

**Proposal by Fossil Free Macalester to the Social
Responsibility Committee to end Macalester College's Oil
and Gas Private Partnership Investments**

27 November 2017

Executive Summary

College and university students have long been leaders in divestment and protest movements. Moreover, colleges and universities have played a powerful role in the fossil fuel divestment movement, starting with Swarthmore's campaign against the funding of mountaintop removal mining in 2010. Macalester, like Swarthmore, is a highly regarded educational institution, which grants the school social capital. Accordingly, Macalester's actions have the ability to influence the actions of other institutions and the community around us.

In Spring 2015, Fossil Free Mac asked the college to fully divest our endowment from the fossil fuel industry, but the proposal was rejected due to financial concerns. In the 2015-2016 academic year, our request for a study reviewing the financial feasibility of divestment was also rejected. During the Fall 2016 semester, Fossil Free Mac met with Gary Martin, Macalester's Chief Investment Officer, and David Wheaton, Vice President of Administration and Finance, about the details of Macalester's endowment investments. The meeting revealed that Macalester's investments include \$40 million in private oil and gas partnerships, which largely fund pipeline and refinery projects. Facing this feedback from the Social Responsibility Committee and Board of Trustee members, but armed with the new knowledge of these private partnerships, Fossil Free Mac shifted its ask. Thus, we urge Macalester to place a moratorium on new direct oil and gas private partnerships and commit to allowing existing partnerships to expire without renewal.

Macalester has a duty to take action against climate change now. As the United States federal government denies climate change and actively supports fossil fuel production, Macalester must lift its share of the burden left behind by government inaction. We must use our social capital to stigmatize the fossil fuel industry and show the world that our "We Are Still In" pledge to uphold the Paris Climate Agreement constitutes more than just words. Furthermore, divestment from private oil and gas partnerships would signal that Macalester stands in solidarity with our Native neighbors in Minnesota whose sacred lands and waters are facing threats of pollution from the proposed Enbridge Line 3 pipeline. Considering the political moment in the United States and the environmental injustices in our backyard, there is no better time for Macalester to be a leader in combatting climate change, both globally and locally.

Even though the direct effects of climate change are not felt by many affluent people within the United States, many impoverished communities and developed countries face consequences every day. According to data from NASA, 2016 was the warmest year on record resulting in detrimental implications for the Earth's environment and its inhabitants. Despite this fact, fossil fuel companies continue to profit from extracting fossil fuels and the exploitation of

people who are already feeling the consequences of climate change. Some of these atrocities include destroying indigenous culture by forcing Native Americans off of their land, polluting water sources from defective infrastructures, and indirectly causes food shortages and droughts by continuing to intensify the effects of climate change. This industry has been the main driver of climate change and has perpetrated injustices at an unimaginable scale. Thus, Macalester must place a moratorium on investments in fossil fuel companies as a moral imperative.

Through a moratorium on private oil and gas partnerships, Macalester can make a meaningful commitment to combating climate change and its effects on vulnerable populations around the world. Service to society, internationalism, and multiculturalism are considered key pillars of Macalester--foundations that inform our conversations, our work, and our visions for the college. An institutional message conveyed through our investment strategies has more power than any of our individual voices. Although a moratorium on fossil fuel investments may not impose a significant economic pressure on the industry, the action creates social pressure by vilifying the industry and encouraging other similar institutions to do the same.

Fossil Free Mac acknowledges the crucial role of the college endowment. Furthermore, we trust that all investment decisions have been made with the best intentions for the college. We do not wish to jeopardize the financial standing of the institution and believe our proposal gives the college an opportunity to increase social responsibility without affecting endowment performance. As socially responsible investing (SRI) becomes more mainstream, Macalester has more access to SRI investments that fit the college's needs. Our proposal to place a moratorium on private oil and gas partnerships represents an action in line with maintaining endowment returns and will not be disruptive because these partnerships are already set to expire. Failure to retire direct investments in oil and gas will leave the endowment overexposed to the decline of an industry increasingly threatened by disruption from the growing clean energy sector.

As individuals and as a community, we strive to act in accordance with our values. We admire people and institutions whose actions echo their words. Macalester has demonstrated a commitment to its values through Zero Waste initiatives, student activism, and its pledge to uphold the Paris Climate Agreement. Placing a moratorium on new oil and gas partnerships and allowing existing partnerships to expire without renewal further underscores the importance of Macalester's values of service to society, internationalism, and multiculturalism. The action sends a message that we no longer condone the exploitative actions of fossil fuel companies. Instead, we stand in support of our students, staff, and faculty who have already experienced the devastating effects of climate change.

Divestment Movement Background

Divestment is defined as the withdrawal of an institution's investments from companies with business practices that are unethical, harmful, or violate the institution's established values.¹ The strategy relies on investing institutions re-examining their values and how their investments reflect or contradict them. Divestment campaigns question the morality of gaining profits from reprehensible institutions like the apartheid government of South Africa, tobacco companies, or in this case, the fossil fuel industry. The protest strategy operates on the assumption that the collective action of moving money away from these institutions will serve as a sharp rebuke of their actions. In the 1980s, over 100 colleges and universities and dozens of state and city governments closed their accounts at banks and divested from companies doing business in South Africa, helping to dismantle the apartheid system.² Ultimately, the capital loss from divestment may not bankrupt a morally objectionable institution, but the public stigma will delegitimize it and will create political pressure for the institution to change its behavior.

Building on the success of past divestment movements, climate activists looked to apply the same political and financial pressure to fossil fuel companies. In 2012, Bill McKibben's 350.org launched the campaign to divest from fossil fuels. The group's goal was to organize all institutions that serve the public good, from educational and religious establishments to government and civic organizations, to divest from fossil fuels. Many of these divestment campaigns center around three main goals: immediately freezing any new investment in fossil fuel companies, divesting from direct ownership and any commingled funds that include fossil fuel public equities and corporate bonds within 5 years, and ending their fossil fuel sponsorships. While full divestment requires the realization of all three of these goals, an institution can begin the process of divesting by tackling direct investments. The rapidly growing fossil fuel divestment movement has been gaining support for more than five years, and hundreds of institutions have already taken action.

Colleges and universities play a powerful role in the fossil fuel divestment movement. Historically, college and university students have been on the forefront of divestment and protest movements, advocating for anti-apartheid divestment in the 1960s. Swarthmore College spearheaded a divestment campaign in 2010, before 350.org was created. Since then, over 800 institutions, including faith-based organizations, governments, and universities across the world, have divested. The total value of institutions that have committed to divesting is now over \$5.57 trillion³. Pitzer College (endowment of \$125 million) is one example. The college divested virtually all its endowment investments in fossil fuel stocks on December 31, 2014. The college's president, Donald Gould, was convinced by student action, noting that divestment is

¹ Howard, E. (2015, June 23). A beginner's guide to fossil fuel divestment. Retrieved November 21, 2017, from <https://www.theguardian.com/environment/2015/jun/23/a-beginners-guide-to-fossil-fuel-divestment>

² Telemacque, P. (2015, April 27). Divestment can work with fossil fuels – just like it worked with apartheid | Piers Telemacque. Retrieved November 21, 2017, from <https://www.theguardian.com/commentisfree/2015/apr/27/divestment-fossil-fuels-apartheid-barclays>

³ Divestment Commitments. (n.d.). Retrieved November 21, 2017, from <https://gofossilfree.org/divestment/commitments/>

“only secondarily an investment issue. It’s really a climate issue.”⁴ Colleges and universities around the world have taken action by divesting from fossil fuel companies in recognition of the current climate crisis and the role their investments play in perpetuating it.

Divestment has also been embraced by other institutions and governments. Neighboring governments in Minneapolis, MN and Dane County, WI, as well as prominent and influential institutions like the London School of Economics and the Rockefeller Brothers Fund have all divested in some manner.⁵ For context, the Rockefeller Brothers Fund has an endowment of \$900 million, similar to Macalester’s endowment of \$748 million.^{6,7} The variety of institutions committed to divestment, from Catholic churches to city governments and philanthropic organizations, give the movement credence. Divestment is not only the dream of radical kids at colleges, but a viable means for institutions to express their disgust with the exploitative practices of the fossil fuel industry.

Divestment represents a powerful statement against climate injustice that has been made by a variety of institutions around the world. The history of divestment movements against tobacco companies and the apartheid government of South Africa provides context for the current fossil fuel divestment movement. As with other protest movements, students remain at the center of fossil fuel divestment, but other institutions have taken a stand against the exploitation of people and the environment by fossil fuel companies through divestment.

Fossil Free Mac presented evidence to the Social Responsibility Committee in February of 2015 as to why Macalester should divest our endowment investments from the top 200 fossil fuel companies (also known as The Carbon Underground 200).⁸ Although full divestment remains one of our goals, our current ask for the college has shifted. We want Macalester to place a moratorium on the direct investments we have in private oil and gas companies, totaling almost \$40 million, with a commitment to creating more socially responsible investments in the future.

How this proposal is different

A meeting during the Fall 2016 semester with Gary Martin, Macalester’s Chief Investment Officer, and David Wheaton, Vice President of Administration and Finance, revealed that Macalester’s investments included \$40 million in private oil and gas partnerships.⁹

⁴ Morrison, P. (2014, October 21). Why Pitzer College decided to quit carbon. Retrieved November 21, 2017, from <http://www.latimes.com/nation/la-oe-morrison-gould-20141021-column.html>

⁵ Divestment Statement. (2017, October 23). Retrieved November 21, 2017, from <https://www.rbf.org/about/divestment>

⁶ Endowment Summary. (2017, November 01). *Rockefeller Brothers Fund*. Retrieved November 21, 2017, from <https://www.rbf.org/about/endowment-summary>

⁷ Our Endowment. (n.d.). *Macalester College*. Retrieved November 21, 2017, from <https://www.macalester.edu/supportmac/endowment/>

⁸ The Carbon Underground 200 - 2017 Edition. (n.d.). *Fossil Free Indexes LLC*. Retrieved November 21, 2017, from <http://fossilfreeindexes.com/research/the-carbon-underground/>

⁹ Martin, G., & Wheaton, D. (2016, November). Endowment Spending and Portfolio Construction 101 [Personal interview].

According to Gary Martin, “private partnerships make up 50% of the college’s investments in the oil and gas industry, and the other half are in more liquid pipeline investments.” Upon learning about these private partnerships, Fossil Free Mac has spent the last year building momentum to end them.

Macalester Endowment								
Asset Values as of September 30, 2016								
(\$ in Millions)	Public		Public (Illiquid)		Private (Illiquid)		Total	
	Assets	% of Total	Assets	% of Total	Assets	% of Total	Assets	% of Total
Global Equities	\$ 206	29%	\$ 96	13%	\$ -	0%	\$ 302	42%
Hedge Funds	-	0%	63	9%	-	0%	63	9%
Private Equity	-	0%	-	0%	83	12%	83	12%
Economic Growth	206	29%	159	22%	83	12%	448	62%
Real Estate	36	5%	-	0%	16	2%	51	7%
Energy	39	5%	-	0%	40	6%	79	11%
Timber	-	0%	-	0%	9	1%	9	1%
Real Assets	75	10%	-	0%	64	9%	139	19%
Treasuries	100	14%	-	0%	-	0%	100	14%
Sub-total	380	53%	159	22%	147	21%	686	96%
Holl Trust	30	4%	-	0%	-	0%	30	4%
Total Endowment	\$ 410	57%	\$ 159	22%	\$ 147	21%	\$ 716	100%

Endowment Spending and Portfolio Presentation, Oil and Gas Private Partnerships highlighted¹⁰

These private oil and gas partnerships are distinct from other types of investments, such as the mutual fund investments, previous focus of Fossil Free Mac. Private partnerships are illiquid, meaning investors cannot terminate the partnership until the terms of the contract end without incurring penalty fees. A partnership can last 5-10 years, with investors receiving cash distributions throughout the duration of the partnership, plus an additional return on these investments. Investors also receive tax benefits on the money they earn, which are a powerful incentive for staying in the partnerships. These oil and gas limited partnerships are usually formed to acquire, develop, drill and operate oil and gas wells.¹¹ Thus, Macalester’s investments are likely funding the expansion and maintenance of oil and gas infrastructure. The private

¹⁰ *Endowment Spending and Portfolio Presentation*. (2016). Macalester College
<https://docs.google.com/presentation/d/15CgWSZpAUA6xn8nb2IEa9IkxGXxf33MJNZYI5ZJYf0/edit?usp=sharing>

¹¹ Cussen, M. P. (2016, March 31). *Investopedia*. Oil: A Big Investment With Big Tax Breaks. Retrieved November 21, 2017, from <https://www.investopedia.com/articles/07/oil-tax-break.asp>

nature of these investments means that students, faculty, staff, and the community cannot know which projects the school has funded or is currently supporting.

Although Fossil Free Mac still supports the premise of full divestment, after our meeting with Gary Martin and David Wheaton, the student organization has shifted our ask to focus more specifically on ending Macalester's oil and gas private partnerships. This proposal asks Macalester's investment committee to place a moratorium on the private oil and gas partnerships in which the college is invested. The action involves a series of logistical steps. First, the school should commit to ending our current partnerships by allowing these contracts to expire without renewal. Second, Macalester should not make any new investments in private oil and gas partnerships. Finally, the school should look to reinvest the available funds in more sustainable ways, though we leave the specifics of that decision up to the investment committee's expertise.

Based on past feedback from the Board of Trustees and Social Responsibility Committee, Fossil Free Mac aimed to narrow the scope of our ask to make divestment more manageable. We believe that placing a moratorium on private oil and gas partnerships is more logistically feasible for the college than previous asks for full divestment. Most of Macalester's endowment is tied up in mutual funds, and these mutual funds would complicate the process of divesting from particular companies. In a private partnership, however, Macalester directly invests in a company for a pre-specified amount of time. The contractual nature of the college's relationship with these oil and gas companies means ending the partnerships will be a gradual process. The private partnerships will not all expire at once, allowing the college to make more sustainable decisions about the money that becomes available in a reasonable time frame. Lastly, ending the association with private oil and gas companies will not seriously threaten the diversity of the college's investments because this moratorium would not affect Macalester's vast holdings in mutual funds. Overall, placing a moratorium on the college's investments in private oil and gas partnerships will be a manageable step toward a socially responsible investment portfolio.

Last semester, Macalester College Student Government passed a resolution in support of our proposal to place a moratorium on private oil and gas partnerships (Appendix 1). They recognized the action as a first step in aligning the college's investments with its professed values of sustainability, internationalism, multiculturalism, and service to society.

Fossil Free Mac proposes that the school place a moratorium on the private partnerships that fund construction of oil and gas infrastructure and implicate Macalester in the exploitation of people and the environment. We maintain that the moratorium represents both a moral and financial imperative for the school. In light of these crucial factors, the Investment Office should study the potential impacts of the ending the private partnerships to allow the Board to make an informed decision.

Why action for climate change matters now

Both from the perspective of combating global climate change and from an environmental justice perspective, Macalester today is more obligated than ever to view its investments through a socially responsible lens. Climate change is already affecting people from Houston to San Juan to Vanuatu, and the extreme weather and sea level rise caused by climate change will only continue to wreak havoc on vulnerable communities around the world, unless we act now.¹²

The fact that the current U.S. presidential administration ignores the realities of climate change, has pulled out of the Paris Climate Agreement, and actively advocates for the interests of fossil fuel companies only makes institutions like Macalester even more important players in climate change action.¹³ Over the past several months, the nation has often looked to the private sector and local levels of government to pick up the slack for our climate-denying federal government; over a thousand mayors, businesses, investors, and academic institutions, including Macalester, stepped up to sign the “We Are Still In” pledge to uphold the values of the Paris Climate Agreement.^{14,15}

President Brian Rosenberg told Fossil Free Mac in Spring 2017 that “climate change is the issue of our time, the crisis of our time.” Agreeing to the “We Are Still In” pledge does not force Macalester to change any of its current behavior--signing onto the pledge is not enough. Therefore, especially in the absence of federal government leadership (or any action at all), Macalester must make sure we are doing our fair share to combat climate change. As a respected institution of higher education, Macalester can use its social capital to stigmatize the fossil fuel industry by ceasing to directly fund the pipelines and refineries that facilitate climate chaos.

Beyond the need for climate leadership, divorcing Macalester’s endowment from fossil fuel infrastructure is important today in light of the recent struggles in Minnesota, and across the country, over pipeline construction. The proposed route of Enbridge’s Line 3 replacement pipeline has sparked protest, as it cuts through Native American treaty territory, including places

¹² Global Climate Change: Effects. (2017, August 03). *National Aeronautics and Space Administration*. Retrieved November 21, 2017, from <https://climate.nasa.gov/effects/>

¹³ Plumer, L. F. (2017, November 13). Protesters Jeer as Trump Team Promotes Coal at U.N. Climate Talks. *The New York Times*. Retrieved November 21, 2017, from <https://www.nytimes.com/2017/11/13/climate/climate-coal-united-nations-bonn.html>

¹⁴ U.S. Companies Are Setting Climate Change Policies Despite Trump. (2017, October). *Fortune*. Retrieved November 21, 2017, from <http://fortune.com/2017/10/23/trump-climate-change-us-companies/>

¹⁵ Sampathkumar, M. (2017, June 05). Paris Agreement: Over a thousand US CEOs and mayors say they will continue to fight climate change despite Trump. *The Independent*. Retrieved November 21, 2017, from <http://www.independent.co.uk/news/world/americas/us-politics/paris-agreement-trump-climate-change-ceos-mayors-support-despite-decision-pact-we-are-still-in-a7774511.html>

where native peoples have fished, hunted, and harvested wild rice for thousands of years. Even after ceding lands to the United States, native peoples have maintained those usufructuary rights, but the proposed Enbridge pipeline threatens the cultural connection that Native Americans have to their land.¹⁶ With a reported nearly 3,400 acres of sacred wild rice lakes within 10 miles downstream of Enbridge's proposed route, harvesters say that even a small oil spill poses a great risk to the already-fragile wild rice beds.¹⁷ Meanwhile, Enbridge pipelines have failed over 800 times since 2000, releasing hundreds of thousands of gallons of oil into major waterways, according to a Polaris Institute.¹⁸ Most recently, in November 2017, the Keystone pipeline in South Dakota released 210,000 gallons of oil.¹⁹ Macalester funds the construction of pipelines and refineries while espousing values of multiculturalism and service to society. This financial support for such an exploitative industry seems deeply hypocritical in a time when Native people are actively engaged in an effort to defend their sacred lands.

While most of Macalester is generally privileged enough to avoid the first wave of climate change consequences and the downsides of fossil fuel extraction, there are people suffering now in the face of rising sea levels, increasing temperatures, and oil spills. They do not have the privilege of waiting to respond. In an ideal world, the US government would commit to action proportional to our enormous contributions to climate change; however, the current federal climate policy represents multiple steps backwards. Fortunately, institutions like Macalester exist with the means to respond more forcefully. We must take more tangible action against climate change by putting a moratorium on private oil and gas partnerships.

Moral Imperative

In addition to timeliness, a broader moral imperative for divestment exists. This section will discuss the ways in which fossil fuel companies are implicated in climate change and remain at fault for its adverse effects on people around the world, especially marginalized communities. We will describe some of these catastrophic effects on communities in various parts of the world that necessitate action. Then, we will explain the moral imperative for Macalester in terms of unifying our investments with our stated values.

To begin, we want to establish that climate change is real and happening right now with a variety of devastating effects that make action necessary. The Earth has warmed significantly as

¹⁶ Newhouse, M. R. (2000). Recognizing and Preserving Native American Treaty Usufructs in the Supreme Court: the Mille Lacs Case. *Public Land and Resources Law Review*, 21, 169-200. Retrieved November 21, 2017, from <http://scholarship.law.umt.edu/cgi/viewcontent.cgi?article=1149&context=plrlr>

¹⁷ Wild Rice Waters: a Big Reason Indian Tribes Oppose Enbridge Pipeline Project. (2017, September 30). *The Star Tribune*. Retrieved November 21, 2017, from <http://www.startribune.com/wild-rice-waters-a-big-reason-indian-tribes-oppose-enbridge-pipeline-project/448755803/>

¹⁸ Corporate Profile of Enbridge. (2012, May 04). Retrieved November 21, 2017, from http://www.polarisinstitute.org/enbridge_profile

¹⁹ Keystone pipeline leaks 210K gallons of oil in South Dakota (2017, November 16). *MPR News*. Retrieved November 21, 2017, from https://www.mprnews.org/story/2017/11/16/keystone-pipeline-leaks-210k-gallons-of-oil-in-south-dakota?utm_campaign=MPR%20News%20-%20AM%20Edition%20-%20No%20Social&utm_medium=email&utm_source=sfmc_&utm_content=

a result of the rise in greenhouse gas emissions, such as carbon dioxide. According to climate data from NASA, 2016 represents the warmest year on record, as a result of a global pattern of warming temperatures.²⁰ The UN World Meteorological Organization reported a carbon dioxide concentration of about 400 ppm in 2016, which is 45% higher than pre-industrial levels and surpasses natural levels of variation seen in previous periods of warming.²¹ Moreover, projections reflect that about 37 billion metric tons of carbon dioxide will be emitted from burning fossil fuels in 2017.²² The consequences of temperature rise include rising sea levels, melting ice caps, ocean acidification, and a reduction in biodiversity. The extreme weather events of Hurricanes Harvey and Maria are only recent examples of the destructive capacity of climate change. Climate change has become a reality that needs to be addressed.

The fossil fuel industry has actively perpetuated climate change. The combustion of fossil fuels releases greenhouse gases responsible for the warming of the planet, and fossil fuel companies have been aware of this fact for decades. Internal documents from ExxonMobil reflect that the company knew about the severity of climate change in 1978, saying, “man has a time window of 5-10 years before the need for hard decisions regarding changes in energy strategies might become critical”.²³ Despite knowing the impacts of the combustion of fossil fuels on the climate, companies launched a massive misinformation campaign to deceive the people and buy out the government. First, they misled the public, promising that climate change was not a threat to humans and encouraging energy consumption. Then, they consolidated power in the government, pouring billions of dollars into the political campaigns of politicians ready to declare climate change a fallacy.²⁴

In 2001, President George Bush decided not to sign the Kyoto global warming treaty as a result of pressure from ExxonMobil, demonstrating the power of corporate lobbying. Internal documents reveal that the Secretary of State, Paula Dobriansky, acknowledged that ExxonMobil executives maintained “active involvement” in determining climate change policy to ensure that the government would pass policies that the company supported.²⁵ Private oil companies should not control our politicians. However, fossil fuel companies and their allies, like the Koch

²⁰ 2016 Climate Trends Continue to Break Records (2016, July 19). *NASA*. Retrieved November 21, 2017, from <https://www.nasa.gov/feature/goddard/2016/climate-trends-continue-to-break-records>

²¹ Carbon dioxide levels grew at record pace in 2016, UN says (2017, October 30). *Times of India*. Retrieved November 21, 2017, from <https://timesofindia.indiatimes.com/home/environment/global-warming/carbon-dioxide-levels-grew-at-record-pace-in-2016-un-says/articleshow/61339924.cms>

²² Fossil fuel burning set to hit record high in 2017, scientists warn (2017, November 13). *Edie.net*. Retrieved November 21, 2017, from <https://www.edie.net/news/6/Fossil-fuel-burning-set-to-hit-record-high-in-2017--scientists-warn/>

²³ Hall, S. (2015, October 26). Exxon Knew about Climate Change Almost 40 Years Ago. *Scientific American*. Retrieved November 26, 2017, from <https://www.scientificamerican.com/article/exxon-knew-about-climate-change-almost-40-years-ago/>

²⁴ *Ibid.*

²⁵ Vidal, J. (2005, June 8) Revealed: how oil giant influenced Bush. *The Guardian*. Retrieved November 21, 2017, from <https://www.theguardian.com/news/2005/jun/08/usnews.climatechange>

Brothers, ensure the passage of policies to support the fossil fuel industry. Some of the main strategies include incentives and subsidies that reduce the cost of fossil fuel extraction and externalize the costs back to the public in the form of health problems and environmental degradation. The deliberate misinformation propagated by the fossil fuel industry and their cronies, the combustion of fossil fuels has led to an increase in global temperatures.

The impact of fossil fuel extraction on marginalized communities represents another moral imperative to divest. The Dakota Access Pipeline is an ongoing example of the oppression implicit in the actions of fossil fuel billionaires. In 2014, U.S. Fortune 500 natural gas and propane company, Energy Transfer Partners, began planning for the construction of an oil pipeline near the Meskwaki Settlement as well as the Standing Rock and Cheyenne Sioux reservations. Tribal residents and other protesters objected to the project at the inception of the proposal. Energy Transfer Partners, with the help of the federal government, ignored the rights of the Meskwaki and Standing Rock and Cheyenne Sioux tribes to their land and to clean, safe water, while using violence to suppress their voices. High-pressure water hoses were used against water protectors even in subfreezing temperatures, causing many to experience hypothermia and physical injuries. Tear gas, concussion grenades, and guard dogs were also among the tactics used to intimidate, and in many instances harm, protesters.²⁶ The Constitution of the United States guarantees individuals the right to free speech and peaceful demonstrations. However, Energy Transfer Partners was aided by the federal government to disregard the fundamental rights of the tribal communities and threaten their livelihoods. The injustice at the center of the Dakota Access Pipeline is just one of many cases where fossil fuel companies externalize the cost of oil and gas production while privatizing the benefits. The example presents a strong moral case for divestment.

Fossil fuel billionaires are largely to blame for our climate problems, but they rarely suffer the consequences. Instead, they profit from the exploitation of people and the environment. Investment in the very industry responsible for climate change is morally reprehensible as it all too often comes at the expense of indigenous sovereignty, clean water, and economic equality for marginalized communities. For well-respected institutions like colleges and universities to benefit financially from the fossil fuel industry condones fossil fuels companies' disregard for human rights and the common good.

Macalester prides itself on being an institution with strong values. Our official mission includes an emphasis on internationalism, multiculturalism, and service to society. Macalester supports these ideals through the Department of Multicultural Life, the Institute of Global

²⁶ Stelloh, T. (2016, November 21). Dakota Pipeline: Protesters Soaked with Water in Freezing Temperature. *NBC News*. Retrieved from November 21, 2017, from <https://www.nbcnews.com/storyline/dakota-pipeline-protests/dakota-pipeline-protesters-authorities-clash-temperatures-drop-n686581>

Citizenship, and the Civic Engagement Center. Furthermore, many student organizations support these ideals through their activism on social justice and environmental issues. At the same time, the school has invested in an industry that directly harms the families and communities of the students. Placing a moratorium on our oil and gas partnerships represents a direct, actionable step towards fulfilling Macalester's commitment to our values.

First, ending the relationship with these fossil fuel companies represents a service to society by not funding corporations that exploit the earth and its people. As mentioned with regard to the Dakota Access Pipeline struggle, fossil fuel companies have notoriously disregarded the rights of indigenous people and other marginalized communities as they continue to pollute waters and soils. We see the same disrespect and injustice in the Line 3 Pipeline struggle happening right here in Minnesota. Divesting from the kinds of companies that build these pipelines allows Macalester to serve the community, both near and far, by rejecting the exploitative values they espouse.

Climate justice is central to the mission of Fossil Free Mac and falls in line with Macalester's mission to promote multiculturalism. Noting the unequal burden that climate change places on marginalized communities, funding oil and gas infrastructure condones the oppression of people. Dr. Robert Bullard, known as the father of environmental justice, remarks that "Whether by conscious design or institutional neglect, communities of color in urban ghettos, in rural 'poverty pockets,' or on economically impoverished Native-American reservations face some of the worst environmental devastation in the nation".²⁷ Although Macalester alone cannot change the systemic neglect that causes these communities to be disproportionately affected by climate change, it can positively influence the lives of these communities by divesting from fossil fuel infrastructure that directly harms them.

To demonstrate the school's commitment to the value of internationalism, Macalester must continue our support for people around the world and stand with them in the fight against climate change. Eighty-eight countries are represented in Macalester's student body, which is composed of 25% international students. The impacts of climate change can be felt by students on our campus as well as the communities they represent. From landslides in Colombia to flooded rice fields in Bangladesh and devastating hurricanes around the world, climate change has already wreaked havoc on communities that many Macalester students call home.²⁸ By removing our financial support for fossil fuel companies, the school would demonstrate solidarity with these communities as they fight for survival.

²⁷ Learn About Environmental Justice. (2017, September 26). *US Environmental Protection Agency*. Retrieved November 26, 2017, from <https://www.epa.gov/environmentaljustice/learn-about-environmental-justice>

²⁸ McVeigh, K. (2017, January 20). Bangladesh struggles to turn the tide on climate change as sea levels rise. *The Guardian*. Retrieved November 27, 2017, from <https://www.theguardian.com/global-development/2017/jan/20/bangladesh-struggles-turn-tide-climate-change-sea-levels-rise-coxs-bazar>

Although Macalester ending partnerships with oil and gas companies may not by itself impose a significant economic pressure on the fossil fuel industry, the public rejection of the industry speaks volumes. Macalester has power as a respectable institution, and we have the ability to use that power to address injustices perpetrated by climate change at such an unimaginable scale. Knowing that Macalester has a reputation in the academic and larger community, a first step towards ending our relationship with oil and gas companies may influence other institutions to do the same. This influence may be even more significant as we would be the first college in Minnesota to divest from fossil fuels. As more institutions reject fossil fuel companies, collective action creates social pressure on the industry. Our collective rejection signifies that we as a society no longer condone the actions of the morally bankrupt fossil fuel industry. Ultimately, we have the opportunity to wield the power of Macalester's social capital for good.

Knowing the impacts that fossil fuel companies have on communities via climate change and expanding infrastructure, Macalester should be compelled to take action. In a economic-focused world, where we invest our money takes on moral significance. Providing students with an education that does not come from the fossil fuel industry is a step toward the global shift away from fossil fuels. Macalester cannot profess to uphold the values of service to society, multiculturalism, and internationalism while investing in pipeline infrastructure that threatens the livelihoods of local and global communities. Placing a moratorium on private oil and gas partnerships will represent a dedication to upholding the moral standards imparted upon students. The education of Macalester students should not be funded at the cost of the exploitation of other groups. Ending our support for private oil and gas partnerships represents a step towards ending the exploitation of people around the world.

Financial Considerations

While the predominant motivation of divesting institutions is moral, there is also evidence that divestment generally, and particularly a moratorium on direct partnerships with the oil and gas sector, could be a sensible fiduciary decision. This section will present some of the financial arguments for the moratorium on oil and gas partnerships. Primarily, we we highlight evidence that social responsibility has become more mainstream and accessible with the potential to improve performance. Next, we will describe the ways in which fossil fuel investments may increase portfolio downside risk. Last we will review the benefits of exiting private partnerships, and why we urge the school to take this action.

Socially Responsible Investing (SRI) policies are increasingly common and have proven not to reduce returns. Thus, the Macalester endowment could benefit from an SRI policy for its portfolio. Many institutional fiduciaries do not see responsible investing as antithetical portfolio performance, as reflected in numerous reports by investment institutions.²⁹ For example, philanthropy and impact investing company Arabella Investors published a report for their investors with the benefits of divestment, noting that no one sector dominates divestment. Even pension funds and “for profit asset managers” represent a portion trillions of dollars currently divested from fossil fuels. In fact, hundreds of institutions—ranging from philanthropic groups to pension funds—have divested nearly \$5.5 trillion in assets, affirming their commitment to future divestment from the fossil fuel industry.³⁰

Socially responsible investing has become a more feasible and secure means of ensuring financial stability in the last decade. The global head of its environmental, social, and governance investing at Goldman Sachs noted last year that these types of socially responsible investments are “going, in essence, mainstream... a wider set of clients is interested.” Noting the emerging support for socially responsible investing, a discussions of a moratorium on direct fossil fuel investments should not be disregarded out of hand because of financial concerns.

Additionally, the rapid growth of renewable energy technologies threatens to disrupt fossil fuel investments. An article written in Forbes on November 20th described how solar and wind have surpassed fossil fuels to become one of the “cheapest and largest sources of new electricity generation in many countries, including the world’s fastest-growing nations”.³¹ In fact, the article goes on to describe how the cost solar photovoltaic electricity generation has dropped “70% from 2010 to 2016.” Furthermore, Bloomberg estimates clean energy will make up 86% of the \$10 trillion of power generation investments over the next two decades globally.³² As a result, the renewable energy sector is becoming increasingly more viable as the world becomes less reliant on fossil fuels.

If technological advancements or climate change mitigation policy render fossil fuel production obsolete, then the infrastructure would depreciate in value and make investments in this industry unstable. By investing in oil and gas private partnerships and lacking an SRI policy, Macalester exposes its endowment to the downside risk of policy action to curb emissions. The

²⁹ *The Global Fossil Fuel Divestment and Clean Energy Investment Movement* (Publication). (2016). Arabella Advisors. Retrieved November 26, 2017 from <https://drive.google.com/file/d/1Fq1UU3WG2AoS9Wz3bV6S4aXNaHA5F2-t/view>

³⁰ *Sustainable investing: are companies finally moving money away from fossil fuels?*. (2015). The Guardian <https://www.theguardian.com/sustainable-business/2015/sep/16/goldman-sachs-morgan-stanley-merrill-lynch-fossil-fuel-divestment?>

³¹ Marcacci, S. (20 November 2017). “Coal strikes out” versus cheap renewables, but winning on climate may require a policy pinch hitter. *Forbes*. Retrieved on 27 November 2017 from <https://www.forbes.com/sites/energyinnovation/2017/11/20/coal-strikes-out-versus-cheap-renewables-but-winning-on-climate-may-require-a-policy-pinch-hitter/#2404e50d8ac4>

³² *Clean Energy Is Approaching a Tipping Point*. (2017). Bloomberg <https://www.bloomberg.com/news/articles/2017-09-19/tipping-point-seen-for-clean-energy-as-monster-turbines-arrive>

risk from climate policy, while not currently likely on a federal level in the United States, remains real on a local, state, and international level.³³

To delve into this risk further, the hundreds of billions of dollars currently invested in fossil fuel infrastructure could become stranded assets. University of Dayton recently divested its \$670 million investment pool, with the help of financial advisor Thomas Van Dyck, for primarily financial reasons. Van Dyck explains the stranded assets dilemma well, saying, “Fossil fuel companies have a valuation that assumes every single drop of oil, everything they have in the ground, will be taken out...It's not only values, but valuation risk associated with owning [stock in] fossil fuel companies”.³⁴ In essence, the favorable way Macalester currently views fossil fuel investments assumes that the companies are either planning to violate climate legislation by burning their entire reserves, or ignores the possibility that they are overvalued. In either case, fossil fuel investments could turn out to be much riskier than they seem. Hence, the future risk that investing in carbon poses to the financial health of Macalester’s endowment should be seriously considered.

Macalester currently invests more in direct private oil and gas partnerships (\$40 million) than it does in sustainable investments (\$10.5 million).³⁵ Macalester can use other investments to gain exposure to the energy sector other than oil and gas. Macalester will be able find investment opportunities in the renewable energy sector that rival or exceed the returns of current fossil fuel investments.³⁶ By investing in oil and gas private partnerships and lacking an SRI policy, Macalester exposes its endowment to the downside risk of policy action to curb emissions.

Fossil Free Mac believes not renewing Macalester’s oil and gas partnerships to be the most manageable way to improve social responsibility in comparison to past proposals of divesting mutual funds. Full portfolio divestment remains challenging due to the large amount of mutual or hedge funds with a minority exposure to the top 100 coal and top 100 oil and gas companies with the largest reserves (Carbon Underground 200). Divesting in this manner therefore requires placing a screen on mutual funds which could have an effect on portfolio diversification. Instead, placing a moratorium on private oil and gas partnerships implicates only one section of our investments, and thus does not threaten the portfolio diversity. Additionally, choosing not to renew the private partnerships provides a gradual process that allows the school an opportunity to reevaluate its investing strategies as money becomes available. Overall, the

³³ *Fossil Free Finance* .(2017).The American Prospect <http://prospect.org/article/fossil-free-finance>

³⁴ News: Dayton Divests. (2014, June 23). *University of Dayton*. Retrieved November 26, 2017, from https://udayton.edu/news/articles/2014/06/dayton_divests_fossil_fuels.php

³⁵ Macalester College PA-9: Sustainable Investment. *Association for the Advancement of Sustainability in Higher Education*. Retrieved November 21, 2017, from <https://stars.aashe.org/institutions/macalester-college-mn/report/2017-05-31/PA/investment-finance/PA-9/>

³⁶

five to ten year contracts involved in the private partnerships are a more manageable step towards socially responsible investing.

Conclusion

Based on the moral and financial imperatives, placing a moratorium on private oil and gas partnerships represents a step in the right direction for Macalester. The moratorium will align Macalester's investments with our stated mission as a college as well as signify a rejection of exploitative oil and gas companies. The action also represents a means of preventing stranded assets in the face of a dynamic energy sector. Instead of divesting a series of mutual funds, the moratorium involves contracts made directly with companies and therefore remains more logistically feasible than prior asks. Overall, the context of the unique political moment we are experiencing requires Macalester to speak out against the injustice that climate change perpetuates, as action will not be taken at a federal level. The moratorium also represents a shift in the investment strategy of Macalester. Going forward, the social, environmental, and political costs of our investments should be considered. Placing a moratorium on direct oil and gas partnerships will be the best way for Macalester to begin in a more socially responsible manner.

Appendix:**Resolution: Moratorium on Private Oil and Gas Partnerships**

Session: 16-17 Number: R0001

Author: Collin Dobie '19, MCSG Sustainability Officer, Fossil Free Mac Co-chair, Mac CARES Treasurer

In favor 20 -- opposed 0 -- abstain 3

Resolution passed ([2/21/2017 MCSG LB minutes](#))

Whereas, Fossil fuel consumption has been well-documented and empirically established as a driving force of anthropogenic climate change, the consequences of which demand immediate preventative and mitigatory action;

Whereas, Macalester, needs to fully recognize and respond to the disproportionate threat climate change poses to the lives and livelihoods of domestic and foreign communities whose contributions to climate change are less severe than ours;

Whereas, Central African and South Asian countries and small island countries such as the Philippines are at high risk of drought, famine, and flooding due to climate change but are relatively unprepared to meet these threats;

Whereas, The courageous work of the Standing Rock Sioux and water protectors to fight against the destruction of the well-being of human populations and natural ecosystems has emphasized that inaction in the face of such blatant wrongdoing creates complicity;

Whereas, A moratorium on private oil and gas partnerships by the college is an actionable step toward aligning Macalester's endowment with the college's values of sustainability, internationalism, multiculturalism, and service to society;

Whereas, President Brian Rosenberg's January 30, 2017 letter regarding President Trump's immigration executive orders reminds the Macalester community of the importance of abiding by and advancing the college's values;

Whereas, President Trump's actions in his first month in office have left no doubt that his administration will, at best, ignore the United States' responsibility to work to prevent and mitigate climate change or, at worst, enact policy and law that will actively exacerbate issues of climate change and climate justice;

Whereas, President Brian Rosenberg's letter cites threats to "the safety, security, and basic human dignity of many people who walk beside us" as sufficient reason for the college to take action against dangerous and "indefensible" government policy;

Whereas, More than 1,600 Macalester students, faculty, and staff have signed Fossil Free Mac's college divestment petition and voiced their opposition to the support Macalester lends to the fossil fuel industry through its investments;

Whereas, A 2012-13 Macalester College Student Government resolution called for the divestment of fossil fuels from the college's endowment in recognition of the importance of our value of global citizenship and our position as a national leader;

Whereas, Actions taken by the Macalester College Administration and Board in response to the requests of the Macalester community and the pleas of the human and non-human victims of climate change have fallen short of the full capacity of Macalester to fight climate change;

Whereas, The college's fundraising campaigns of the past decade (with stated goals of \$250 million) exhibit the ability of the Administration and Board of Trustees to make up any potential losses from discontinuing investments in private oil and gas partnerships; and

Whereas, The Administration and Board of Trustees have the expertise to replace these partnerships with socially responsible investments; therefore

Resolved, That Macalester College Student Government demands that quick action be taken by the Macalester College Administration and Board of Trustees to enact a moratorium on private oil and gas partnerships in order to divorce our endowment from direct funding of fossil fuel infrastructure.

Resolution: In Support of Fossil Fuel Divestment

Session: 2012-2013

Number: ____

Author: Rick Beckel, Maria Langholz, Zhe Yu Lee, Jonas Buck

WHEREAS: Earth risks climate disaster if it does not reduce its atmospheric carbon dioxide concentration from 396 parts per million (ppm) to below 350 ppm this Century.

WHEREAS: Macalester has prioritized sustainability initiatives on campus and recognized the urgency of action on climate change (through the commitment to Carbon Neutrality by 2025, Zero Waste by 2020, and by signing onto the American College and University Presidents' Climate Commitment).

WHEREAS: Macalester's value of global citizenship teaches responsible stewardship of the Earth and all those who reside on it. Macalester's divestment from the fossil fuel industry would align its institutional behavior with the academic mission and core values of the college.

WHEREAS: Divestment from the fossil fuel industry would promote a national conversation on the role of the fossil fuel industry in profiting from the destruction of the environment and the industry's use of the political process to hinder the development of alternative energy sources.

WHEREAS: Macalester College Student Government (MCSG) is a resource for students to advance their concerns and has the ability to promulgate the college's value of global citizenship through its decisions.

THEREFORE BE IT,

RESOLVED, That MCSG urges Macalester College to initiate a process to explore socially and fiscally responsible divestment from the fossil fuel industry.

RESOLVED, That by exploring divestment, Macalester College can stimulate dialogue about global warming and maintain its reputation as a national leader in climate action as a form of global citizenship.