

School of Petroleum Engineering (now the Australian School of Petroleum). Notably, SANTOS was one of the seven companies that the ANU purposefully divested from.

Despite this, universities in South Australia should be encouraged by the fact that there are much larger capital movements under way away from fossil fuels and that other Universities, with larger investment portfolios, have gone before them. Universities in South Australia are well positioned to be on the front foot with divestment and create a good news story which highlights leadership in sustainability.

Looking ahead, decision makers in council should learn from past divestment announcements and make sure to consult extensively, explain rationales, set clear benchmarks, define criteria, and make their assessments open to scrutiny. Investments with companies that are stuck in the carbon business and have no viable plans to evolve their business should be seen as risky.

One thing is certain – the divestment train is moving and South Australian universities will face questions about the ethics and risks of their financial management. For those interested in starting a divestment campaign, Tom Swann has provided five lessons which he learned during the ANU campaign. I list these lessons and provide commentary:

1. Do the research: find out where your institution is investing and what fossil fuel companies they support. Public reporting is limited and you might need to make a Freedom of Information request to attain this information.
2. Find a team: find the people who are going to help you push this campaign. This should be as broad as possible and include students, staff, alumni and members of the community.
3. Engage with decision makers: The Vice Chancellor and Council may not oppose a divestment strategy and might want to work with you. The partial step toward divestment at the ANU was taken after the Council developed a Socially Responsible Investment Policy and engaged the services of Corporate Analysis Enhanced Responsibility (CAER). There are also an increasing number of tools that illustrate how much money universities have lost by not divesting from fossil fuels.
4. Show community support: You need to demonstrate to decision makers that your community wants leadership. This might take the form of a student survey and/or a letter signed by staff.
5. Be ready to escalate: Climate change is the most pressing environmental, moral and financial risk of our time. Decision makers have ultimate responsibility to manage university investments in a way that is responsible and minimises future risk.

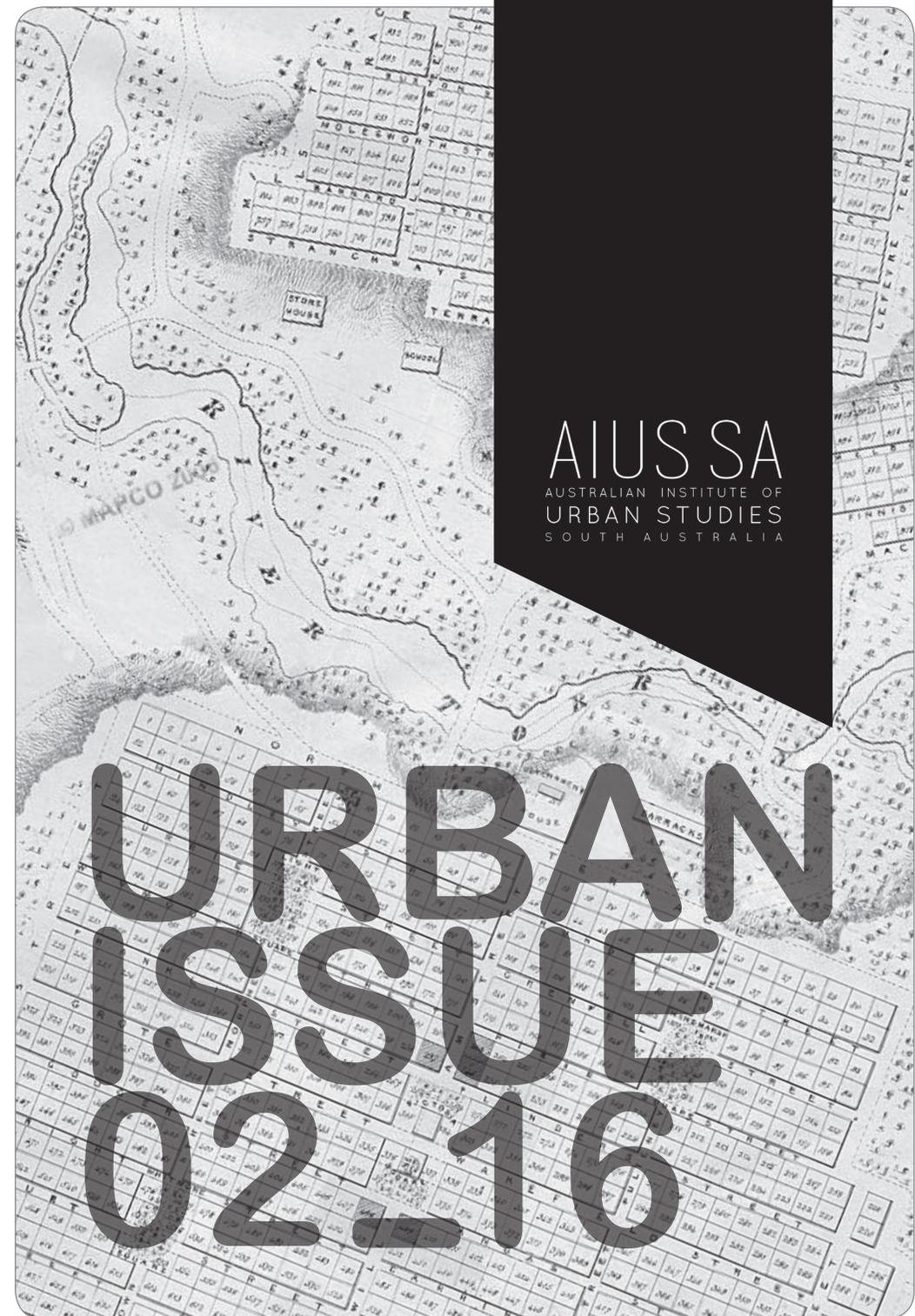
Urban Issue No. 2 is the second in a series of essays published by the Australian Institute of Urban Studies – South Australia.

Each essay explores and articulates what an inspiring urban future looks like for Adelaide and South Australia, that's good for people and the planet in relation to a particular topic.

Throughout 2016, the AIUS – SA will focus on Climate Change, acknowledging that it is one of the most important issues of our time.

Established in 1967, the Australian Institute of Urban Studies – South Australia, provides an independent platform to provoke rich conversation, thoughtful discussion and rigorous debate about urban life in South Australia.

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UNIVERSITY DIVESTMENT FROM FOSSIL FUELS

DR PETER BURDON ASSOCIATE PROFESSOR AT THE UNIVERSITY OF ADELAIDE LAW SCHOOL AND DEPUTY CHAIR OF THE INTERNATIONAL UNION FOR THE CONSERVATION OF NATURE, ETHICS SPECIALIST GROUP.

IN 2013 RICHARD HEEDE PUBLISHED AN ARTICLE IN THE JOURNAL CLIMATE CHANGE WHICH HELD THAT 90 CORPORATIONS AND STATES ARE RESPONSIBLE FOR NEARLY TWO-THIRDS OF ALL THE ANTHROPOGENIC CARBON EMISSIONS SINCE 1751. CHEVRON ALONE IS RESPONSIBLE FOR 3.52% OF THAT TOTAL, EXXONMOBIL FOR 3.22%, AND BP FOR 2.24%. MOREOVER, 63% OF ALL HUMAN-GENERATED CARBON EMISSIONS HAVE BEEN PRODUCED IN THE PAST 25 YEARS; THAT IS, NEARLY TWO-THIRDS HAVE BEEN EMITTED SINCE THE FIRST WARNINGS WERE SOUNDED ABOUT WHAT WAS THEN CALLED "GLOBAL WARMING" AND THE NEED TO STOP OR SCALE BACK.

Heede's research, which has been supplemented by numerous other studies, lit a fuse under the global divestment movement. Put simply, divestment means getting rid of stocks, bonds, or investment funds that are unethical or morally ambiguous. Divestment serves a number of direct and indirect causes, including awakening public opinion to the dangers of climate change, changing the energy landscape and challenging the social license of fossil fuels.

As is now widely recognized, preventing climate change from reaching its most catastrophic potential requires keeping four-fifths of known carbon reserves (coal, oil, and gas) in the ground. This is also consistent with the 2015 Paris Climate Accord which recognises the necessity of a 'just transition' away from fossil fuels.

Far from radical, the divestment movement is underpinned by principles of individual freedom, precaution and capitalism. That partially explains why Jim Yong Kim, president of the World Bank, has supported calls for divestment. Speaking in 2014 at the World Economic Forum in Davos, Kim called for stronger government action to: 'divest and tax that which we don't want, the carbon that threatens development gains over the last 20 years.' Kim also noted that prudent investors should take seriously the risks posed by climate change:

So-called 'long-term investors' must recognise their fiduciary responsibility to future pension holders who will be affected by decisions made

today. Corporate leaders should not wait to act until market signals are right and national investment policies are in place. The other reason prominent figures like Kim have supported divestment is because of the speed at which the movement is growing. Divestment has already impacted investment worth US\$2.5t and will continue to gain momentum after Norway's US\$840bn oil fund decided to sell out of 73 companies this year due to environmental and governance concerns. Also important is the decision of the Rockefeller Foundation, a philanthropic trust built on old oil money, to divest all investments in fossil fuels, and that it has already sold its investments in coal and tar sands.

UNIVERSITY DIVESTMENT

Despite their conservative heritage and hierarchical structures, universities are generally liberal and forward thinking institutions. Decision makers are sensitive to public perception, reputation and the long-term financial health of their institution.

Calls for divestment, initiated predominately by concerned students and alumni, are becoming a regular feature of campus life and have succeeded in gaining billions of dollars worth of commitments. A study from Oxford University concluded that the divestment campaign 'has achieved a lot in the relatively short time.'

In Australia, the first major steps toward divestment were taken at the Australian

National University (ANU). Following a review commissioned as part of the university's Socially Responsible Investment Policy, in 2015 the announced plans to divest from seven resources companies on grounds of poor 'environmental, social and governance' (ESG) performance. Those companies were: Iluka Resources, Independence Group, Newcrest Mining, Sandfire Resources, Oil Search, Santos and Sirius Resources. This decision, which amounted to \$16million or about 1 percent of its \$1.3 billion investment holding, came in response an organised student campaign backed by a referendum showing 82 per cent of ANU students support divestment from fossil fuels.

The decision taken at the ANU was modest, partial and cautious. As one of Australia's most prestigious universities, it ought to have given "permission" to other universities looking to take similar action. Their decision might even have been used to place pressure on other universities to demonstrate their progressive credentials.

To prevent this, the fossil fuel industry, the Fairfax press and 5 federal ministers attacked the decision. With respect to the political response, then Prime Minister Abbott called it 'stupid', 'reckless', 'irresponsible' and 'a disgrace'. Jamie Briggs, Minister for Infrastructure, said that the move was 'damaging' job creation. While Joe Hockey argued the ANU was 'removed from the reality of what is helping to drive the Australian economy and create more employment.'

These reactions were made on shaky economic grounds. In response, Richard Dennis, chief economist at the Australia Institute retorted:

'Never mind, Mr Briggs, that more Australians are employed in sports and recreation than in coal mining. Never mind, Mr Hockey, that all the royalties, and all the tax, from all the mining companies, in all the country, merely make up about 5 per cent of governments' revenue.'

Indeed, the government's response revealed much more about those protesting than the decision itself. Tom Swann, spokesperson for the student movement commented: 'Symbolism is important; that's why we've seen such a strong reaction to ANU's decision.'

Undeterred, the community at ANU continues

to push for full divestment. The Asset Owners Disclosure Project, chaired by John Hewson, has been pushing large asset owners, including universities, to reveal their fossil fuel interests.

More recently the University of Sydney announced plans that it would ask its listed equity fund managers to build a portfolio of investments that enables the university to reduce its carbon footprint by 20 percent over the next three years. The decision followed a review into current global views and actions surrounding the green energy movement. Moreover, in 2014, the university held a student referendum which saw 80 per cent voting in favour of divestment from fossil fuels.

Finally, in May 2016 La Trobe University became the first Australian university to commit to full fossil fuel divestment over the next five years. The university holds an investment of A\$40 million in a managed fund. Over the next five years it will work with the fund manager to create a portfolio that does not invest in the 200 most carbon-intensive listed companies.

Of these announcements, I consider La Trobe's position to have the most integrity. However, whatever approach the university takes, it is important that actions are underpinned by a socially responsible investment policy and contain plans for future review (at least every three years). The university need not waste time and resources on a referendum or poll. Votes across the country have been consistently high and this is an issue that requires moral leadership from university leaders.

WILL SOUTH AUSTRALIAN UNIVERSITIES DIVEST?

For South Australian Universities a critical question has arisen – will they follow suit, strengthened by the leadership of leading institutions? Or will they back away, fearing the backlash from the fossil fuel industry and media?

My institution, the University of Adelaide, has stated in the past that they will not divest from fossil fuels. While the university holds no direct shares in fossil fuels it is likely that their managed funds contain some positions indirectly. For example, attention should focus on the Endowment Fund (which reported a unrealised gain of \$2.1 million in 2015). The University has also enjoyed a close relationship with SANTOS who gave \$25 million in 1999 to establish the