

# 10-27-2013: Coal Divestment Update

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October 27, 2013

Dear Members of the Brown Community,

Over the last year, the Brown University community has engaged in an expansive and thoughtful discussion of whether or not to divest the Brown endowment from holdings in a set of U.S. companies that mine coal or use coal in the generation of electricity. Brought forward originally by students through Brown Divest Coal, considered and discussed by Brown's *Advisory Committee on Corporate Responsibility in Investment Policy* (ACCRIP), further reviewed by an *ad hoc* committee of the Corporation, and discussed fully by the Corporation as a whole at two separate meetings, the issues have been thoroughly taken up by this campus. The context for this discussion, which has reflected the very best of Brown, is the moral and social imperative of confronting and addressing in a responsible and immediate manner the devastating impacts of global climate change. There is no question in my mind that human-caused environmental change and the threat it poses to sustaining life on earth is among the most pressing issues of our time. Brown University must, consistent with our mission of teaching and research, be a leader in this arena.

How Brown can best lead is a complex and multifaceted question, without one correct answer or unanimity of opinion. Some have made the case that, in addition to conducting cutting-edge research, promoting sustainability on campus, and educating members of our community about climate change, the University should lead through divestiture. Others have made the case that divestiture does not reflect the complexity of issues associated with the use of coal and society's efforts to reduce our reliance on coal and, as such, should not be included among the strategies we follow. The serious, thoughtful and robust discussion in the Corporation covered the full range of perspectives. The conclusion of this discussion is that Brown will not divest from coal. I agree with this decision and I am writing to explain why.

Brown's guidelines for incorporating ethical and moral issues into investing have supported previous divestiture decisions. For example, in 2003, Brown divested from tobacco companies. The charter of ACCRIP notes that divestiture may be recommended when a company's actions produce social harm, and (if social harm exists) when either (1) "divestiture will likely have a positive impact toward correcting the specified social harm" or (2) the company "contributes to social harm so grave that it would be inconsistent with the goals and principles of the University to accept funds from that source." In addition, the charter emphasizes the need for balanced judgment when making divestiture decisions. To divest in response to anything but the most clear-cut and widely acknowledged cases of social harm would violate our duty to maintain a sound financial policy. Even more important, divestiture must be consistent with Brown's central mission of the "discovery, communication and preservation of knowledge."

Given our guidelines for divestiture, the first question to be addressed is whether companies that produce coal or use it in power generation cause social harm. I think it is clear that they do.

Brown Divest Coal was particularly effective at raising awareness of the dangers of coal to the environment and human health. Further, it is undeniable that fossil fuels are a significant driver of climate change. Given current technology, coal contributes more to the production of greenhouse gases per unit of electricity generated than other fossil fuels.

The existence of social harm is a necessary but not sufficient rationale for Brown to divest: Once social harm is established, divestiture may be warranted if either divestiture is likely to help reduce the harm or the harm is sufficiently grave. Taking the second of these criteria first, is it the case that the social harm from coal is so grave that divestiture is warranted? Absent a bright-line threshold for gravity, this is a judgment call, and a difficult one at that. I believe that although the social harm is clear, this harm is moderated by the fact that coal is currently necessary for the functioning of the global economy. Coal is the source of approximately 40 percent of the world's electricity, and it provides needed energy for millions of people throughout the world. In many regions, there are serious technological impediments to transitioning away from coal. In addition, coal is used in the production of other products, such as cement and steel, which are central to the economies of both developed and developing countries. The comparison to tobacco is instructive. Unlike tobacco, which arguably has no social value, a cessation of the production and use of coal would itself create significant economic and social harm to countless communities across the globe.

The second question to consider is whether divestiture would help correct the social harm by speeding the transition away from coal. It is clear that divestiture would not have a direct effect on the companies in question. Brown's holdings are much too small for divestiture to reduce corporate profits. Furthermore, because the profits of these companies are determined primarily by the demand for their products rather than their stock prices, divestiture would not reduce profits even if Brown's holdings were orders of

magnitude larger.

Some have argued that the symbolic statement of divestiture might decrease the harm from coal by galvanizing support for policies or practices that reduce coal's production and use. I agree that symbolic statements can be powerful drivers of social change when they support clearly defined actions. For example, the lunch-counter sit-ins in the southern United States signaled a vivid and unambiguous demand for an immediate end to segregation. The case of coal is different. Divestiture would convey only a nebulous statement—that coal is harmful—without speaking to the technological and policy actions needed to reduce the harm from coal—actions where Brown can make real and important contributions through teaching and research. It is unclear what message divestiture would convey about the timing of the transition from coal in different regions of the country and the world; the development of alternative fuels, such as natural gas, nuclear power, and renewables; the value of investments in new technologies that may reduce the harm from coal; the effectiveness of different strategies for regulating U.S. coal companies and electric utilities; and the development of U.S. policies toward countries that are increasingly reliant on coal. As a university, Brown has a responsibility to grapple with the world's problems in all their complexity. As I and others considered the matter, it became apparent that the symbolic statement of divestiture would not elucidate the complex scientific and policy issues surrounding coal and climate change and, for this reason, it would run counter to Brown's mission of communicating knowledge.

Our consideration of divestiture is over, but our work on stemming the progression of climate change and mitigating its effects will continue and expand. Brown takes seriously its responsibility to be a leader in addressing climate change, and we can be proud of our long-standing commitment to sustainability. In 1990, President Vartan Gregorian launched *Brown is Green*, an environmental education and advocacy initiative. In 2008, under President Ruth Simmons, the University established ambitious goals for greenhouse gas reductions on campus, and in 2010 it signed the Sustainable Campus Charter. Most recently, Brown's Sustainability Strategic Planning Committee presented an interim report that proposed to expand and broaden our sustainability efforts. Brown reduced its energy-related carbon footprint by 30.6 percent between 2007 and 2013, and we have plans for further reduction

Our commitment to sustainability is also reflected in the University's strategic plan, *Building on Distinction*, which identifies "Sustaining Life on Earth" as a major theme for research and education. Building on Brown's Environmental Change Initiative, this new program will feature research on three challenges that come with climate change: food and water security, human health and well-being, and equity and development. These efforts will complement our long-standing and distinguished educational programs directed through the Center for Environmental Studies and support the active engagement of students and faculty in domestic and international environmental policy issues. This is an academic area where Brown has great strength, and the advocacy of students and others on these issues has helped make this theme a priority in the new strategic plan.

We can and should do even more. I have asked the Provost to form a Task Force on Brown's Response to Climate Change, which will supplement the work of our standing committee on campus sustainability. My hope is that this committee of faculty, students and staff will identify bold and aggressive ways that Brown as an institution and community members as individuals can lead and contribute to the societal response to climate change. This Task Force will be charged with recommending significant and impactful initiatives to position the University as a leader in combating climate change locally, nationally and around the globe.

Although I do not believe that divestiture is the right tool to achieve the societal goals to which we all aspire, I recognize that some of our donors have strong feelings about the role of coal in climate change. Since 2008, Brown has had a social choice fund through which donors can make gifts to the University's endowment. Currently, Brown's social choice fund is invested in a mutual fund that applies a negative screen for fossil fuel-related companies. No investments are made in companies involved in the extraction or production of coal, oil or natural gas. However, because of the role of natural gas in the transition to renewable energy, the fund will invest in companies involved in the transmission and distribution of natural gas as well as utilities that use natural gas in their generation. The portfolio is coal-free and, with this one exception, fossil-fuel free. I hope that donors will consider this option when making endowed gifts to Brown.

On behalf of myself and the University community, I thank the members of Brown Divest Coal for their efforts. I respect their commitment and purpose, and I recognize the important role Brown Divest Coal has played in highlighting the issue of coal and climate change on campus. I also want to thank members of ACCRIP for their thoughtful attention to this issue over the last year.

Sincerely,

Christina H. Paxson

