

Putting Our Money Where Our Future Is: Strategies for Divesting and Investing

March 9, 2015

A **Brookline Climate Week** Event
Sponsored by **Climate Action Brookline**

Find out what you can do to challenge the fossil fuel dominance of our economy and climate future by making both ethically-based and smart economic decisions now.

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Paul Harris, Moderator:

Welcome. This panel was originally scheduled for February 2, but as you all know, we had an extreme weather event then. Climate Change is a complex, long-term global issue; I'm delighted that our panelists and all of you had the patience and perseverance to reschedule and be here this evening.

There are three major topics I've asked the panelists to focus on:

First, the movement begun by 350.org encouraging universities, foundations, religious organizations, government pension funds, and other investors to divest from fossil fuel companies. Sidni Frederick and Lauren Ockene will focus especially on this topic.

Second, the opportunities to invest in clean energy. I know that Ceres has a world wide goal of a trillion dollars a year invested in clean energy. Chris Fox of Ceres will talk about opportunities to invest in clean energy.

Third, how you in your own portfolios can divest from fossil fuel companies and invest in clean energy, and Stephanie Leighton will be focusing especially on that.

Let us begin now. All four of the panelist have some connection to Brookline. Sidni was born and raised here. She's now a sophomore at Harvard University. Lauren teaches fourth grade at the Brookline Devotion School. Chris Fox lives here in Brookline. Stephanie Leighton has a colleague here, Taubi, who lives a few blocks away from here. So we all have at least some way of touching Brookline.

Sidni is a former leader and active member of the Fossil Fuel Divestment campaign at Harvard. She grew up here and graduated from Brookline High School in 2013. I have a whole lot of notes about why you are interested in divestment, but rather than reading them, I will have you talk about it, Sidni.

Sidni Fredrick, Divest Harvard:

Thanks for that lovely introduction.

I think it will be clear toward the end of my talk why I care about the fossil fuel divestment movement. I am here to talk about the fossil fuel divestment movement at Harvard specifically, but before I get into that – I think it is important to give you some background on the fossil fuel divestment movement in general. When people think about climate change and what we can do to stop it, they think about individual actions they can take, like whether you should get renewable energy for your house or go vegetarian, or change your light bulbs.

All those things are really, really important. They always have been and they still are. But the only issue with that – is that it leaves us without a strategy for dealing with all the political elements of climate change. There are political barriers to being able to do something about climate change, in this country and internationally, that need to be addressed.

For example, we have known since 1995 that we need to maintain below an average of 2° Celsius warming for the planet to be able to avoid dangerous anthropogenic (that's human-caused) interference in our climate system. To be able to keep the necessary amount of carbon in the ground, to prevent that sort of warming, we need legislative action on national and international levels.

There have been calculations by institutions like the Carbon Tracker Initiative to figure out exactly how much coal, oil, and natural gas are included in an amount to keep us safely below 2° Celsius warming. They have also done calculations to see how much coal, oil, and natural gas the top 200 publicly traded fossil fuel companies already have in their reserves, already proven.

It turns out that the amount of fossil fuels that these companies have in their reserves is five times the amount that it is safe to burn to be able to keep a safe and livable planet.

So, for a long time now, the United States government has been living in an inconvenient shadow of knowing that we are not actually going to be able to let the fossil fuel industry burn all the coal, oil, and natural gas in its reserves.

There have been some legislative efforts to do something about that, at least on the part of our government. There have been efforts to take subsidies away from the fossil fuel companies. There have been efforts on a local level to keep them from being able to do their activities, in certain cases.

I think the biggest representative of this sort of legislation was a “cap and trade” bill that existed in Congress until it died in 2009. Most of these initiatives, whether they are for laws domestically or internationally, haven’t been that terribly successful. And they haven’t been successful because of interference by the fossil fuel industry.

This industry has been working for a very long time now, whether it is smearing scientists who work on climate change, harassing them at their offices, whether it’s by interfering on school boards to make it so that school districts can’t implement good standards of educating children about climate change and how fossil fuels cause climate change. But, most importantly, it has been done through billions and billions and billions of dollars being poured into lobbying efforts and into donating to political campaigns. We see this trend over and over again: that political leaders who vote for things like shoving the Keystone pipeline through Congress or subsidies for the fossil fuel industry have all taken several times more money than others, from the fossil fuel industry.

This is all because the fossil fuel industry has shown no real interest in doing anything but extracting and burning every single last drop of those reserves of coal, oil, and natural gas – even if it means irreparably damaging our planet.

And beyond that, the fossil fuel industry has always been a fundamentally racist and classist industry in terms of where it sites its sources of extraction and the impact and demographics of the people who live in the places where things like sands oil and fracking are done originally – and where the products of these processes are refined. And the people that have to deal with things like oil spills along the way when things are transported.

So that’s where fossil fuel divestment comes in and why Bill McKibben wrote a piece encouraging both universities and all sorts of other institutions to start divestment campaigns.

Investment is an endorsement of a company’s business model. We at Divest Harvard – and at other fossil fuel divestment campaigns all across the country and all across the world – want to make the case that it is fundamentally wrong to endorse a business model that irreparably damages our planet and exploits people. We are operating with

the idea that we need to, both politically and morally, bankrupt and stigmatize the fossil fuel industry for our politicians – much like the tobacco industry was stigmatized in the 90's with its own divestment campaign.

That's what we have been working on for about two years. That is about how long the Harvard campaign has existed.

As long as I've been around Harvard, but also what I hear from other members of the campaign, this initiative has been marked by a complete resistance on the part of Harvard University to do anything that is even close to divesting. Harvard University has been interested in doing a lot of things that, like I said, are really important. They have improved their own climate change sustainability initiatives and they have started extra funds for researchers who are doing things related to climate change.

All of this is really important, but it's really not enough. Harvard University needs to divest from fossil fuels so it can send a really important political message, especially given the cultural influence that institutions like Harvard University have in our country.

The campaign started in 2012 pretty quickly after Bill McKibben wrote his call to action. The students began with things like holding rallies and holding a referendum, most importantly, to see whether students on campus supported fossil fuel divestment. And they did. At the undergraduate level, 72% of students supported fossil fuel divestment. The only other school at Harvard that did a referendum was the Law School. There, 67% of students supported fossil fuel divestment. So we used that information about our level of support on campus to start a campaign.

We were active enough that we were able to meet behind closed doors with Harvard University administrators to make our case for divestment, but never in front of the entire student body. Over and over again, in these closed-door off-the-record meetings, administrators and members of the Harvard Corporation would say really ridiculous things – that made it very clear they either didn't understand the seriousness of climate change as an issue, or that they didn't really understand the divestment movement and weren't interested in learning more about it, probably because they had other interests at work that did not want them to divest from the fossil fuel industry.

Since then, the goal has been figuring out how we can put enough pressure on Harvard University to make it more uncomfortable for the Harvard Corporation to not divest than it is uncomfortable for them to divest. Because – unfortunately – Harvard University does not respond as much to student pressure and what students want as it does to its reputation, and risks to its reputation, our campaign has been built on a movement that's tried to call attention to this immoral investment on the part of Harvard University – this irrational decision to side with the fossil fuel industry rather than with its students, even though the campus itself is projected to face really serious risks itself from climate change in the next century.

Right now, we at Harvard and a few other schools, specifically in the New England region, are coordinating to do a really big action in April. The action is called “Harvard Heat Week” – *April 13-18, 2015* – and we are working with alumni and faculty members to try to get a week of direct action happening on the Harvard campus – to bring attention to how they have been handling the divestment issue so far and, hopefully, to put some pressure on administrators, to show force, and show that a lot of people are in support of this policy, and that they are not going to be able to get away with ignoring students for much longer.

Thank you.

Paul Harris, Moderator:

Let me quickly introduce Lauren Ockene. Lauren is a fourth grade teacher at the Edward Devotion School here in Brookline. For the past two years, she has been a leader in the state divestment campaign, working with the Boston chapter of 350 Massachusetts, which is affiliated with 350.org.

Lauren has been an environmental activist since learning about global warming in college in 1989. She volunteered for many years with Bikes Not Bombs. She’s worked with the development of bike lanes in Jamaica Plain and she ran a volunteer tree planting organization, called JP Trees, for several years. She’s going to speak about divestment, both at the state and the local level.

Lauren Ockene, 350.org Boston:

I have been a teacher for 18 years now. It’s interesting thinking about teaching and climate change to me because, for more than a decade, I have taught my fourth and/or fifth graders something about climate change.

We have done some readings, or something to get into that topic each year. It has always felt like I could share with them the possibilities of transportation changes and lifestyle changes or conservation efforts – and there’s some hope that I can empower them. And if they do some of these things, and tell their friends, and speak with their family, as kids do, that has a good impact. That felt really hopeful and strengthening and empowering for me to teach them in that way.

But these days, it doesn’t feel that way. Teaching about what we can do as individuals: there’s some sort of imparting of false hope. (I still ride my bike as much as I can. I was very excited today. It felt a little safer than it has been. I also could see the solar panels on the roof today for the first time in a month.)

All these things are incredibly important, but it is clearer and clearer that they are just not enough. Divestment is kind of an adult topic to teach my nine and ten year old

students about, but it is a topic that feels much more hopeful to me, to sink my volunteer teeth, my effort, into.

It is divestment of our state pension fund that I have primarily been spending a little volunteer time on. I am a member of that pension fund as a public school teacher. Most public school teachers are, as well as all the state workers.

It feels incredibly wrong that – while I teach nine and ten year olds, and hopefully give them some skills and habits of mine that will help them in their future and with future opportunities – I am paying into a pension fund that has 1.3 billion dollars invested in fossil fuel companies. The corporations that so willingly and with such a short-term business plan are working really hard to extract and burn, and find more and more, and search for more and more of the very materials that, when they are burned, are in such a dire way threatening the future livelihoods and the future possibilities for those children, even the survivability of their planet.

Divestment is a strategy that has been proven many times, especially with the case of South Africa. What's really beautiful is that Massachusetts was a first there. As with tobacco and gay rights and many things – healthcare. We were the first state to divest our pension fund from companies that do business in South Africa.

What's really powerful to think about was that when Nelson Mandela was released from prison and when he came to the United States for the first time, it was the Esplanade where he made his first speech. It was Boston, where he set foot, where he came first. It wasn't New York. It wasn't Washington, DC. And when he spoke at the Esplanade, he said that that action to divest Massachusetts' pension fund was a beacon of hope for him at Robben Island. So that I find very powerful. That gives me hope.

The bill to divest was introduced in the Senate and then the House of Representatives last year by Senator Ben Downing in Western Massachusetts. The equivalent bill was introduced in the House by Representative Marjorie Decker. They are pretty much look-alike bills. They gained a bunch of support, but not enough to pass.

The two bills were re-introduced this winter, by the same people, yet with a little more oomph because they now have 42 endorsers in the House and Senate combined. They've got endorsement from many religious organizations and many environmental organizations and all the campus divestment organizations and three local unions. I have been working on getting my local Brookline Educators union and the Massachusetts Teachers' Association to support the legislation.

The bill has been supported by at least ten municipalities in Massachusetts – of which Brookline is one, I am glad to say. I know that a lot of you here in this room probably worked on this endorsement. So there are some municipalities that endorsed the state bill, like Brookline, and then there are others that have coupled it with divesting their

own municipal investments. For example, Framingham about a year ago endorsed the state pension bill and also voted to divest their own holdings with a five-year plan to divest 20% a year. Now there are some citizens in Framingham who are trying to take that a step farther and work more on the investment side, where they want to do an aggregation of energy purchases and have more local control and communal purchasing of electricity – so that the electricity is more reasonably sourced with more wind and solar energy.

And then Cambridge, some people might have seen in the news today. Cambridge as a municipality within the government is making some moves to cut off their reliance on Trans Canada, which is the pipeline company that brings the tar sands to our area, for us to get electricity from. So there are definitely things that a municipality can do that are really important in this divestment movement.

As individuals supporting statewide divestment, there are a couple of things we can all do, also. What we heard over and over in visits to senators and representatives on Beacon Hill last year was that they are really concerned about their constituents, who are the stakeholders. When I think about it, I think we are all stakeholders – and every animal and plant on earth is a stakeholder in this movement. But what they are really talking about politically are the people whose pensions these are. So that's me and that's every state worker in Massachusetts – and they really, really need to hear from thousands of us that we support this, that it is morally and economically the right thing to do, and we want our pension fund to not be invested in fossil fuels any more.

To that effect, there is an organization that has a website called Divest Our Pensions Now. I would ask you, if you are a state worker, to sign on there. It is just really a way to keep records of all the people who are state workers, pension members, or retirees who live off that pension who support this. I have a hard copy over there, and there is an orange sheet that's about the importance of pension members to support this.

There are also these groups of little postcards, which are to the Speaker of the House and the Senate President and Michael Trotsky who is the head of the Pension Reserve Investment Trust. They need to hear from stakeholders that we do want our pensions divested. So if you are a state worker, please grab one of these groups of postcards. Sign them all and give them to me, and they are all going to be delivered. If you can think of friends, family, colleagues who are state workers, get them to sign the petition – it's really easy – and then they will get updates also.

As far as people who are not pension members, you are also important besides just getting pension members to sign on. The place these bills are headed next is the Ways and Means Committee. The new chairs of that are Senator James Timilty and Representative James Murphy. They need to hear from all of us that we want this state pension divestment bill to pass. Your elected officials in Brookline, by the way, are very strong on this. Frank Smizik has been, as many of you probably know, a very

important leader in divestment and climate change issues in general. Cynthia Creem has supported it and Kate Clark has also supported the state pensions bill.

There are many things you can do as a municipality and as individuals, and it feels really clear that this is a kind of “do or die” moment. We are in this period in time where our climate isn’t really in our control. Corporations are incredibly empowered in this country, and fossil fuel companies pretty much hold the fate of the livability of life on earth in their grasp – from everything I understand from the science that currently is agreed upon. They really hold our fate in their hands. It is a matter, at this point, of diminishing their strength. The divestment movement is a very important tool and a hopeful one in that effort.

Thank you.

Paul Harris, Moderator:

I want to introduce Chris Fox, but I want to start by saying a few words about the organization he works in, Ceres. I know many of you are familiar with Ceres. The President of Ceres is Mindy Lubber, who has spoken at panels here at Climate Action Brookline. They work with large Fortune 500 companies and with big environmental groups and with big investors. The investor network has over 11 trillion dollars now, collectively, of assets under management. So they have a lot of potential influence in terms of getting investors on board. Chris is Director of Special Projects at Ceres. Recently, Ceres was listed on a group of the “Top 500 Non-Profit Organizations in the World” and was ranked number 11. So it is very close to the top. This was by a group in Switzerland.

Chris is leading the Clean Trillion Campaign which aims to bring about a trillion dollars a year of investments in clean energy worldwide. Just before I turn it over to him: Mindy Lubber is going to speak on April 23 at the Coolidge Corner Theater, after the movie, “The Great Invisible” about the BP oil spill.

Christopher Fox, Ceres:

Thank you, Paul. Thank you Climate Action Brookline.

It is really exciting to be on this panel with Sidni and Lauren and Stephanie. When I heard Sidni and Lauren speaking, it just reminded to me that climate change is a justice issue. Does anyone object to that statement? I think we all know it's a moral issue.

That's why I am here. I am a parent. I have three kids in Brookline. My wife and I live on Wolcott Road. To protect our children, we have to act on climate change. It's that simple. You shouldn't need a lot of economic rationale, really. It's just a basic point, as a parent. Is anyone in this room a parent or a grandparent? Great. I think we all kind of just know that, at a gut level, this is a life issue. You have to act for that reason.

But the reason that I came into this movement is to think about how do you build enough power to pressure the fossil fuel industry and to transform the politics on this issue. I have been working at this challenge for 25 years.

I read Bill McKibben's book in 1989, called "The End of Nature." He wrote back then that we have to disrupt our lives before we disrupt the life of the planet. That's what Sidni is doing and what all the Divest Harvard students are doing, and all of these three speakers. It is really inspiring to me. It gives me hope.

So this is a "gloom-and-doom-free" talk. I'm not going to dwell on climate change science. And I think if anyone has been following the 50th anniversary of Selma, the Civil Rights movement history, what was so amazing there was that the violence and aggression of racism was being brought to light, but there was so much hope, still.

The way I feel with the climate issue, there's so much despair. You just read the science, and you can immediately go to that place of despair. But I think the lesson in it to me was that Martin Luther King didn't say: "I have a nightmare."

That's what too many people talking about climate change say all the time: droughts, fires, you know. It's true, but it's kind of like leading with a nightmare. And people shut it off. So we have to think about how do you lead with "*I have a dream.*" And I think we all can envision a future in which clean energy really is 100% of our energy, and there's 0% fossil fuels. We can have that vision and we can carry forward a positive vision of clean energy being an opportunity for economic growth and job creation, for lifting people out of poverty.

I think that's really where Ceres, our organization, comes from. Ceres is a non-profit organization, based in Boston. Mindy Lubber has been our President since 2003. I know she's spoken here more than once. I'm thrilled to be here for the first time. I added my name to the list of Climate Action Brookline.

The network that we run includes, as Paul said, investors who are concerned about climate change. We have about 115 investors now with 14 trillion in assets, called the Investor Network on Climate Risk (INCR). You can go to the Ceres.org website and find out the list of members. It's everybody from the Rockefeller Brothers Fund, which is divested; Stanford University, which is divested; Trillium, which is a founding member. We also have a few big pension funds. Massachusetts State Treasury is a member of the Investor Network on Climate Risk, not the pension system, but the State Treasurers.

There are a lot of big pension funds around the world and large asset managers like BlackRock, Deutsche Bank, State Street who are members of INCR. We've been telling them that climate change is an investment issue for about fifteen years now. All of a sudden, thanks to the politics of the divestment movement, it's been a lot easier to

persuade them that that's the case, because there's a surge of citizen interest. When investment institutions recognize citizen interest, they also recognize market opportunity. This is a huge big shift that they should be part of – because it's going to be good for them financially to offer fossil fuel-free products. Trillium Asset Management, about which Stephanie Leighton will speak in a moment, is a leader in that area.

Ceres, just to be clear, is a non-profit organization. We are funded by philanthropy. We are an advocacy group. We are not an investment advisor, so anything I say is not investment advice, but Stephanie actually is the investment person on the panel.

The basic message is that investing in clean energy is now a multi-trillion dollar opportunity. We have to ratchet down the investment in fossil fuels. We have to ratchet up dramatically the investment in clean energy. The International Energy Agency, which is well-respected by all in the energy industry and is a leading energy information source world wide, says that “to limit warming by 2° Celsius, we need \$44 trillion in additional investment by 2050.” If you do the math, it's \$1.2 trillion per year for the next 35 years. That's about a trillion dollars a year in clean energy needed. That's what we call the “Clean Trillion.”

This is a huge opportunity. There are massive amounts of money to be made in clean energy. I asked my thirteen-year-old what I should say today. He said, “Say that, Dad. Say there's a lot of money to be made. That's how we are going to get more people.” Because we can't just get the do-gooders. We have to get the people who are in the business community just to make money. You have to figure that out.

That's a very important strategy to think about: What's the business case? What's the fiduciary case? What's the mainstream investor case for action on climate change? Just to give you a sense of the scale, we need a trillion dollars a year in clean energy. We are at about \$310 billion per year in clean energy, according to Bloomberg. So we need about a tripling in clean energy.

The \$310 billion is about \$150 billion in solar and about \$100 billion in wind. So you can see those are very large amounts of energy going into wind and solar now. But still, if you think about it in terms of the \$44 trillion, it's not as large as it needs to be by a long shot.

How do we close the clean energy investment gap? That is really the question that we are focused on every day at Ceres. In launching this new Clean Trillion campaign, we have decided to mobilize investors, businesses, and policy makers – because this is not just something that can happen on its own with investor action. We need governments to act.

China is doing huge amounts in solar. The recent deal with China and the United States, that you probably read about in the news, is very significant in terms of market signal. China agreed to build one large electric power plant of zero carbon energy per week for the next twenty years. That's a huge market opportunity for any company that sells wind or solar. The numbers are staggering in terms of what needs to happen in changing how the world uses and produces energy worldwide, because we can't do it alone. We have to figure out how to work globally. That's where Ceres has – we have so many staff now. We are trying to figure out how to collaborate with the largest companies and investors in the world for that reason.

I'll run through four quick barriers as to why aren't we closing this investment gap.

The fossil fuel industry is one of them. They are investing, unfortunately, over \$670 billion a year into finding new fossil fuels. Capital investment is going in the wrong direction.

Second – and Stephanie hears this a lot, I am sure – a lot of investors are confused and say, “There aren't any options to invest in clean energy.” We hear tons of excuses from investors for why they can't do more with clean energy, many of which are not actually legitimate excuses.

But there are some larger investors who are looking for what to do with their bond portfolio, for example. Until recently, there haven't been that many green bond offerings, but that's changing. There is now a very rapidly growing green bond field.

Third, the fossil fuel industry is extremely well organized politically. But investors concerned about climate change are not well organized politically. And they haven't been globally. There are a lot of problems with that – where the investor voice is not actually aggregated in the right way.

And then, fourth, in terms of policy, I think everyone knows, as Sidni pointed out, that the federal government is being extremely dysfunctional.

The fossil fuel industry is not just polluting the atmosphere. They are polluting the political process, too. I wanted to make sure to say it that way. There are five times as many subsidies for fossil fuels as there are for clean energy, globally, for example. There are \$550 billion per year for fossil fuel subsidies.

To address this, the Clean Trillion campaign has four goals.

We have an effort that investors, including Trillium, are part of: that share-holder campaign called the Carbon Asset Risk Initiative. It is investors pressuring the largest fossil fuel companies to disclose more about how climate change will affect their business. BP and Shell just agreed to the terms of this. They bowed to the shareholder pressure. Investors are asking the companies to shrink their capital

spending on fossil fuels, really ratchet that down. Some of the largest investors in the world really can throw their weight around with some of these companies. BlackRock, for example, owns about 5% of many major companies. They have \$4 trillion in assets.

The second new big initiative is around green bonds and really trying to scale that up. Five years ago no one was talking about green bonds. There were really none to be offered. Last year there were \$15 billion in green bonds. This past year, 2014, accrued about \$38 - \$39 billion and Bloomberg's forecasting about \$80 billion in green bonds in 2015. But the bond market is very powerful. It's \$80 trillion in capital sloshing round, in the bond markets. So if we're going to get to the Clean Trillion, we have to learn to tap into that bond market. And that's a brand new area for Ceres that we're launching.

The third area is Ceres is organizing investors politically around Asia, around Europe, around Australia, and in North America. So we've linked together a global investor coalition on climate change. We've launched a global investor statement, called for carbon price, and called for the phase-out of fossil subsidies. That was announced at the September UN Climate Summit. Some of you may have heard about that. Ban Ki-Moon hosted. We had investors delivering that statement. It sent a huge signal when big investors like that come together. We had 365 investors with \$24 trillion in assets. They released the statement. Companies saw that. Companies follow very closely what investors are doing and what policy makers do too. So the Secretary General received that and the UN has been very supportive of this work.

And finally, we have been mobilizing businesses to sort of break with the US Chamber of Commerce and say, "We support the EPA Clean Power Plan. We support climate policy action."

We have 220 companies that in December announced that they support the EPA, which is very unusual. USA Today did a big article about it – and it was an example of a new message that we think is catching on in the business community. We helped craft this. It's called "The Climate Declaration." We have 1300 companies that have now signed it. The basic message is: "Tackling climate change is one of the greatest economic opportunities of the 21st century, and it's simply the right thing to do." A lot of big companies like Apple, who just signed on, they have huge power if they choose to use it on Capitol Hill. So we are actually trying to use the business voice to counteract the voice of the fossil fuel industry and split the business community into those who support climate policy from those that are on the side of the fossil fuel industry.

In conclusion, let me talk for just a few seconds about actions that I think are valuable. Everybody has three sources of power, I think, in a capitalist democracy like we live in. You are a consumer. You are a shareholder. And you are a voter. That's what we need to be thinking about as we enter this next phase. How can we use those resources of power that we have, to accelerate the rapid shift that we need – from fossil fuels to clean energy? 2015 is absolutely critical. The EPA is finalizing its power plant

rules. The UN is hosting climate change talks in Paris in December. This is the year where we have to be raising our voices on climate in every venue we can.

You've heard about the purchasing clean energy option from Mass Save. That's great. But you can also ask companies what they are doing to produce clean energy. Think about taking it to the next level of scale every time you can. Instead of just the community level, ask yourself: what are the businesses that do business with you in your daily life? Are you an employee of a business? Can you raise these issues with your corporate parent?

We have a lot of businesses that are ready to invest in clean energy. Google has done it. Apple, I just mentioned. There's a ton of companies that want to be on the right side of this issue and invest in renewables. As a shareholder, you've heard all about divestment. There are a lot of other options you can take on that.

We have a lot of websites and there are a lot of resources for you. I don't want to take a lot of time, but the InvestorsOnClimateChange.org website will give you a bunch of links. Ceres.org will as well. On InvestorsOnClimateChange.org, there's a report we just released on what actions investors are taking on climate change, including divestment, but covering other areas as well.

The comments of Stephanie will get more into detail about if you have an investment portfolio. I'm talking more about what can you do as a big institutional investor in a range of areas, and obviously supporting policy action is absolutely critical. That's what Climate Action Brookline has been doing really well at the local level. And I would just raise again the point about the newly elected State Treasurer Deb Goldberg. She ought to be very receptive to hearing from Brookline residents – so we should think about maybe collaborating on some outreach there because we have a good relationship with the State Treasurer's office. There are a number of State Treasurers actually that are trying to be leaders on climate change, including the California State Treasurer and New York's. They are all open to hearing more about what they should be doing on this issue.

Contact me at fox@ceres.org if you are interested. You are all invited to the event with Ceres President Mindy Lubber at the Coolidge Theater on April 23. You are also invited to register for the Cerest conference if you happen to be in San Francisco on May 13 and 14.

Thank you.

Paul Harris, Moderator:

The last three people have spoken about divestment and about investment in clean energy, but don't actually work in investment organizations. So I wanted to make sure

we had somebody here who actually does and can speak both to the issue of the what's the economic case that can be made for divesting in fossil fuel companies and investing in clean energy – and then, also, what people can do with their own portfolios: what you can do, or what the organizations that you are associated with can do with their own portfolios to divest in fossil fuels and invest in clean energy

Stephanie is a partner and portfolio manager for Trillium Asset Management. She leads the Large Cap and Growth and Income strategies and is a member of the portfolio management team with the fossil-fuel-free Green Century Balance Fund.

Stephanie Leighton, Trillium Asset Management:

Thank you, Paul. Good evening, everybody. It's great to see to see such a good crowd interested in the environment. Hopefully my experience working for a socially responsible investment firm for twenty-five years will give you a good flavor of what's happening with the fossil fuel divestment movement.

Trillium is based in Boston. We are a mid-sized investment firm now, growing pretty rapidly, especially in the last few years as fossil fuel divesting is growing much faster than any of the other social movements that we've seen. Trillium was founded as a socially responsible investment firm to incorporate social, environmental and governance factors into investments. We have the same founder as Ceres, so we go way back.

I can tell you that the economic case, the performance-related questions, is where we are getting push-back from a lot of the institutions like Harvard and other of the bigger funds where you have trustees, maybe older people who aren't necessarily thinking about climate change as much as maybe younger people who have to live through the climate warming effects we are seeing. We are having more resistance basically from the institutions.

At Trillium, because we are fully focused on Socially Responsible Investing – Sustainable Investing, people come to us looking for responsible investing, so our clients are less resistant to divestment. Since our inception, we haven't invested in tobacco, weapons, etc. and we have never invested in coal. About a decade ago, as climate change concerns grew, we decided that we would exit any company participating in tar sands (over 10% of their reserves).

So things evolve and things change. And the rate of change, because of climate change, is accelerating. I will tell you that, even though we have avoided certain sectors of the market, we have a very competitive financial record compared to many other investment managers. You can do just as well even if you don't necessarily invest in every part of the market.

At this point at Trillium now, half of our \$2.2 billion of assets under management are fossil-fuel free. So that is a pretty high percent. And it's interesting that when we asked clients if they wanted to use the 350.org list – which is the Top 200 reserves of energy that's still in the ground – or did they want to go divest fully of fossil fuels, our client base, because they're looking for really cutting edge social investments, are choosing to go completely fossil-fuel-free.

We have two clients that are using the 350.org list. I was at a meeting the other day with a more conservative money manager and their clients are sort of tip-toeing into it, and the few who are doing it are using 350.org's Top 200 reserves list, meaning that they are still investing in fossil fuels, but not the largest reserves. So definitely lighter in fossil fuels than the traditional benchmark investor, but still participating.

A year and a half ago I testified at the State House of Massachusetts on the Fossil Fuel Divestment Bill. I will say that the Senators and the Legislators were more interested in what I had to say than the activists because we could answer their performance and risk impact questions concerning investments. What's different about this issue, versus South Africa and all the other divestment issues, is that we all use fossil fuels – so that makes it really hard to extract ownership of these stocks in people's minds. And also it's roughly 10% of investment benchmarks such as the S&P500, so it's substantial. People are very, very afraid that “If I don't invest over here, then what if energy stocks go up?” That is the big issue. I'll get to that in a minute, to tell you why I don't think it's that big of an issue.

But first I want to tell you a little bit about Trillium. On our website www.trilliuminvest.com, you can find a primer (in the White Papers section) on divestment that 350.org, Trillium, and Green Century Funds put together to help people think about if they want to divest fully or partially, and how to go about it. It's called *Extracting Fossil Fuels From Your Portfolio*.

If you want to see which companies are on the Top 200 list, there's a group called Fossil Fuel Free Indexes. They have an up-to-date list that has just been updated.

There are growing numbers of money managers that will provide full or partial divestment. Every day we hear about a new money manager that has a new product. There should be more and more options for investing.

You want to look at the quality of the money manager that you are potentially going to be working with. Are they committed to shareholder activism? At our firm, not only do we seek out really strong social and sustainable companies, but we also push companies to be better corporate citizens. We have four full-time corporate engagement activists. They are engaging with companies all day long on various issues of human rights and the environment. The environment is definitely the most popular issue of our clients. We have asked companies to commit to reducing their

greenhouse gas emissions. We've filed two dozen shareholder resolutions this year on various social and environmental issues. Nowadays, we're getting 20-50% or more of shareholders to agree with us. Many times, companies agree without having to go to the shareholder resolution process to improve their environmental profile.

Concerning performance issues, the pushback that I hear is something like this:

We recently got a call from the Somerville retirement board which is considering whether or not to divest from their pension. They had a study from their consultant or money manager who said, "You will lose 1% a year, and if you add that all up it will be \$10 million to the pensioners." But depending on the historical time period you look at, sometimes fossil fuel stocks do better than the market and sometimes they do less well. Independent studies show that the deviation from benchmark returns, known as tracking error, is theoretically small, less than 1% deviation over time. Basically, in the last few years, traditional energy stocks have been much less strong than the market. Last year, the market was up 14% and energy stocks were down 10%.

So it's very likely that the percent of a portfolio or percent of an investor universe devoted to traditional fossil fuels is not going to grow as fast as many other industries, especially renewable energy – especially if these fossil fuel reserves are "stranded" or unburnable or face high carbon taxes. Until about two years ago, renewable energy stocks actually didn't do as well as the market. They were very volatile. They were sort of new companies. But the cost differential is now coming down so that renewable energy is really paying off and investors are putting a lot of money into renewable energy. We think that will grow.

People look at how risky is a portfolio with fossil fuels and without fossil fuels. And various groups study the impact and the impact, theoretically, is extremely, extremely small – less than a 1% increase in potential deviation from the S & P 500 benchmark, if you exclude fossil fuels. Now, energy stocks tend to be more volatile (because they are a commodity business) than the market. So if you were to invest a portfolio without energy, it might actually be less risky. Especially with the fact that it's coming out of favor, it could be an area that you are not necessarily going to miss investing in.

How do we do it at Trillium? Our fossil-fuel-free product has done better than our portfolios with energy in it in recent years. We use portfolio optimization software to help us build a portfolio that seeks substitute stocks that will fill the energy hole in terms of company size, beta and risk. It helps us figure out what are the other industries that are similar to the energy industry? Which industries are going to track their behavior? A lot of the energy companies have bigger dividends so we will seek out companies with dividends and we will also re-invest in energy-efficiency companies, companies that are going to help us transition to cleaner, less carbon-intensive types of investments.

The green bond area is another area that our clients are investing in. Of our \$400 million in bond portfolios in our firm, about 25% of them are now in green bonds – renewable energy or real estate investment trusts that are investing in buildings that are going to go green LEED certified, upgrading their energy efficiency.

I agree that it's a moral issue myself. Some of our clients are happy to have us advocate and ask companies to reduce their emissions, and other people say it's absolutely the right thing to do to divest. It has been a very fascinating process to observe. And so, we will see how it works out. But I think the investment case is getting stronger and stronger for divestment.

Paul Harris, Moderator:

Thank you so much. I want to take a few minutes to see if any of the panelists have questions for each other.

Christopher Fox, Ceres:

I'd ask Sidni: What can people in this room do to support Divest Harvard?

Sidni Fredrick, Divest Harvard:

There are two websites that you should look at if you want to learn more.

First, go to divestharvard.com. You can sign our petition. If you are alumni/ae, you can sign up to join our email list. You can keep up to date with what we are working on and the work of other schools in the Northeast. You can also see if the school you went to, if you went to college, has an active divestment campaign. So it is a really good place to start if you are interested in supporting.

The other website is harvardfacultydivest.com. One of the really exciting developments of our campaign in the last year is that about a hundred faculty members have come together in support of us. They wrote their own open letter to the administration explaining why they support fossil fuel divestment. About 15 of them have formed a core group that works separately of us but coordinates with us and regularly communicates with the Harvard administration and with the Harvard Corporation.

If you go to their website, you can see their open letters and the administration's response. So you can see a whole record of the communication that has gone on.

Paul Harris, Moderator:

Sidni, can you give the dates for the Harvard Heat Week?

Sidni Fredrick, Divest Harvard:

Sure. It should be the week of April 13th- 18th. Everyone is invited. The Harvard Heat Week newsletter will be out soon.

Paul Harris, Moderator:

And as Sidni suggested, Harvard is one of those tipping point-type institutions – so that if Harvard divested it would be a huge deal all over the world.

Thank you, everyone.

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This transcript was provided by The National Classroom, Inc., a small organization developing workable solutions to educational problems of the 21st century. Our website is found at www.thenationalclassroom.com or Barney Brawer can be reached at barney.brawer@thenationalclassroom.com.

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