Middlebury Trustee Divestment Reader
compiled by Teddy Smyth '15, Jeannie Bartlett '15, Ben Chute '13.5, and other members of Divest for Our Future

Letter from Tom Steyer (doc)
Tom Steyer is the founder of Farallon Capital Management, a $20 billion hedge fund. He serves on the Stanford Board of Trustees, was among the first American billionaires to pledge to give away at least half his fortune, and is divesting his own holdings from fossil fuel investments. This letter, written to the Middlebury College Board of Trustees on January 22, 2013, proposes that divestment from fossil fuels can be done, that it is a good investment strategy, and that divestment has real impact while proxy-voting will not.

Aperio Group: "Do the Investment Math: Building a Carbon-Free Porfolio" (pdf)
This study by the Aperio Group, an investment management firm that specializes in index tracking strategies, uses peer-reviewed methods to estimate the effect of divestment on endowment risk. They show that risk will increase but only marginally even when divesting from the entire oil, gas, and coal industry and thus divestment's effect on returns will be negligible. Specifically, the increase in risk (as measured in standard deviation) will be .0101%, and the theoretical return penalty will be .0034%. The Aperio Group supported their results with a historical back test, which resulted in a simulated historical tracking error of .78%, comparable to their model's forecasted tracking error of .60%.

HSBC Global Research: "Oil and Carbon Revisited: Value at Risk from Unburnable Resources" (link)
This HSBC Report assesses a significant material risk to fossil fuel companies. Of all proven and probable reserves, only one third is needed to exceed a global 2 degree celsius increase in temperature. The other two thirds "could be regarded as unburnable." Because of varying cost structures, some companies are more exposed to risk than others, so expected market cap loss is projected to range from 1% (BG group) to 17% (Statoil). It is also very likely that demand will decrease and depress prices, causing market cap decreases of 40-60%. HSBC "doubt[s] the market is pricing in the risk of value from this issue... perhaps because it seems so long term."

UNEP. "Fiduciary Responsibility: Legal and practical aspects of integrating environmental, social and governance issues into institutional investment" or "Fiduciary II"
(Press Release) (Full Report)
This 2009 report by the UN Environmental Program Finance Initiative finds that integrating environmental, social and governance criteria into investment decisions is the legal *responsibility* of fiduciaries. The UNEP FI is a partnership between the UNEP and over 180 financial institutions

worldwide, representing around $2 trillion in assets under management. The press release provides a good summary with many quotations.

Meinshausen, Malte et al. "Greenhouse-gas emission targets for limiting global warming to 2°C." *Nature.* 458, 1158 - 1162. (link)
In 2009 in the Copenhagen Accord, 141 countries representing 87.24% of the world's emissions agreed that any warming beyond 2 degrees Celsius was "dangerous." This study published in *Nature* calculated the probability of blowing past the 2 degree target (relative to pre-industrial temperatures). Burning up to 1000 Gt CO_2 from 2000 to 2050 "yields a 25% probability of warming exceeding 2°C—and a limit of 1,440 Gt CO_2 yields a 50% probability."

Carbon Tracker Initiative. "Unburnable Carbon - Are the world's financial markets carrying a carbon bubble?" (pdf)
The Carbon Tracker report uses the facts of the Meinshausen *Nature* paper to build the economic case that financial institutions are systemically underestimating the risk of fossil fuel companies dropping precipitously in value. It calculates the current proven reserves held by countries and corporations at 2795 $GtCO_2$. If we burn through all of our reserves, as currently projected, we will exceed the "safe" amount of carbon 5 times over. This creates a dichotomy: Either we continue burning through our reserves and blow past the 2 degree target, or we lock up a large portion of the carbon reserves worldwide.

Veris Wealth Partners: "Fossil Fuel Divestment Commentary on Emerging Research." (pdf)
This overview, prepared specifically for Middlebury by an impact investing finance professional, sums up much of the research available today on divestment. It builds on the argument of stranded assets, and also lays out possible options an institution like Middlebury could choose.

Middlebury Divestment Reader (pdf of all articles)
This compilation of articles contains:
1. Bill McKibben's *Rolling Stone* piece: "Global Warming's Terrifying New Math."
2. John Elder (*Middlebury Faculty Emeritus*) on Middlebury's South Africa Divestment.
3. Stephen Mulkey (*President of Unity College)* on Unity's rationale for fossil fuel divestment.
4. James Lawrence Powell (*former Acting President of Oberlin College, President of Franklin and Marshall College, President of Reed College, President of the Franklin Institute, and President of the Los Angeles County Museum of Natural History*) on why divestment is imperative.