

Fossil Fuel Divestment Recommendation

Columbia University Advisory Committee on Socially Responsible Investing (ACSRI)

Submitted to President Bollinger and the University Trustees, November 12, 2020

Our Goal: Columbia University should use its academic leadership and financial resources to accelerate the transition to a global low-carbon economy, with the objective of reaching net zero greenhouse gas emissions by 2050. “Net zero” emissions is a state in which any emissions produced are balanced by the removal of others from the atmosphere. According to global scientific consensus, reaching net zero emissions by 2050 is required in order to limit average global temperature rise to 1.5 degrees Celsius and avoid the worst impacts of climate change.

Our Process: Columbia University students and a local chapter of Extinction Rebellion submitted to the ACSRI on December 6, 2019 a proposal calling for “divestment of any firm engaged in the exploration for, extraction, or production of fossil fuels as a central component of their business model,” and representatives of the proponents attended a February 12, 2020 meeting of the ACSRI at which they undertook a presentation in support of this proposal. This proposal initiated a process under which the ACSRI conducted an in-depth review of climate change and divestment, as summarized in the accompanying document titled “Position on Fossil Fuel Divestment”. The Divestment Recommendation adopted here by the ACSRI is very much influenced by the student proposal and presentation. Our Divestment Recommendation, although slightly different with respect to oil & gas company divestment, goes beyond the student proposal by calling for an expansion over time of the divestment criteria to include companies in other economic sectors that materially contribute to climate change. The ACSRI previously recommended divestment of all thermal coal companies in 2017, a recommendation that was adopted by the University Trustees.

The ACSRI’s research and recommendation has been informed through consultations with dozens of students, faculty and other experts across the university, including Columbia’s Earth Institute. Our recommendation also builds on the ACSRI’s knowledge and experience from annually reviewing hundreds of companies for divestment in areas including thermal coal, tobacco, private prisons, and ties to Sudan. As it relates to fossil fuels, the ACSRI acknowledges that the transition to net zero greenhouse gas emissions will take many decades, and an inherent tension exists between actively supporting all companies in their transition to a net zero future through academic and research partnerships, while at the same time financially benefiting from their current often emissions-intensive business models. Therefore, our recommendation focuses on the imperative for Columbia’s investments to help spur the transition to a net zero emissions

future -- much as Columbia's campus activities, research and educational activities are seeking to help spur this transition.

Our Recommendation: Columbia should build upon its academic climate change initiatives with a complementary investment strategy to reach our goal. This includes a mix of both divestment and engagement, initially with companies involved in oil & gas exploration & production, including integrated oil & gas companies, and subsequently with other sectors that are major fossil fuel consumers or that otherwise contribute significantly to greenhouse gas emissions and climate change. We recognize that there is no perfect or universal strategy to achieve our goal, but we seek to prioritize measurable and transparent criteria, wherever possible. Specifically:

1. **Oil & Gas Divestment:** Although Columbia's endowment currently has no direct public holdings in fossil fuel companies, it will be prevented from future investment in all oil & gas companies involved in exploration & production activities, including integrated oil & gas companies, (henceforth "oil & gas companies") lacking a credible plan for transitioning to net zero emissions by 2050. This oil & gas divestment is *in addition to* Columbia's prior divestment of thermal coal companies. Specifically, the ACSRI will annually create an oil & gas divestment list and place companies on it if:
 - a. they do not, at a minimum, acknowledge climate change as a significant issue for the business, recognize climate change as a relevant risk and/or opportunity for the business, have a policy commitment (or equivalent) to act on climate change, have a public ambition to achieve net-zero greenhouse gas emissions no later than 2050, set greenhouse gas emission reduction targets, and publish information on their Scope 1 and 2 greenhouse gas emissions; or
 - b. their Scope 1 and Scope 2 emissions intensity (gCO₂e / MJ) exceeds the oil & gas sector mean.

In composing this list, the ACSRI has discretion to rely on external research, including the use of third-party consultants and Columbia University experts. The exact methodology is subject to change at the discretion of the ACSRI based on future consultation with Columbia experts, but any such changes will be consistent with the larger goal of adding companies to the divestment list whose actions are counter to the objective of reaching net zero emissions by 2050 and removing from the list companies that show leadership on the objective of reaching net zero emissions by 2050.

Based on a preliminary analysis as of October 2020, less than 5% of all publicly listed oil & gas companies globally would be permitted for investment consideration under the

criteria set forth above. A complete divestment list will be updated annually by the ACSRI, beginning in the first quarter of 2021. Until the first divestment list is developed, the Columbia endowment should not make any investments oil & gas companies.

2. **Collaboration with Investment Managers:** When Columbia invests in a fund or strategy with a new investment manager, or renews investment in a fund or strategy with an existing investment manager, the following criteria will apply:
 - a. Columbia will not make any new investments or renew investments in any fund or strategy that primarily invests in oil & gas companies, whether such companies are publicly or privately held.
 - b. Investment managers in publicly traded companies should, when possible, adhere to the same oil and gas divestment list as for Columbia's direct investments. We recognize that this requirement may not be feasible for certain broad-based index funds or for funds employing primarily technical trading strategies.
 - c. All investment managers, regardless of oil & gas exposure, will be asked to engage with the management of portfolio companies on credible plans to reduce greenhouse gas emissions and achieve net zero emissions by 2050. Investment managers are encouraged to join the Climate Action 100+ or similar initiatives. We again recognize this requirement may not be feasible for certain broad-based index funds or funds employing technical trading strategies.
3. **Criteria Expansion:** Columbia recognizes that many sectors beyond oil & gas are significant contributors to greenhouse gas emissions and climate change, and drive the demand for fossil fuels. Multiple sectors are critical for achieving net zero emissions by 2050. Therefore, every five years, beginning no later than 2025, the ACSRI will work with experts at Columbia to proactively expand the sectoral focus for potential divestment beyond oil & gas exploration & production to other oil & gas activities and other significant emitters of greenhouse gases, including but not limited to utility, cement, agriculture and transportation sector companies.
4. **Active Engagement:** Columbia will use its academic and scientific knowledge to support companies in the transition to net zero emissions by 2050, engaging with management of companies in all sectors through direct dialogue, academic research, proxy voting, and its investment managers.