University of Waterloo

Carbon-Neutral Investment Policy

Proposal Drafted by Fossil Free UW

Submitted to the University of Waterloo Board of Directors

October 19, 2020

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University of Waterloo Carbon-Neutral Investment Policy

Executive Summary

As of October 17, 2020, this proposal was endorsed by 25 groups:

- Association of Caribbean Students
- Chem Club
- Effective Altruism Waterloo
- Engineers Without Borders UW
- Environment Graduate Student's Association
- Environment Students' Society
- ERSSA
- Faculty Association of the University of Waterloo's Climate Justice Working Group
- Fossil Free University of Waterloo
- Graduate Student Association
- JamNetwork
- Math Society
- Phys Club
- Racial Advocacy for Inclusion, Solidarity and Equity (RAISE)
- Science Society
- SDG Impact Alliance
- University of Waterloo Concert Band Club
- University of Waterloo Energy Network
- UW Animal Rights Society
- UW Drag Club
- UW General Equality Club
- UW Impact Alliance
- UW Metal Klvb
- UW Young Greens
- Waterloo Undergraduate Student Association

Based on a partial disclosure of information from the University of Waterloo's Administration on June 30, 2020, we know that at least $44.8 million of the university's equity holdings are in the energy sector, which incorporates fossil fuel companies, associated infrastructure companies, and companies that are indirectly involved in the fossil fuel sector. Approximately half of these holdings are invested in Carbon Underground 200 listed companies, including Canadian National Resources Ltd., CNOOC, and Suncor, which are not only known heavy CO_2 emitters, but some of which have participated in decades-long climate-denial campaigns. Moreover, some of these companies are responsible for environmental destruction on a massive scale, human rights violations, and corrupt practices. There are clear environmental and ethical reasons why our University, the Canadian lead for the United Nations' Sustainable Development Solutions Network, should not be investing in these firms.

Numerous Canadian universities have committed to divest from fossil fuels. Université Laval, the Université du Québec à Montréal, and Concordia have committed to divestment. The University of British Columbia's Board of Governors unanimously resolved to divest its endowment fund from fossil fuels in December 2019. In March 2020, Queen's University's Board of Trustees voted to begin reducing the carbon intensity of its endowment fund investments, while in May, the University of Guelph committed to divestment to enact its commitment to sustainability. Canada's most innovative university should not be left behind.

While the ethical imperative is clear, so is the economic case for divestment. Major financial players such as BlackRock and the European Investment Bank have committed to divesting many of their fossil fuel holdings given the financial risk of that sector. Mark Carney, the outgoing Governor of the Bank of England and former Governor of the Bank of Canada, recently emphasized that up to half of the world's oil and gas reserves and most of its coal reserves stand to become stranded assets – "worthless" investments.

Our university is likewise exposed to this financial risk. Researchers on our campus have documented that the University of Waterloo has lost a staggering amount by continuing to invest in fossil fuels. PhD candidate Truzaar Dordi's analysis, using conservative estimates, found that from 2011 to 2015, by investing in fossil fuels as compared to investing in low carbon options, our university lost at least 14% on fossil fuel investments made in pension, endowment, and trust funds, totalling at least $20 million. As Dordi notes, "Some may argue that the University should maintain its fossil fuel investments lest it lose out. However, the opposite concern – that keeping these investments is financially risky – may be the greater issue."

The University of Waterloo currently considers Environmental, Social, and Governance (ESG) screening considerations in its investment decisions and has signed on to the United Nations Principles for Responsible Investment (UN PRI), which recognizes climate change as the highest priority of all ESG issues. Despite this commitment, the University of Waterloo is caught in a regressive financial position by continuing to invest in fossil fuels and associated industries.

Moreover, experts in sustainable management now recommend that it is not only energy holdings that are exposed because of climate change. Investments in industries that might be exposed to stranded asset risks, e.g. floods, fires, droughts, resource degradation, are also exposed through cascading effects. Exposed sectors include transportation, utilities, agriculture,

and real estate. Given global environmental and economic transformation induced by climate crisis, simply divesting fossil fuel holdings is not sufficient to make the University's Investment Fund resilient. As such, this Investment Policy presents the latest evidence as to why the University of Waterloo should be moving toward a carbon-neutral portfolio and how to make the transition.

In the full report, we outline investment objectives and clarify why this decision is legally acceptable and financially prudent. Concerns about fiduciary duty are addressed (indeed, these are now resolved, as witnessed with the actions of other Ontario universities). The importance of maintaining the diversity of the portfolio is also explored, as is the broad impact climate change will have on a diverse set of industries.

Climate risk extends beyond the fossil fuel sector and must be considered, as must the influence of social pressure on investments. We do not propose that the University divest from all holdings in climate affected industries, rather we offer a holistic approach to divestment that would include climate risk, associated with consideration of carbon-related stranding of assets.

Given the financial evidence, the ethical imperative to act on climate change, and the University's commitment to the UN PRI and the Responsible Investment Charter, **we recommend that the Board of Governors adopt a stepwise approach to achieve a carbon-neutral Investment Fund to improve security and increase returns**.

We caution that the longer the transition takes, the more the University of Waterloo stands to lose, therefore we propose the following five steps to carbon-neutrality over a five-year timeline:

1. Adopt Fossil Free Indexes. *(complete)*

2. Prove the Case by Divesting the Endowment Funds and Creating a Best in Class ESG and Divestment Policy. *(October 2022)*

3. Full Divestment of Carbon Underground 200 Holdings, "Tar Sands Companies" Equity Exposure, and Fossil Fuel Associated Industries. *(October 2023)*

4. Incorporate Stranded Asset Risk Measures Across the Portfolio. *(October 2024)*

5. Transition Toward a Carbon Neutral Portfolio. *(October 2025)*

PREAMBLE

Based on a partial disclosure of information from the UW Administration on June 30, 2020, we know that at least $44.8 million of the university's investments are in the energy sector, which incorporates fossil fuel companies, associated infrastructure companies, companies that are indirectly involved in the fossil fuel sector development. These investments include $13.7 million from the student endowment fund. These fossil fuel companies include Canadian National Resources Ltd., CNOOC, and Suncor, which are not only known heavy CO_2 emitters, but some of which have participated in decades-long climate-denial campaigns.[1] Moreover, some of these companies are responsible for environmental destruction on a massive scale,[2] human rights violations,[3] and corrupt practices.[4] There are obvious environmental and ethical reasons why our University, the Canadian lead for the United Nations' Sustainable Development Solutions Network, should not be investing in these firms.

The economic case for divestment is also very strong. Mark Carney, outgoing Governor of the Bank of England and former Governor of the Bank of Canada, recently emphasized that up to half of the world's oil and gas reserves and most of its coal reserves stand to become stranded assets—"worthless" investments.[5] Canadian economist, Jeff Rubin, for instance, says: "While a lack of disclosure of carbon holdings makes it difficult to assess fund-specific losses, one study estimated that the five largest funds in Ontario lost somewhere in the neighbourhood of CDN$2.4 billion on their stock holdings of fossil fuel companies over the second half of 2014."[6p.9] PhD candidate Truzaar Dordi's analysis found that conservative estimates show that

[1] Hussain, 2020, https://theintercept.com/2020/01/08/imperial-oil-climate-change-exxon/
[2] Berman, 2017, https://www.theguardian.com/commentisfree/2017/nov/14/canadas-shameful-environmental-secret-tar-sands-tailings-ponds
[3] Asia News, 2007, http://www.asianews.it/news-en/Gas-and-oil-from-Africa-and-the-Middle-East-will-pass-through-Myanmar-9167.html
[4] Offshore Energy Today, 2014, https://www.offshoreenergytoday.com/cnoocs-executive-suspected-of-bribery/
[5] Bank of England, 20202, https://www.bankofengland.co.uk/speech/2015/breaking-the-tragedy-of-the-horizon-climate-change-and-financial-stability
[6] Rubin, 2017, p. 9, https://www.cigionline.org/multimedia/case-divesting-fossil-fuels-canada

from 2011 to 2015 the University of Waterloo has realized losses of upward of 14% on fossil fuel investments made in pension, endowment and trust funds, totalling at least $20 million, by investing in fossil fuels as compared to investing in low carbon options.[7] As Dordi notes, "Some may argue that the University should maintain its fossil fuel investments lest it lose out. However, the opposite concern – that keeping these investments is financially risky – may be the greater issue."

Our university is not alone in suffering losses by continuing to invest in fossil fuels. Corporate Knight's decarbonizer tool finds trillions in lost opportunity, perhaps most notably the Bill and Melinda Gates Foundation, which after rejecting calls to divest from fossil fuels, lost $1.9 billion between 2012 and 2015.[8] Markets have already begun to respond to the riskiness of fossil fuel investment—fossil fuels are becoming devalued. We can assume this will intensify as governments and industries make further progress in reducing emission to meet the internationally accepted 1.5 degree warming limit of the International Panel on Climate Change (IPCC). Indeed, we see the landscape shift daily, with the recent announcements by BlackRock, the European Investment Bank, and the University of California serving as dramatic examples. Canada's most innovative university should not be left behind.

Universities around the world are committing to divest. Half of the universities in the UK have committed to divest – including both Oxford and Cambridge this year.[9] Divestment is spreading rapidly across US campuses. Last year, the University of California system committed to sell its fossil fuel investments from its $80 billion fund, citing financial risk. Canadian universities have begun to follow suit. Inspired by actions in Québec at Université Laval, the Université du Québec à Montréal, and Concordia University, the University of British Columbia's Board of Governors unanimously resolved to act immediately to divest its endowment fund from fossil fuels in December 2019. In March 2020, University Queen's University's Board of Trustees voted to begin reducing the carbon intensity of its endowment fund investments, while in May,

[7] Dordi, 2017, https://fossilfreeuw.ca/uw-investments/uw-potential-losses/
[8] Carrington, 2015, https://www.theguardian.com/environment/2015/nov/16/gates-foundation-divested-fossil-fuels-would-be-19bn-better-off
[9] Gillespie and Rathi, 2020, https://www.bloomberg.com/news/articles/2020-10-01/cambridge-university-makes-4-5-billion-fossil-fuel-divestment-promise

the University of Guelph committed to divestment to enact its commitment to sustainability. Canada's most innovative university should not be left behind.

We understand that the University of Waterloo currently considers Environmental, Social, and Governance (ESG) in its investment decisions. ESG are the three key factors when measuring the sustainability and ethical impact of an investment in a business or company. ESG is used to screen investments to improve the holistic sustainability of a portfolio. Through its commitment to ESG, the University has signed on to the United Nations Principles for Responsible Investment (UN PRI) which recognizes climate change as the highest priority of all ESG issues and the Responsible Investment Charter, which promotes the measurement of carbon intensity of investments and the use of meaningful targets to reduce this intensity over time. We have subsequently observed the University begin to reduce its carbon exposure, down from 2017, when $68 million were invested in Carbon Underground 200 companies.[10] (Investments in associated industries, such as pipelines, were not disclosed at the time.) As of June 30, 2020, a significant $44.8 million remains in fossil fuel holdings and associated industries. The last time we were given notice of exposure to the Carbon Underground 200 listed companies was September 30, 2019, when a significant $62 million were invested in fossil fuel holdings and associated industries, with approximately half of investments, $32,777,000,[11] listed on the Carbon Underground 200.[12]

We, however, recognize that it is not only these holdings that are at risk from climate change. Investments in industries that might be exposed to stranded asset risks, e.g. floods, fires, droughts, resource degradation are also exposed through cascading effects. These include

[10] Fossil Free UW, 2017, https://fossilfreeuw.ca/uw-investments/
[11] Macri, 2020, http://mathnews.uwaterloo.ca/wp-content/uploads/2020/02/mathNEWS-142-4.pdf
[12] The Carbon Underground 200 report identifies the top 100 public coal companies globally and the top 100 public oil and gas companies globally, ranked by the potential carbon emissions content of their reported reserves.

transport,[13] utilities,[14] agriculture,[15] real estate,[16] and water assets, including aquaculture.[17] Given climate-induced, global environmental and economic transformation, simply divesting fossil fuel holdings is not sufficient to make resilient the University's Investment Fund. Carbon neutrality is required.

Given the financial evidence, the ethical imperative to act on climate change, and the University's commitment to the UN PRI, we recommend that the Board of Governors adopt a stepwise approach to achieve a carbon neutral Investment Fund, which includes the Registered Pension Plan, the Endowment, the Special Purpose Trust, and the Operating fund:

1. Adopt Fossil Free Indexes. *(complete)*

2. Prove the Case by Divesting the Endowment Funds and Creating a Best in Class ESG and Divestment Policy. *(October 2022)*

3. Full Divestment of Carbon Underground 200 Holdings, "Tar Sands Companies" Equity Exposure, and Fossil Fuel Associated Industries. *(October 2023)*

4. Incorporate Stranded Asset Risk Measures Across the Portfolio. *(October 2024)*

5. Transition Toward a Carbon Neutral Portfolio. *(October 2025)*

[13] Traut et al., 2018, CO_2 abatement goals for international shipping
[14] Hunt and Weber, 2018, Fossil Fuel Divestment Strategies: Financial and Carbon-Related Consequences.
[15] Marsden et al., 2019, Reproducing vulnerabilities in agri-food systems: Tracing the links between governance, financialization, and vulnerability in Europe post 2007–2008; Morel et al., 2016, Stranded Assets in Palm Oil Production: A Case Study of Indonesia About the Sustainable Finance Programme; Rautner et al., 2016, Managing the Risk of Stranded Assets in Agriculture and Forestry.
[16] Muldoon-Smith & Greenhalgh, 2019, Suspect foundations: Developing an understanding of climate-related stranded assets in the global real estate sector
[17] Lamb, 2015, *Drying and Drowning Assets – How Worsening Water Security Is Stranding Assets*.

STATEMENT OF INVESTMENT POLICIES AND PROCEDURES

1. Priority Of Investment Objectives: Terminology Regarding Structure of Portfolio & Asset Classes

Diversification

For the sake of preventing exposure to singular crashes or events in a single industry or company, it is important to ensure an investment portfolio is well diversified across sectors and asset classes. A well-balanced investment portfolio should, therefore, be distributed across equity (shares, stocks, ETFs), debts (pooled debts financing), and cash assets. It is further important to consider diversification across industry classes to prevent excessive exposure to the risks and vulnerabilities of single industries.

As we make the case for divesting fossil fuel holdings and moving to a carbon neutral portfolio, ensuring that the new portfolio remains well diversified is imperative. It is further important to recognize that divestment in the case of fossil fuel holdings actually reduces risk and improves investment returns, both now and into the future given the threat of stranded assets. Trinks et al. demonstrates that had one divested fossil fuel holdings as far back as the 1930s, the fossil free portfolio would have overperformed that portfolio holding fossil fuels,[18] while universities that have divested are seeing the benefit, like Syracuse, which has seen its funds gain by 12%.[19] In 2015, Canadian research company Corporate Knights did a study on fourteen major funds with $1 trillion USD in assets and found that over $22 billion was lost by not moving away from fossil fuels,[20] while from 2010 to 2015 the coal industry lost 76 % of its value.[21] Under performing industries should not be retained simply for diversification.

[18] Trinks, A.; Scholtens, B.; Mulder, M.; Dam, L. Fossil Fuel Divestment and Portfolio Performance.
[19] Sadler, 2017, http://dailyorange.com/2017/09/divestment-fossil-fuels-not-caused-syracuse-universitys-endowment-suffer-official-says/
[20] Heaps, 2015, https://www.corporateknights.com/channels/responsible-investing/fossil-fuel-investments-cost-major-funds-billions-14476536/
[21] Mathisen, 2015, https://www.theguardian.com/environment/2015/mar/24/us-coal-sector-in-terminal-decline-financial-analysts-say

In advance of their divestment decision, UBC engaged the environmental consulting firm, Mantle 314, to investigate the links between climate change and the financial viability of investment assets, and found that the Paris Agreement would require substantial restructuring of the global economy to meet the targets. Further, UBC's portfolio manager, IMANT, found that "it is possible to construct a portfolio with comparable financial return and risk profile while lowering emissions and climate risk profile… Practitioners and academics report that reasonably constrained portfolios are generating comparable returns to unconstrained portfolios over a longer time horizon. The overall risk of constrained and unconstrained portfolios remains similar although drivers of risk differ. Therefore, returns could be materially different in certain market environments but should converge over a longer time horizon."[22]

Fiduciary Duty

The University of Waterloo Responsible Investing Working Group (RIWG) stated in their final (2018) report that: "fiduciary duty is the single largest and most important driver that the Board should consider in assessing whether or not to include ESG factors into investment decisions."[23] Fiduciary duty obliges fiduciaries "to abnegate all self-interest, as well as those of third parties, and focus solely on the best interests of their beneficiaries."[24] The Ontario Pension Benefits Act requires plan administrators to "exercise the care, diligence and skill in the administration and investment of the pension fund that a person of ordinary prudence would exercise in dealing with the property of another person."[25]

The RIWG report cites fiduciary duty as a reason for rejecting divestment when made for purely ethical considerations (i.e., what it calls an "ethical screen."). Unfortunately, the RIWG report conflated the University's fiduciary duty administering pension plans with its duty in terms of the endowment fund. These funds differ in one critical aspect: Whereas beneficiaries of the

[22] UBC Board Of Governors, April 16, 2020, Responsible Investing Update – Divestment Financial Justification
[23] University of Waterloo Responsible Investing Working Group. (2018). Report to the Board. June 5. https://fossilfreeuwca.files.wordpress.com/2018/06/riwg-2018-06-05-board-report-regular-w-attachment.pdf
[24] Rotman, Leonard I., Understanding Fiduciary Duties and Relationship Fiduciarity (November 28, 2017). McGill Law Journal, Vol. 62, No. 4, 2017, Available at SSRN: https://ssrn.com/abstract=3078806
[25] Pension Benefits Act, R.S.O., 1990, Chapter P.8, Section 22(1). https://www.ontario.ca/laws/statute/90p08#BK27

pension plans include thousands of current and future pensioners, the University is the sole beneficiary of the endowment fund. As the sole legal owner of the endowment fund, the University is, in its own words, "therefore responsible for all matters relating to the administration, interpretation and application of the Fund."[26]

As the sole beneficiary the University can unilaterally decide how to invest endowment funds. This is clearly stated in the 2018 Statement of Investment Guidelines section 2.01(d) which permits the risk/rate of return on the endowment fund to be guided by: "Special factors, if any, which UW considers significant." Notably, the Guidelines already restrict endowment fund managers from making several types of investments (e.g., leveraged investments; short selling; pair trading; etc.) while stipulating a specific asset mix (section 2.05). The whole of Section 3 of the Guidelines detail "Permitted and Prohibited Investments." So while divesting the endowment fund of fossil fuels investments might require the Board of Governors to add some directive language to the Statement of Investment Guidelines, there is no legal rationale preventing divestment of the endowment fund from proceeding immediately.

The RIWG report was adopted by the Board at its June 2018 meeting. While cautioning the Board to adhere to its fiduciary obligations, the RIWG concludes that: "ESG is a fundamentally useful lens for review of investments as well as for monitoring and managing current and prospective investment managers, and can be applied in support of conventional investment analysis to gauge potential rates of return and the risk of asset or capital impairment, and *is not inconsistent with fiduciary obligations and most likely supports these duties*. [emphasis added]"[27] We are already seeing academic institutions worldwide committing to divestment, and they have done so in line with their fiduciary duty to their beneficiaries.[28] Canadian academic institutions, even here in Ontario, have also begun to follow suit, finding that divestment is in line with fiduciary duty. Indeed, fourteen Canadian universities, including the University of Waterloo have

[26] University of Waterloo. (2018). Statement of Investment Guidelines University of Waterloo Endowment Fund. https://uwaterloo.ca/secretariat/sites/ca.secretariat/files/uploads/files/oct_2018-endowment_investment_guidelines.pdf
[27] University of Waterloo. (2018). Statement of Investment Guidelines University of Waterloo Endowment Fund. https://uwaterloo.ca/secretariat/sites/ca.secretariat/files/uploads/files/oct_2018-endowment_investment_guidelines.pdf
[28] Taylor, M. (2020). Half of UK universities have committed to divest from fossil fuel. Retrieved 25 May 2020, from https://www.theguardian.com/environment/2020/jan/13/half-of-uk-universities-have-committed-to-divest-from-fossil-fuel.

signed on to the Responsible Investment Charter which finds that: "Prudent practice now requires institutional stewards of long-term investments to adopt processes that take into account material climate-related investment risks. Failure to do so may constitute a dereliction of fiduciary duty by investment managers, who have an obligation to serve the best long-term interests of beneficiaries."[29]

Pension plan managers and administrators are facing rapidly evolving legal obligations to assess, manage and disclose financial risks associated with climate change.[30] In advance of their divestment decision, UBC received a legal opinion from Hansell LLP.[31] The firm reported that, beyond disclosure, directors "have a clear responsibility to be informed about the risks that climate change poses for the business of the corporation they serve and to be satisfied that those risks are being appropriately managed."[32] The Hansell LLP report concludes that: "We have been asked whether directors of Canadian corporations are obliged to address climate change risk. The answer is clearly yes. Canadian courts have accepted climate change and the risks it presents as self-evident and uncontroversial, as has the investment community."[33]

Former bank governor Mark Carney has defined climate change transition risks as "financial risks which could result from the process of adjustment towards a lower-carbon economy which could prompt a reassessment of the value of a large range of assets as costs and opportunities become apparent."[34] Pension plan administrators must consider these transitions risks to ensure the long term financial stability and sustainability of funds both for current and future pensioners. As the risks associated with climate change become more widely known and scientifically grounded, the legal onus is shifting to fund managers and boards to justify risks associated with their fossil fuel investments which are increasingly are volatile, underperforming

[29] Responsible Investment Charter for Canadian Universities. 2020. https://sustainability.utoronto.ca/wp-content/uploads/Investing-to-Address-Climate-Change_18-June-2020.pdf.
[30] Hansell LLP. (2020). Putting Climate Change Risk on the Boardroom Table. https://law-ccli-2019.sites.olt.ubc.ca/files/2020/06/Hansell-Climate-Change-Opinion.pdf
[31] Hansell LLP, 2019, Putting Climate Change Risk on the Boardroom Table. https://law-ccli-2019.sites.olt.ubc.ca/files/2020/06/Hansell-Climate-Change-Opinion.pdf
[32] Hansell LLP, 2019, Putting Climate Change Risk on the Boardroom Table. https://law-ccli-2019.sites.olt.ubc.ca/files/2020/06/Hansell-Climate-Change-Opinion.pdf
[33] Hansell LLP, 2019, Putting Climate Change Risk on the Boardroom Table. https://law-ccli-2019.sites.olt.ubc.ca/files/2020/06/Hansell-Climate-Change-Opinion.pdf
[34] Mark Carney, 2015, Breaking the tragedy of the horizon – climate change and financial stability, Speech by Mr Mark Carney, Governor of the Bank of England and Chairman of the Financial Stability Board, at Lloyd's of London,https://www.bis.org/review/r151009a.pdf

and/or risk becoming worthless as stranded assets. This is of particular concern for Canadian funds which are acutely susceptible to the stranding of assets due to their oil sands exposure. Currently, 99.85% of the University's Energy Sector holdings are in companies that work predominately in the Alberta oil sands and have been recently hard hit by energy sector volatility and COVID-19.

Investments in carbon-heavy holdings are proving to be a riskier investment strategy in the short term as well, which may end up breaching the fund's fiduciary duty.[35] Between September 30th, 2019 and June 30, 2020, the value of the University's energy holdings dropped from $62 million to $44.8 million. We are lucky to have professors working at the University of Waterloo who are global experts in sustainable finance. Recent empirical studies led by Professor Olaf Weber have made a convincing case that "fossil fuel divestment makes sense from a financial point of view even without any ethical justification."[36]

Equity Investing

Equity investing refers to the holding of shares issued by a company. Equity ownership allows shareholders to vote on strategic decisions of the firm, given their degree of ownership. Large shareholders thus influence corporate governance through, for example, shareholder-sponsored proposals and shareholder voting. Institutions have used this reasoning as an argument against divestment, reporting that they can make better change inside the organization. Another common argument for this position is that one is not able to influence corporate governance if one does not have ownership in the company. However, those with significant ownership often favour continued business as usual, fail to act even in the face of scientific evidence, and may even contribute to the spread of disinformation in efforts to protect their companies. "The five largest publicly-traded oil and gas majors (ExxonMobil, Royal Dutch Shell, Chevron, BP and

[35] Yunker, Z., Dempsey, J., & Rowe, J., 2018, Canada's Fossil-Fuelled Pensions The Case of the British Columbia Investment Management Corporation, Canadian Centre for Policy Alternatives, Retrieved from https://www.policyalternatives.ca/sites/default/files/uploads/publications/BC%20Office/2018/06/CCPA-BC%20BCI%20FINAL.pdf

[36] Hunt, C., & Weber, O., 2019, Fossil Fuel Divestment Strategies: Financial and Carbon-Related Consequences. Organization & Environment, 32(1), 41–61. https://doi.org/10.1177/1086026618773985

Total) have invested over $1 billion of shareholder funds in the three years following the Paris Agreement on misleading climate-related branding and lobbying. […] [These] five oil majors are forecast to put a mere 3% of their 2019 capital expenditure towards low carbon technologies whilst US$110.4 billion will be put into more oil & gas."[37]

Active vs. Passive Investments

Active Investments are those that require a portfolio manager to regularly monitor holdings, and to trade in response to market shifts, in an attempt to beat the market. Passive Investments are usually in the form of index funds or other mutual funds. They are less frequently bought or sold as the passive investor tracks a market index.

Currently, approximately 50% of the University of Waterloo's holdings are active funds, including the $44.8 million in fossil fuel and associated industry holdings. This is relevant as it is less cost-prohibitive to divest from single corporations and reinvest into lower carbon alternatives than it would be to shift to low-carbon passive funds, making it easier to meet our divestment ask.

2. Climate Risk

Stranded Assets

Anticipating legal, material, international or local restrictions on the amount of carbon emissions relative to a global carbon budget, many untapped reserves will have to be left in the ground, and mines or rigs might have to go offline early. Oil and coal companies are valued (as represented by market cap and share price) not only by their annual production but by proven reserves.

[37] Influence Map, 2019, https://influencemap.org/report/How-Big-Oil-Continues-to-Oppose-the-Paris-Agreement-38212275958aa21196dae3b76220bddc.

Resource extraction firms are valued inclusive of these untapped future reserves, and thus the valuations are overpriced and imprecise. Many companies hold more reserves than is burnable within the entire global carbon budget. As of 2015, there are at least 2,795 billion tons of CO_2 reserves in the form of oil, coal, and natural gas. In order to meet our Paris Climate Agreement commitments and to follow IPCC recommendations[38] to offer a chance to remain below 2° of warming, the remaining carbon budget is 565 billion tons of CO_2. This means four fifths of existing reserves will become stranded assets. The budget to aim to 1.5 degrees would be smaller, closer to 495 billion tons of CO_2.[39] What we are seeing now is that many of these companies are holding – and are valued based on – unusable, stranded assets, and as such their shares will reflect this. Not only does this apply to carbon-heavy securities in the energy sector, but impacts from climate change, such as coastal flooding, could render much beachfront property as stranded assets as well, influencing real estate indexes and other securities.

Carbon Risk

"Divestment should be understood not only as a radical strategy advocated by activist groups but also as a way to mitigate risk".[40] Carbon-intensive assets, particularly coal and oil assets, represent a much higher risk to investment portfolios. Due to climate change, they are at physical risk, with natural disasters and intensified problems as seen with Covid-19, demand for oil and the ability to produce it is at risk. Increased frequency and intensity of natural disasters, such as the fires in Fort McMurray, Alberta, will indeed harm the normal functioning of many extractive companies and thus harm an investment portfolio, which includes their securities.

To address climate change, governments have set nationally determined contributions to reducing their greenhouse gas emissions and thus these plans pose both regulatory and transition risk. Transition towards lower-carbon energy systems both in Canada and across the world means reduced demand for oil, and thus a shift away from the profitability of oil companies and

[38] IPCC, 2018, https://www.ipcc.ch/sr15/chapter/spm/.
[39] https://carbontracker.org/carbon-budgets-where-are-we-now/.
[40] Weber & Kholodova, 2017, https://www.cigionline.org/publications/climate-change-and-canadian-financial-sector.

those in associated industries. The global pandemic's current effect on demand forecasts has certainly shown us a glimpse of what that will look like. This transition is likely to be reinforced by regulatory policies that require reduced emissions to meet international obligations, such as the Paris Agreement. Not only will there be an organic reduction in use of fossil fuels through the green energy transition, but regulation will further shift the field, increasing the likelihood of carbon reserves becoming stranded assets.

Not specifically tied to climate change, the oil industry, and thus investment in it, is quite risky for second reason. In a world where many countries are identified as petrostates and rely on production and sale of their oil assets for a significant portion of their GDP, the market (in terms of production volume and supply) is dictated by strategies of competing blocs, such as OPEC. As we have seen with the price war between Saudi Arabia and Russia in early 2020, it is a volatile market and not likely to become any less risk-laden in the long term.

Social Pressure

The social pressure from divestment groups such as 350.org pose another transition and social risk to UW's carbon-heavy securities. Trading volume trends can influence whether or not a security (or type of security) should be deemed a strong or poor investment. For several years now, divestment of carbon-heavy fossil fuel (typically coal producing and oil exploration companies) has been increasing. Notable divestments by educational institutions, governments, including a growing list of cities that includes Vancouver, New York, and Cape Town,[41] and other groups, have led to an approximate value of $14.5 trillion for institutional divestment, with individual investment reaching $5.2 billion.[42] Major investors, including the Norwegian Sovereign Wealth Fund, Black Rock, and the European Investment Bank, have all begun to follow suite, implementing plans to phase out fossil fuel investments. The more institutions join this trend, the larger a sell-signal. All the while, even without mass divestment there are

[41]Mayors of 12 Major Cities Commit to Divest From Fossil Fuel Companies, Invest in Green and Just Recovery from COVID-19 Crisis, 2020, https://bit.ly/3lW7l1T.
[42] What kinds of institutions are divesting? N.d. https://gofossilfree.org/divestment/commitments/.

increasing hurdles for the sector to pass, such as carbon footprint disclosure reporting and social movements advocating against new large-scale developments and expansion.

3. Moving to a Carbon Neutral Portfolio

The science on climate change is clear and convincing – and impacts are already being experienced. Not only do we face the material toll of climate change, globally, we are seeing a shift in economic practices as federal governments move to institute policy to bring themselves into compliance with their international obligations to meet the Paris Climate Agreement. Notwithstanding the ethical imperative, a diverse group of investors have begun to act on financial imperative. Spurred by changing norms, policy commitments and other government regulations, the growing unwillingness of the insurance sector to support investments subject to physical risk, new technologies becoming increasingly competitive, and the potential for cross-border tariffs and litigation that may be imposed on partners not abiding by their international climate commitments, partners have begun to divest their fossil fuel holdings. See, for example, the decision by Norway's largest pension fund to divest its holdings in four oil sands companies (two of which the University currently holds: Cenovus and Suncor).[43] As a result, company stocks begin to collapse, ultimately leading to assets becoming stranded.[44]

While the University of Waterloo still holds investments in over a dozen fossil fuel companies that are subject to growing climate risk, following its commitment to adhere to the UNPRI, the University has begun increasingly to recognize climate risk, witnessed by its adoption of new investment managers. *Fiera Capital* was engaged in 2019, while the newly implemented UWaterloo Managed Fund was initiated in early 2020. Both parties exclude energy companies from their holdings, meaning approximately one quarter of the University of Waterloo's equity funds are currently managed by firms with no energy exposure, demonstrating how the University is moving in the right direction.

[43] Healing, 2019, https://www.bnnbloomberg.ca/norwegian-fund-excludes-four-canadian-firms-as-it-backs-away-from-oil-sands-1.1327753.
[44] Nathwani, 2020, Divestment, Disclosures and Transition Risks https://www.balsillieschool.ca/coronavirus-climate-and-a-clean-energy-transition-is-resiliency-achievable/.

While we are grateful to see the University exploring fossil fuel-free investment options, we recognize that it is not only fossil fuel companies, and their associated infrastructure that are at risk from climate change. Investments in industries that might be exposed to physical risks, e.g. floods, fires, droughts, resource degradation are also exposed. These include transport, utilities, agriculture, real estate, and water assets, including aquaculture.[45] Note, this is not to say the University should divest from all these industries, rather that a holistic approach to divestment would include climate risk, associated with consideration of carbon-related stranding of assets.

We caution that the longer the transition takes the more the University stands to lose. As we move to carbon neutrality, we adopt the definition of this term in the context of carbon intensity, as explained by Hunt and Weber in their 2019 study, *Fossil fuel divestment strategies: Financial and carbon related consequences*: "Carbon intensity is a wide-spread method used in academic studies to evaluate carbon emissions compared with macroeconomic and financial indicators." It measures volume of carbon emissions per million dollars of revenue (carbon efficiency of a portfolio), expressed in tons CO_2e/$M revenue.

Portfolio Carbon Intensity:

$$\left(\frac{Constitutents' \ Carbon \ Emissions}{Constituents \ Sales}\right) * b$$

Where b = industry weight [46p.13]

(See the full article for a more detailed explanation.)

Hunt and Weber are two of many voices in their field who find that investment strategies that adopt "stricter divestment approaches, excluding more fossil fuel related stocks, have higher risk-adjusted returns and a lower carbon intensity than less strict approaches." [47p.22] As such, for ethical and financial reasons we urge the University of Waterloo to adopt a stepwise approach to

[45] See Preamble for references
[46] Hunt and Weber, 2018, Fossil fuel divestment strategies: Financial and carbon related consequences.
[47] Hunt and Weber, 2018, Fossil fuel divestment strategies: Financial and carbon related consequences.

achieve a carbon neutral portfolio with all possible expediency. This will reduce risk and take advantage of the reduced prices on alternative assets available at this current moment.

As such, we propose the following:

A Stepwise Approach for the University of Waterloo to Achieve Carbon Neutrality

1. Adopt Fossil Free Indexes.

The University has already achieved this step through its work with *Fiera Capital* and the UWaterloo Managed Fund.

Timeline:
December 2019: Complete.

2. Prove the Case by Divesting the Endowment Funds and Creating a Best in Class ESG and Divestment Policy.

2.1. The University of Waterloo divests its active investments in an endowment fund, for example, the Waterloo Environment Students Endowment Fund, according to the Carbon Underground 200 and "Tar Sands Companies" Equity Exposure lists,[48] and fossil fuel associated industries. (As of June 30, 2020, energy sector exposure in the active equity portfolio is 3.09% of all endowment funds, compared to 1.57% of the pension fund and 0.90% of the special purpose trust.) It is important to note that the Waterloo Environment Students Endowment Fund's Board of Directors voted to divest its funds in 2017, and would like to see this happen.

Timeline:

[48] To be created with reference to the Rainforest Action Network's Banking on Climate Change Report Fossil Fuel Finance Report. https://www.ran.org/bankingonclimatechange2020/

October 2021: The Board of Governors directs investment managers to move the WESEF Endowment Funds into the Fiera or Waterloo Managed Funds, as per the WESEF 2015 divestment vote.

2.2. UW creates a best in class ESG and Divestment Policy that systematically screens out the worst performers. This policy incorporates the Carbon Underground 200 list and "Tar Sands Companies" Equity Exposure, and fossil fuel associated industries.

a) Funds will use an exclusion list based on the Carbon Underground 200 and "Tar Sands Companies" Equity Exposure. Any company included on the Carbon Underground 200 and "Tar Sands Companies" Equity Exposure reports would be ineligible for the Fund.

b) The Carbon Underground 200 report identifies the top 100 public coal companies globally and the top 100 public oil and gas companies globally, ranked by the potential carbon emissions content of their reported reserves. The Carbon Underground 200 list is maintained by the independent third-party provider, Fossil Free Indexes LLC, and is revised quarterly.

c) Funds will also not invest in any issuers involved in exploring for, extracting, processing, and transportation of coal, oil or natural gas. A list of fossil fuel associated industries will be created with reference to the Rainforest Action Network's Banking on Climate Change Report.[49]

Timeline:
October 2022: The Board of Governors adopts a best in class ESG and Divestment Policy.

2.3. The University of Waterloo divests all endowment funds according to the ESG and Divestment Policy.

[49] Rainforest Action Network, 2020, Banking on Climate Change Fossil Fuel Finance Report. https://www.ran.org/bankingonclimatechange2020/

Timeline:
October 2022: The Board of Governors directs investment managers to divest all endowment funds.

2.4. Alumni Donations/Social Fund. Akin to a practice at UBC, UW offers alumni the opportunity to have their contributions placed in a fund that supports low carbon innovations to prove these portfolios are viable. Examples would include the DivestInvest movement, which asks those who have signed the pledge to divest fossil fuel holdings and re-invest five percent of their holdings in renewable energy investments.[50]

Timeline:
October 2022: The Board of Governors establishes Alumni Donations/Social Fund based on the ESG and Divestment Policy.

3. Full divestment according to the ESG and Divestment Policy.

The Board of Governors directs investment managers to divest all pension and trust funds according to best in class ESG and Divestment Policy

Timeline:
October 2023: The Board of Governors directs investment managers to divest all pension and trust funds according to best in class ESG and Divestment Policy.

4. Understand Stranded Asset Risk and Incorporate Stranded Asset Risk Measures Across the Portfolio.

The University of Waterloo begins to educate itself and its fund managers on the risk of stranded assets that exist beyond strict energy sector considerations. Here the University will consider exposure to physical risks, e.g. floods, fires, droughts, resource degradation,

[50] DivestInvest, 2019, https://www.divestinvest.org/.

and the various sectors subject to this vulnerability, such as: transport, agriculture, real estate, water assets, etc., and will shape a carbon neutral policy that addresses this exposure, which includes continuous monitoring for new exposures. The policy will also be informed by learnings from the Alumni Donations/Social Fund that will inform investments in low carbon innovations.

Timeline:
October 2024: The Board of Governors establishes a working group to create a best in class Carbon-Neutral Investment Policy.

5. Transition Toward a Carbon Neutral Portfolio.

The University moves to implement its Carbon-Neutral Investment Policy, divesting exposed holdings, and updating the policy and portfolio. This is an iterative process that will require regular revision as the global economy is restructured and the environment continues to change.

Timeline:
October 2025: The University of Waterloo advises its fund managers to implement the Carbon Neutral Investment Policy, which is revised at regular intervals given changing global economic and environmental conditions.

Appendix A: The University of British Columbia (UBC) Sustainable Future Pool

The University of British Columbia (UBC) Sustainable Future Pool

Statement of Investment Policies and Procedures

April 1, 2019

See attached document (or here: https://bog3.sites.olt.ubc.ca/files/2019/05/9_2019.06_Endowment-and-SFP-SIPP.pdf) for the University of British Columbia's policy that directs their Sustainable Future Pool. The document constitutes the Statement of Investment Policies and Procedures applicable to the assets that make up the Pool. The purpose of this Policy is to define the governance structure for the Pool, and formulate the principles, guidelines and monitoring procedures to manage the Pool's assets.

The Pool has two objectives:

1. (a) maximize the rate of return at an appropriate level of risk in order to:
    1. (i) honour the wishes of the donors of endowed funds;
    2. (ii) provide cash flows and capital appreciation that are sufficient to support the Pool's current spending objectives plus inflation and expenses; and
    3. (iii) preserve the capital and purchasing power of each endowment fund within the Pool in order to provide the same level of support in perpetuity; and
2. (b) incorporate non-financial objectives to materially lower CO_2 emissions, including the objective of reducing or excluding investments in companies that own fossil fuel reserves.

Appendix B: An Open Letter to the Boards and Administrators of Educational Institutions Across Canada

September 8, 2020
Divest Canada Coalition

An Open Letter to the Boards and Administrators of Educational Institutions Across Canada

We, the undersigned students, alumni, faculty, staff and members of the public, call on all the boards and administrators of educational institutions across Canada to take real leadership in the face of the climate crisis by fully divesting all investment funds (e.g. endowment funds) of their institutions from the fossil fuel industry and reinvesting in sustainable and just alternatives by 2025. For the past 8 years, students around the world have been calling on educational institutions to end their investments in the industry primarily responsible for driving the climate crisis. Unfortunately, Canadian educational institutions have responded with negligence and delay, claiming climate leadership while propagating half-measures and false solutions. For example, the *Investing To Address Climate Change Charter*, released and signed by numerous Canadian universities this summer, is not only inadequate, but pretends to address the climate crisis while deflecting responsibility from taking real action.

We call on Canadian educational institutions to comply with the following demands, in consultation with their local divestment groups:

1. **Divest from the past**: Commit immediately to fully divesting from companies involved in the extraction, processing and transportation of fossil fuels and ensure all funds are re-allocated by 2025. Initiate divestment campaigns from other harmful industries, including police foundations, private prisons, arms manufacturers, and any corporation that, through their operations, violate Indigenous peoples' right to free, prior, and informed consent, as outlined in the United Nations Declaration of the Rights of Indigenous Peoples.
2. **Reject false solutions**: Recognize that the incorporation of environmental, social, and governance factors (ESG), as well as the simple reduction of the "carbon intensity" of an institution's investment portfolio is an illegitimate alternative to full divestment. Educational institutions must supplement these insufficient responsible investing practices with full divestment from fossil fuel companies.
3. **Invest in the future**: Take meaningful leadership in the adoption of a Canadian Just Recovery by investing at least 5% of investment funds in community projects that advance racial, economic, environmental and social justice.

Educational institutions are supposed to prepare us for our futures. Instead, they are actively financing their destruction. By remaining invested in these industries, Canadian educational institutions are choosing to stand with corporations and their exploitative business models over the wellbeing of people and the planet. It is well beyond time for institutions in Canada to take real action on the climate crisis.

We acknowledge that a few universities have already started moving in this direction, with the Université Laval, Concordia University, University of British Columbia, and the University of

Guelph committing to full fossil fuel divestment. It's time for the rest of Canada's schools to follow their lead.

Divest From The Past

The climate crisis is wreaking havoc worldwide, exacerbating extreme weather events, poverty, food shortages, forced displacement, armed conflict, and other disasters worldwide. These impacts amplify existing inequalities, disproportionately hurting the most marginalized communities. The fossil fuel industry is the primary driver of the climate crisis, having knowingly destabilized the planet's ecological balance for decades. The fossil fuel industry is also one the biggest perpetrators of racial and colonial violence with a long history of forcing Indigenous peoples from their lands, polluting the air, land, and water of Indigenous, Black, and People of Colour (IBPOC), and financing the colonial police force.

In order to avoid irreversible climate catastrophe, we must keep at least 80% of known fossil fuel reserves in the ground. Instead of winding down production to a safe trajectory, fossil fuel firms are continuing to push for new pipelines, new mines, new drilling projects and exploration of new reserves. Global fossil fuel production is heading for 50% more than is consistent with 2°C of warming over pre-industrial levels and 120% more than 1.5°C by 2030, spelling disaster for our planet. Fossil fuel companies have spent the past five decades obstructing meaningful government action on climate change by pouring billions of dollars into misinformation campaigns and lobbying.

In less than a decade, 1,244 institutions have shown moral leadership in standing up to the biggest climate criminals by divesting over $14 trillion from fossil fuels. They've also made a prudent financial choice. Fossil fuel investments are fundamentally risky and overvalued. For one thing, these companies are valued on the assumption that they will extract and burn approximately five times more fossil fuels than the climate can handle. If we are to save our planet from catastrophic climate change, asset owners will have to write off $20 trillion in stranded assets. Ongoing structural risks to the fossil fuel sector include rising extraction costs, low and even at times negative oil prices, the competitiveness of alternative energy sources, litigation, public opposition, and the growing divestment movement. Due to the poor performance of fossil fuel companies, investments have incurred significant losses for years. BlackRock, the world's largest asset management firm, made the decision to divest from coal in 2019 after an estimated $90 billion loss from investment in fossil fuels. Portfolios that screen out fossil fuels, on the other hand, consistently perform equal to — if not better than — portfolios that do not. Trustees have a fiduciary duty to manage long-term risks of their endowments. Investing in fossil fuels is a direct violation of that duty and could result in trustees being held liable.

Globally, fossil fuel corporations constitute an enormously powerful, multi-trillion dollar industry. In order to transition towards a just and sustainable future, we will need to break the hold the fossil fuel industry has over our political, financial, educational, social and cultural institutions. We are looking to our educational institutions to harness their intellectual and moral authority to help remove social license from this industry. Full divestment by such institutions will send a clear, unapologetic signal to policymakers and broader society that the power of this industry must be reigned in.

Reject False Solutions

In June 2020, the University of Toronto and McGill University announced the *Investing to Address Climate Change* charter, signed by 13 other Canadian universities, in an attempt to signal action on climate change. The charter called on signatories to adopt frameworks of responsible investment by incorporating environmental, social, governance (ESG) factors into their investing practices and measuring the carbon intensity of investment portfolios with target reductions. These investing practices are misleading and flawed, being used by investors to allow for continued investment in some of the largest fossil fuel corporations. When it comes to ESG, ESG ratings are not standardized or regulated. Rating firms use different methodologies and metrics, leading to inconsistent and widely contradictory ratings. This allows firms to claim they are leaders in an ESG area while not adhering to consistent comparative standards. In some cases, a company's score is calculated relative to its global industry peer group, meaning that decent ratings can be given to a firm that simply performs better than the average of their peers — even if average standards are low.

"Low carbon" investing commitments are also misleading. Investment carbon footprinting methodologies only take into account direct emissions (scope 1 and 2), excluding the emissions of the product "downstream" (scope 3). For example, because approximately 99 percent of life-cycle emissions from coal occur during combustion, these emissions are excluded from a coal mining company's investment carbon footprint. Thus, fossil fuel extraction, transportation and refining companies may be considered "low carbon" by these carbon accounting methods. In 2016, when UBC initially proposed a "low carbon" fund, the fund was projected to include companies like Enbridge, Shell, ExxonMobil and Kinder Morgan. These companies are clearly not low carbon, for the reasons outlined in this letter. Any financial criteria that does not expunge these corporations from the institution's investment portfolio has fundamentally failed as a strategy to reduce greenhouse gas emissions. Furthermore, fossil fuel extraction and transportation companies are some of the leading culprits in land grabs and injustices against Indigenous communities. It is well documented that fossil fuel project 'man camps' are directly linked to the Missing and Murdered Indigenous Women and Girls epidemic. By continuing investment in these companies, educational institutions are directly financing genocide against Indigenous peoples and violence against women, girls, and 2-spirits.

There is no credibility to the argument that shareholder engagement with fossil fuel companies can compel these companies to transition to clean alternatives. Their very business model depends on exceeding the warming limit of 2°C. Renewable energy makes up only 1% of fossil fuel companies' capital expenditure, making it apparent that these corporations are not transitioning at the pace necessary to meet global climate targets. Divestment is the only reasonable responsible investment approach when it comes to these companies.

Invest in The Future

Our present moment is wrought with intersecting crises — a global climate emergency, a pandemic, ongoing racial and colonial violence, and an incoming global recession that will exacerbate existing economic and social inequalities. Across Canada, communities have been

calling on leaders and institutions to Build Back Better and embark on a Just Recovery as we collectively emerge from COVID-19. The federal government has responded to these calls with programs like CESB, CERB, and EI benefits, demonstrating that they are able to mobilize resources to the scale demanded by these crises. However, these income support measures are only a beginning, and have been insufficient in several regards (for example, with respect to people with disabilities and migrant workers). We call on our leaders and institutions at all levels to work together to move us towards a future that guarantees safety and security for all and centres justice, equity and Indigenous sovereignty.

By allocating investment capital into local community projects, such as clean energy, safe and affordable housing, sustainable local agriculture, community wealth operatives and worker-owned businesses, educational institutions can play a role in shifting our society from an extractive to a just and regenerative economy — one that works for all and sustains us for the future. In line with national calls to defund the police and abolish the prison-industrial complex, we have an opportunity to re-allocate wealth towards communities that have long been exploited, especially Black and Indigenous communities.

We call on our educational institutions to think about what type of future they are preparing us for. This is their opportunity to invest in a just and sustainable future for their students and to divest from an unjust and unsustainable status quo. It is not an exaggeration to say that the fate of humanity lies in how we collectively respond to this moment.

Signed,

Climate Action Carleton/ of Carleton University
Climate Justice Climatique uOttawa / of the University of Ottawa
Divest Dal / of Dalhousie University
Fossil Free Lakehead/ of Lakehead University
Divest McGill/ of McGill University
Climate Action of the University of Alberta/ of the University of Alberta
Climate Justice UBC (formerly UBCc350) / of the University of British Columbia
Fossil Free Guelph / of the University of Guelph
Divestment and Beyond, Leap U of T, The School of Environment / of the University of Toronto
Divest Sheridan/ of Sheridan College
SFU350/ of Simon Fraser University
UdeM Sans Pétrole/ of de Université de Montréal
Divest MTA/ of Mount Allison University
Students for Direct Action/ of the University of Calgary
UTS Sustainability and Environmental Action Committee / of the University of Toronto Schools
Divest UVic / of the University of Victoria
Fossil Free UWaterloo/ of the University of Waterloo
Divest UWinnipeg / of the University of Winnipeg
Climate Crisis Coalition/ of Western University

Appendix C: Fossil Free UWaterloo Petition and Signatory List

University of Waterloo - divest fossil fuels and invest in a greener future

https://www.change.org/p/university-of-waterloo-divest-from-fossil-fuels-and-invest-in-a-greener-future

Did you know that the University of Waterloo is currently investing our money in fossil fuel companies that are contributing to the climate emergency?

Every year when students pay tuition, we contribute to endowment funds. The University then invests these funds in fossil fuel companies. Based on a partial disclosure of information from the UW Administration on September 30, 2019, we know that **at least $61 million of the university's investments are in the energy sector, which incorporates fossil fuel companies, pipeline companies, and companies that are indirectly involved in the fossil fuel sector development. These investments include $20.3 million from the student endowment fund!**[1]

These investments are happening at a time when the effects of global climate crisis are clearly visible - sea ice is disappearing, fires are raging, ocean levels are rising, and droughts and heat waves are longer and more intense.[2] Climate change is having devastating effects on our environment – and on us! Around the world already nearly 1,000 children are now dying every day because of climate change, and the annual death toll stands at 400,000 people worldwide.[3]

Often we feel like there is little we can do as individuals to contribute to a solution – but this is an easy opportunity for us to act! Sign our petition urging the University of Waterloo to divest fossil fuel holdings!

The great thing about the divestment movement is that it is an action that allows all of us to win. It makes environmental and ethical sense to divest (take our money out of fossil fuel companies) – and with our economy transitioning it also makes financial sense. We see the landscape shift daily, with the recent announcements by BlackRock, the European Investment Bank, and the University of California demonstrating how they are moving away from fossil fuels.

On paper, the University of Waterloo has committed to including environmental, social and governance principles in its investing practices, **yet $61 million is still invested in companies that are destroying our planet and devastating our future.** These investments continue even though we know they are losing us money. From 2011 to 2015 the University of Waterloo realized losses of upward of 14% on fossil fuel investments made in pension, endowment and trust funds, totalling at least $20 million, by investing in fossil fuels as compared to investing in low carbon options.[4] As Dordi notes, "Some may argue that the University should maintain its fossil fuel investments lest it lose out. However, the opposite concern – that keeping these investments is financially risky – may be the greater concern."

Corporate Knight's decarbonizer tool finds trillions in lost opportunity, perhaps most notably the Bill and Melinda Gates Foundation, which after rejecting calls to divest from fossil fuels, lost $1.9 billion between 2012 and 2015.[5] Yet, our funds continue to be invested in companies like Imperial Oil and Suncor.[1] With these choices, we will continue to lose as the market continues

to shift, while universities that have divested and reinvested wisely are seeing the benefit, like Syracuse, which has seen its funds gain by 12%.[6]

As University of Waterloo's students, staff, faculty and alumni we urge the University of Waterloo to divest our endowment fund from fossil fuel industry holdings, and invest in greener options.

As of March 2020, funds valued at over $14 trillion have committed to selling off fossil fuel assets – ranging from the world's biggest sovereign wealth fund to other universities.[7] At home, the University of British Columbia, Laval, Concordia and UQAM are leaders choosing to take action. Canada's most innovative university should not be left behind. Ethically, socially and environmentally, it is not responsible to keep our money in fossil fuel producing companies. It doesn't make good economic sense either. For our personal, economic and climate futures we need UW to make better choices!

University of Waterloo, we call on you to continue to be innovative, to show global leadership in this energy transition – and to make this choice with integrity. Choose greener options for all our futures!

How we invest our money reflects our values. UW has committed to promoting integrity as a core value of our campus community. Our university must make decisions that reflect our values and priorities – to be in *Concordia cum veritate*, "In Harmony with Truth". Climate change is a truth that cannot be denied – and that requires immediate action.

The University of Waterloo signed on to be one of one the Ontario Universities Committed to a Greener World; we call on the Board of Governors live up to commitment, with the objective of transforming our school into a model of environmental responsibility.[8] By changing the way our money is invested, we can change climate future! It is time for the University of Waterloo to bring our practice in the world in line with what we learn in the classroom.

Join us in this call – sign this petition asking UW to remove our money currently invested in fossil fuel companies and make cleaner, healthier and more environmentally and socially responsible investment decisions!

Signatory List

1684 Signatures, as of October 16, 2020

[1] University of Waterloo, 2019, http://mathnews.uwaterloo.ca/wp-content/uploads/2020/02/Energy-Exposure-Report-as-at-Q3.pdf
[2] NASA. (2017). The consequences of climate change: https://climate.nasa.gov/effects/
[3] DARA. (2017). Climate Vulnerability Monitor: http://daraint.org/wp-content/uploads/2012/09/CVM2ndEd-FrontMatter.pdf
[4] Dordi, 2017, https://fossilfreeuw.ca/uw-investments/uw-potential-losses/
[5] Carrington, 2015, https://www.theguardian.com/environment/2015/nov/16/gates-foundation-divested-fossil-fuels-would-be-19bn-better-off
[6] Divestment from fossil fuels has not caused Syracuse University's endowment to suffer, official says. (Sept 26, 2017): http://dailyorange.com/2017/09/divestment-fossil-fuels-not-caused-syracuse-universitys-endowment-suffer-official-says/
[7] Fossil Free. (n.d.) Divestment Commitments: https://gofossilfree.org/commitments/
[8] Council of Ontario Universities (2009): http://cou.on.ca/about/more/commitment-to-sustainability/

This petition is brought to you by Fossil Free UW https://fossilfreeuw.ca/ – a group of concerned students, staff and faculty from across the campus.

In solidarity with the 68 University of Waterloo faculty who wrote to President Hamdullahpur and Members of the Board on February 1st, 2016, Fossil Free UWaterloo is working to ensure that the President and Board assess the financial risks posed by climate change to the University of Waterloo's endowment and pension plans, commit to no new investment in fossil fuels, and develop a strategy to divest the university from holdings in the fossil fuel industry. We call on them to ensure that these funds are divested completely in the next five years.