Fossil Fuel Divestment: Frequently Asked Questions

The Bishop’s Committee for the Environment, Episcopal Diocese of Olympia - April 22, 2014

Note: This set of Frequently Asked Questions (FAQs) supplements a primer, in which fundamental questions such as “What is divestment?” and “What would the divestment of fossil fuel stocks really accomplish?” are addressed.

Q1: Why should we divest of only the “world’s leading 200 fossil fuel companies?”

A: These 200 companies have been identified by the Carbon Tracker Initiative to hold the vast majority of known coal, oil and gas reserves. Most campaigns seeking to divest also focus on these 200 companies.

Q2: Instead of divestment, shouldn’t we focus on stopping fossil fuel projects like offshore drilling, tar sands pipelines, coal power plants, coal and oil trains and terminals, and hydraulic fracturing (fracking)?

A: While working to halt such fossil fuel infrastructure projects is vital, doing so one pipeline, coal plant or terminal at a time is not sufficient for significantly reducing global warming—the numbers just don’t add up. At the same time that we’re working hard to stop these destructive projects, we need to loosen the grip that coal, oil and gas companies have on our political system.

Fossil fuel companies fund climate deniers and have precipitated the deadlock in Congress on climate change. They have supported disinformation campaigns which aim to confuse the public with false science in order to continue their profitability at the expense of our future. With the divestment movement, we seek to publicly oppose the self-serving behavior of these companies and to work toward enacting policies and laws that effectively address the seriousness of the climate crisis.

Q3: Wouldn’t it be better to retain our shares and pressure fossil fuel companies through shareholder activism to reduce their production and marketing of fossil fuels before resorting to divesting?

A: Broadly speaking, shareholder action can be an effective tool to make incremental reforms at a company. In the past a number of shareholder actions have tried to change the behavior of the fossil fuel industry, but there haven’t been any successful resolutions to address the core problem with the industry: the massive amounts of carbon they continue to extract, refine, and sell for burning.

1 The quote is the wording used in Resolution #5 – Divestment from Fossil Fuels.

2 A recent, historic success of shareholder activism with Exxon Mobil proves the point of shareholders’ important yet limited reach. In March 2014, shareholder activists had compelled Exxon to report on the risk of its likely over-inflated assets (fossil fuel reserves) in light of climate change. The amazing news is
Divestment aims to make the moral stakes of our current crisis clear: the fossil fuel industry is aggressively wrecking the planet, and it's immoral to profit from that wreckage. Divestment is a clear and powerful action that supports the case for government action to vastly reduce carbon emissions and to support transition to a carbon-free energy system.

Q4: Why are you not advocating divesting of holdings in industries that deliver or use fossil fuel?

A: We are targeting the 200 largest fossil fuel companies because their product is at the heart of the problem. We aren't targeting auxiliary industries or those that use fossil fuels because the change needs to happen at the source. We need to change to another energy system that does not burn fossil fuels.

Q5: Why aren't you asking for divestment from mutual funds and exchange-traded funds that hold fossil fuel companies?

A: The Diocese of Olympia holds about 4 percent of its portfolio in direct holdings of fossil fuel companies (Chevron and Exxon Mobil). The various mutual funds and exchange traded funds held by the Diocese which hold fossil fuel company stock is less than 1 percent of the total holdings of the Diocese. We have focused on the direct holdings as a significant and substantial sum that is within the direct power of the Board to divest. Also, because the work of scrubbing fossil fuel holdings from the commingled funds has been mentioned to be extensive, we had hoped to avoid making the issue of mutual funds and exchange-traded funds a stumbling block for divesting the much larger direct holdings.

Q6: Instead of divestment, couldn't we devote dividends from fossil fuels to energy efficiency efforts in the Diocese?

A: Using money obtained from investing in activities that are destroying God's creation (fossil fuel burning) to pay for improving our energy efficiency is morally contradictory. Striving for justice and for the safeguarding of God's creation calls us to align how we spend money and how we invest money with our common mission. Furthermore, the Diocese is already encouraging energy efficiency efforts through grants to congregations through the Bishop's Committee for the Environment.

that Exxon had complied. However, their report on March 31 made clear Exxon’s stance in refusing to countenance keeping any of its reserves in the ground. They intend for it all to be burned: http://www.huffingtonpost.com/bevis-longstreth/exxonmobil-shareholder-report_b_5087263.html.
Q7: How can a few institutions like universities, pension funds, and churches make an impact on huge fossil fuel companies by divesting of their stock?

A: Divestment is a moral and political strategy. Just like in the struggle for civil rights here in the United States or for ending Apartheid in South Africa, the more we focus on climate change as a deeply moral issue, the more we will push society towards action to address climate change. We speak prophetically that if it’s wrong to wreck the planet, then it’s also wrong to profit from that wreckage. At the same time, divestment builds political power by forcing our nation’s most prominent institutions and individuals (many of whom sit on institutional boards) to choose which side of the issue they are on. Divestment garners prominent media attention, moving forward the case for our government to address the climate crisis.

Q8: Can we still make a reasonable return without investing in Exxon or Chevron?

A: One major assumption underlying this question is that fossil fuel companies will continue to be profitable and lead other investments in returns. The truth is that 80 percent of known fossil fuel assets will need to be left in the ground if we are to rein in the climate crisis. If we can do that, it will radically depress the value of fossil fuel company stock. In fact, once this eventuality is widely realized, we can expect that holding fossil fuel stock will be a liability.

Regardless of this projected “carbon bubble,” a number of studies\(^3\) have shown that portfolios without fossil fuel holdings often do as well or better than those including fossil fuels.

- **What else might we invest in for comparable financial returns?**
  A: The Investment Committee of the Diocesan Board of Directors has asserted that it could invest in materials, industrials, or utilities and expect to make similar returns to those from fossil fuel stocks.

- **Isn't there a positive outlook for increasing energy demand?**
  A: Although there is a positive outlook for increasing energy demand, there is no reason that we have to meet that demand by burning fossil fuels. This is a perfect time to ramp up investment in non-carbon energy systems.

Q9: Under what conditions, should we reinvest in fossil fuel companies?

A: As long as fossil fuel companies plan to develop and extract greater than 20 percent of the known reserves, we would advocate staying divested. Only if they make a commitment to leave the excess reserves in the ground and change their focus to significantly supporting non-carbon-based energy systems, would we consider supporting reinvestment. At that point, they would probably be energy companies,

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rather than fossil fuel companies.

**Q10: Is divestment endorsed by the invested congregations?**

A: Divestment was supported by 58 percent of delegates voting at the November 2013 Diocesan Convention; the delegates were informed by attendance at workshops and a very rich discussion of the issue on the convention floor.

By contrast, a January 2014 poll of congregations invested in the Diocesan Investment Fund yielded a 31 percent favorable vote and a 69 percent opposition vote. It must be noted that the Vestries and Bishop’s Committees polled did not receive the same suite of resources on the issue compared with those who attended convention, which has further motivated the Bishop’s Committee for the Environment to make available this FAQ, a **primer**, and a list of **education and discussion materials**.

**Q11: Since this is an ethical question, shouldn't it be addressed on a personal level, not as a church?**

A: Because of the enormity of the challenge to change the basis of our energy system, personal actions alone do not begin to address the amount of change that we need. As Christians committed to loving God and our neighbors, we cannot retreat into “personal morality” and effectively respond to the threats of climate change.⁴ We are called to speak prophetically to our society about the need for radical change in support of those who currently suffer from the effects of climate change and of those who are doomed to suffer in the future, through no fault of their own, because of our self-indulgence. We can and must do better.

**Q12: Since we are all involved with fossil fuels, isn’t divestment hypocritical unless we all stop using fossil fuels?**

A: Because the burning of fossil fuels is so entrenched in our economy, it is not really practical to think that we each can individually extricate ourselves from using fossil fuels and thus address the core issue. The energy system itself needs to be changed, and this requires **systemic or collective initiatives** beyond the vital efforts of each individual, household, and community to lower our respective carbon footprints.

Furthermore, even if each of us was able to extricate ourselves individually, doing so eludes a life of love and solidarity with the rest of humankind and God’s creation. We need to change the energy system for all of them as well as for us.

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⁴ Love-of-neighbor implies our engaging with public matters which affect the common good—especially those matters which disproportionaly harm “the least of these” (Matthew 25:31-46). Climate change is a prime example of this.
Q13. How can people who work for or have investments in fossil fuel companies be expected to support divestment?

A: It is possible to simultaneously work for change from within the fossil fuel system and from outside the system. Working within the system, one might, for example, use one’s presence to speak up for expanding research, development and investment in alternative fuels. At the same time, one might use one’s presence in the church to vote to support divestment. The goal of divestment is not to shut down the fossil fuel companies; the goal is to garner public and political support that moves governments to drastically reduce greenhouse gas emissions.

Q14: Aren’t third world countries the biggest contributors to greenhouse gas pollution? This effort doesn’t address that.

A: Actually, the United States has emitted by far the most greenhouse gas per person and overall historically. Recently, China has surpassed the US in total annual emissions, but lags far behind in per capita emissions because of its much larger population.

Q15: Aren’t third world countries and others that are marginalized the biggest victims of climate change? Why not address that?

A: Yes, currently, those on the margins are suffering the most from droughts, floods, sea level rise, and crop failure. We are attempting to address their suffering by calling for the fundamental change in the energy system that will lessen the impacts they are experiencing and the greater impacts they would otherwise experience in the future.

Q16: Aren’t US fossil fuel companies the largest investors in alternative energy?

A: The truth is that fossil fuel companies have largely retreated from investments they made earlier in alternative energy.5

Q17. What if the Board of Directors decides to divest? What would be the next steps for the diocese?

A: Using the power of the media, we would seek to amplify our voice to support changing the dominant energy system away from fossil fuel combustion, which is fueling the climate crisis. We would work with other dioceses and denominations to support their divestment efforts, and we may well ask our Deputies to General Convention to take a similar resolution to that body in 2015.

Q18. Though I support the request to divest from fossil fuel companies, I’m struck by the absence of a request to re-invest money in either alternative energy companies or

other ecologically and socially responsible institutions. Why is there no such request to reinvest these funds?

A: The Bishop’s Committee for the Environment chose to draft a resolution that would be the simplest and most acceptable to the diocese, so that we might add our voice to the growing number of faith communities supporting the divestment movement and the call for a radical change to our energy system. We chose to focus on divestment as a strategy to directly address the emergent climate crisis. Decisions about reinvestment in specific stocks or industries are secondary to this more immediate effort. We are simply asking the Diocese to no longer support the wanton destruction of God’s creation through the burning of fossil fuels and to instead take a significant public step toward a more just and sustainable planet.