

Divestment movement makes gains ahead of climate summit

By Jordan Wolman

10/26/2021 12:02 AM EDT

Leaders of the divestment movement said they've secured commitments from more institutions to eliminate funding of dirty energy sources ahead of a global climate summit.

[A report](#) released Tuesday by a group of environmental organizations said 1,485 public institutions representing \$39.2 trillion in assets have committed to some form of fossil fuel divestment. That's up from 1,307 institutions committing to divest a year ago.

"This is a rare and decisive moment in history," Thomas Piketty, professor at the London School of Economics and the Paris School of Economics, said in a statement. "Science, ethics, and economics are intersecting to form a clear market signal."

Details: In the past month, the French public bank La Banque Postale, with \$894 billion in assets under management, said it would [divest from oil and gas companies](#) by 2030 and deny financial services to fossil fuel producers and any company that lobbies or develops infrastructure on behalf of the industry. The \$17 billion Ford Foundation [said it would end investments](#) in fossil fuel-related industries. And Canada's second-largest pension fund, with \$390 billion in assets, [will divest](#) its \$4 billion in oil-related investments by next year.

Six cities — Seattle; Auckland, New Zealand; Copenhagen, Denmark; Glasgow, Scotland; Paris; and Rio de Janeiro — have joined the C40 Divest/Invest Forum, a network that supports local governments in their commitments.

This month, Baltimore Mayor Brandon Scott [signed into law](#) a requirement that the city's three retirement systems divest from top coal, oil and gas companies within five years.

[Harvard moved to phase out](#) its nearly \$42 billion endowment from fossil fuel investments last month, opening the floodgates on announcements by other foundations and endowments as world leaders prepare to meet in Glasgow on Friday for the U.N. Climate Change Conference, or COP26.

Next steps: Schools that have rejected the divestment movement could be facing legal action. The nonprofit Climate Defense Project said [it intends to file complaints](#) against Johns Hopkins University, the University of New Mexico and Marquette University in an effort to compel divestment.

The filings will be directed to state attorneys general in the cases against Johns Hopkins and the University of New Mexico. The Marquette complaint will be submitted to university leadership because no Wisconsin agency is empowered to police fiduciary rules, said Ted Hamilton, a co-founder of the Climate Defense Project.

The legal strategy has received mixed success to date. Harvard and Cornell made divestment commitments after being hit with similar complaints against those schools, although those decisions were made before any ruling on the merits of the complaints. A Climate Defense Project claim against [the University of Wisconsin-Madison](#) was dismissed. A [claim against Boston College](#) has yet to get a hearing.

Why it matters — or doesn't: With rising temperatures presenting risks to the global economy, emissions need to be reduced so dramatically that "it's difficult to say" if divestment is successful, said Simon Fischweicher, head of corporations and supply chains for CDP North America, a nonprofit that works with cities and companies to disclose their environmental impact.

Still, the divestment movement has drawn attention to the subject, he said.

"The divestment movement, shareholder engagement, shareholder resolutions have all played a key role here," he said in an interview. "We need all the tools in the toolbox to address climate change."

Benjamin Zycher, a senior fellow at the American Enterprise Institute, tempered expectations for the movement, saying its impact on the cost of capital would be “small but measurable.”

To the extent traditional lending institutions shy away from lending to the fossil fuel industry, the sector could be forced to turn to alternative sources of capital.

“There may be some small impacts moving forward,” Zycher said in an interview. “I don’t think they’d be very huge. Neither do I think they’d be zero.”