And so, I don't think you can just belittle it by saying it's symbolic. Rosa Parks, not getting off the bus, that was symbolic. But, what a symbol."

I asked Prof. Waper why it was important to see divestment as a political issue, not just an environmental one. "Well, this is all about power. It's not just about science," he mused. "The science is well-established, it's just that certain agents are good at manipulating power. So, it's fundamentally a political issue, and I think lots of people have this naive notion that scientists don't speak clearly enough. That wasn't the case with tobacco, that wasn't the case with other things in history, and it's not the case with climate change. Over 97 percent of climate scientists have established that climate change is real, and yet somehow, in this country, we have an administration that says it doesn't even exist."

"The second thing," Prof. Wapner continued, "is that I think the university is not fully comfortable sticking its neck out. I think there's some fear that if we divested, it would somehow send away some funders who think we were too political engaged, so playing this conventional meld into the wallpaper or something—I think that AU has done a lot in terms of the environment. But when it comes to taking a bold stand, I don't think we've seen that."

Our (Fiduciary) Duty

In April of 2015, five months after the Board's decision, Syracuse University announced that it was going to take fossil fuel companies off its private equity portfolio (although it remains invested indirectly through mutual funds). I asked Rebecca Wolf, who then was completing her final semester at AU, about this. She told me that the administration and the Trustees had been selling the rationale that because smaller universities held smaller investments and were subsequently less financially exposed to the costs of fossil fuel divestment, those colleges could afford to divest, whereas AU couldn't. According to Meyer, Syracuse's policy change showed that that rationale was not a fair justification. "AU was always referring to peer institutions," he recounted. "The schools that had divested that point were all smaller colleges, but Syracuse was considered a peer institution."

Two years later, Amir Rahnamay-Azar, the CFO of Syracuse, revealed that the university's endowment hadn't suffered noticeably as a result of its administration's 2015 decision. "The university's growing endowment, in the wake of its headline-grabbing decision to divest from fossil fuels, may be a signal to other schools that divestment is a viable option, experts said," reads a line from an article written by Rachel Sandler in the Daily Orange, the major student newspaper on Syracuse's campus. On AU's missed opportunity to lead by example, Wolf told me, "If any university was going to be leader on this, it should have been ours. We even started attacking the high sustainability ratings [AU] was getting. The peer universities argument was just another diversion tactic by the Board."

Syracuse has an annual endowment of approximately $1.3 billion, almost twice that of AU's—meaning in a number of ways, Syracuse has twice the investing power of AU, with more room to lose on returns and to pay for the management costs of getting rid of its fossil fuel exposure. I think it's important for both sides of the conversation to realize that AU is not a financial giant, especially compared to its peer institutions. What makes this whole thing even more confusing is that many colleges that have already divested, Whitman College in Washington State this past weekend in particular, have smaller endowments with much lower exposures to fossil fuel companies. Having more room and not needing the room at all are both factors for this sort of socially-driven investing. Relying on student tuition for 87 percent of the university's operating funds, however, is an obstacle very few divested universities have had to accommodate for. But, we have it.

Personally, I think this is where the moral argument comes in. The university may not be willing to take on the risk of divesting from fossil fuels—I don't believe the effects of divesting will be as bad as they can be—but the idea of an institution, whose central responsibility is to provide for the future of its students, taking a stand against the environmental chaos that will ultimately doom its students and their children is an idea that spans wider than the university's fiduciary constraints. As Prof. Wapner said, it's a powerful (and necessarily political) symbolic gesture.

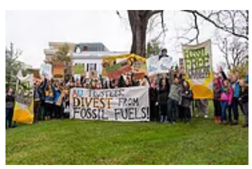
I asked Rebecca Wolf about her personal reaction to the vote. "I'm afraid I wasn't disappointed," she replied. "I knew it would never pass. But, I still believed that if any university was going to do it in a big way, it should have been ours." She recounted near the end of our conversation, "The third action we did, we floated a balloon to the Board room. It was colorful, beautiful, and exciting. The mantra we tried to use was always to make the way you communicate with people, even though they're gonna say no and you're gonna be disappointed, to inspire others to join you. It's a big bad thing, and it seems scary. The legacy we tried to carry on was to always make something that sticks."

"It's interesting to the discussion at times, two ships passing in the night," Joe Ste. Marie mused as we were wrapping up our phone interview. "I'm very sympathetic to the idea [of divestment], because the oceans are going to rise and my kids aren't going to grow up in a habitable environment. The Board said, 'absolutely, that's true.' They were walking a tightrope and genuinely wanted to show students that the Board would be responsive and would listen and would seriously consider everything they said. It was very rare that the Board did as much research and discussion on this. It was not very often that the chair, Jeff Sine, had to dive into an issue as deeply as he did."

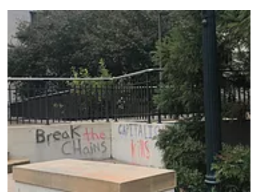
I sat in on Prof. Wapner's Environmental Politics class on Nov. 12. At some point during the discussion, he said to the class, "Sometimes we don't solve these problems. We just displace them." He was talking about how we tend to push our environmental responsibilities to other places where we think they won't harm us (this particular class was on the international waste trade). But, who are we harming then? And, are we simply lying to ourselves for nobody's good? There's no definitive verdict in who was the most righteous in 2014, nor is there a way to divest from fossil fuels without taking some losses in some arenas along the way. What we do know, however, is that the clock is against us—all of us. We cannot defeat climate change should the status quo reign supreme, but we should at least pick a side.

Photo credit Alejandro Alvarez

AU's Price Tag, up Ten Percent since 2016, Keeps Rising



Divestment, Working Groups, and the Invisible Investment Portfolio



How Secure is American University?