

Fossil Free UTAS

Media Briefing Note

Summary

1. Fossil Free UTAS is student group based in the south of Tasmania, with affiliates in the North and North-West of the state.
 - Group members are motivated by the impacts of climate change on all people, the Tasmanian and Australian environment and global biodiversity.
2. Fossil Free UTAS campaigns for The University of Tasmania (UTAS) to commit to full Divestment, before the Paris Climate Summit begins in late November 2015.
3. UTAS has a \$300m investment portfolio and \$30m in fossil fuels. This is managed by third party fund managers and direct equity managers.
4. UTAS has implemented [UNPRI](#) – six principles to guide ethical and socially responsible investing.
 - UTAS uses UNPRI to defend inaction on divestment.
 - UNPRI is not sufficient for Fossil Free UTAS as it does not prohibit the university from investing in fossil fuels.
5. Private meetings indicate many decision makers support the moral argument behind divestment.
 - Reasons not to divest include vulnerability of tertiary education funding, particularly under former Prime Minister Tony Abbott.
 - The Vice Chancellor has said to students “I wouldn’t be encouraging you if I didn’t think it [divestment] was going to happen.”

University of Tasmania Investments

From discussions with the Chief Financial Officer as of September 2015, The University of Tasmania had a \$300m investment portfolio. UTAS releases its annual general reports a year late, so the most current investment information is [2014](#) that lists the investment portfolio at \$276m. The [2013](#) annual general report listed the investment portfolio at \$253m.

Investments in Fossil Fuels

Fossil Free UTAS does not have direct access to UTAS financial information. Instead Right to Information (RtI) requests are the best source of information. These requests only reveal one part of the portfolio, the ‘direct investments’, investments under the university’s control. Fossil Free UTAS consulted with financial analysts on the best way to put a number on UTAS fossil fuel investments – as only 10% of the portfolio is visible. The most conservative estimate would be that a minimum of 10% of the portfolio would comprise of fossil fuels.

Right to Information Requests Summary

A quick examination of the table below shows that between 31 December 2012 and 30 June 2014, UTAS increased its direct fossil fuel holdings by 120%.

Company Name	Amount (\$)
31 December 2012	
Woodside Petroleum	141,516
Total direct fossil fuel investments:	141,516
30 June 2014	
New Hope Corporation Limited	90,718
Washington H Soul Pattinson & Company Limited	212,400
Woodside Petroleum Limited	717,549
AGL Energy Limited	600,624
Wesfarmers Limited	177,695
Total direct fossil fuel investments:	1,798,986

Financial Analysis

Given the lack of data, rigorous financial analysis of the university's fossil fuel investment performance is not possible. However this lack of data is something Fossil Free UTAS intends to remedy in the future. The table below represents a hypothetical scenario where the fossil fuel companies held on 30 June 2014 were held until 29 April 2015. This would have resulted in a – \$92,906 loss for the university from its fossil fuel investments.

Table One – University of Tasmania Direct Investments in Fossil Fuels (investments controlled directly by the University of Tasmania), June 2014 – April 2015, predicted profit and Loss:

Company (name)	Value 30 June 2014 (\$)	Value 29 April 2015 (\$)	Net profit/loss (\$)	Net profit/loss (%)
New Hope Corporation Limited	90,718	75,226	-15,492	-17.08%
Washington H Soul Pattinson & Company Limited	212,400	212,544	144	+0.07%
Woodside Petroleum Limited	717,549	617,612	-99,937	-13.93%
AGL Energy Limited	600,624	617,068	16,444	+2.74%
Wesfarmers Limited	177,695	183,630	5,935	+3.34%
Total	1,798,986	1,706,080	-92,906	-5.16%

The net profit and loss columns represent the profit and loss if the holdings remain unchanged. This hypothetical scenario is useful because it demonstrates how a broad range of fossil fuel companies did in that time. New Hope, Washington, Woodside are all pure play fossil fuel companies and they are also the worst performers in the portfolio. The reason for this is that there is currently a structural

shift in the world's energy mix away from fossil fuels, but especially coal. Demand growth for Oil, Gas and Coal is lower than almost all would have predicted five years ago, so new supply that was already under construction during the peak has dropped prices and profitability.

Arguments for divestment

The financial case for divestment

There is a strong business case for the university to divest its direct investments and managed funds from companies whose core business is the extraction, transportation and combustion of fossil fuels. All case studies indicate that portfolios which do not hold fossil fuel companies tend to meet or exceed the market average in their sector¹ with a negligible net increase in risk.²

There is increasing consensus among analysts that governments will begin to discourage fossil fuel investments in the short term in reaction to the threats posed by anthropogenic climate change. Thus far this has led to a controlled exit of capital from fossil fuel companies, but there is approximately \$20 trillion of fossil fuel reserves accounted for as assets by the market, of which 80% cannot be extracted or combusted if temperature rise is to be limited to (the largely arbitrary target) 2°C.

There is a substantial and growing risk that a “carbon bubble” could cause massive write-downs in the value of fossil fuel stocks.³ Such is the risk posed by this scenario that the Governor of the Reserve Bank of England, Mark Carney voiced his concern on the issue in late 2014.⁴ By examining the university's current direct investments in fossil fuels, it can be shown that pure play fossil fuel stocks are performing poorly. This significantly strengthens the argument that they should not be on the balance sheet.

This is case in the Australian share market, where these pure play fossil fuel companies are being battered by high capital costs, reduced international commodities demand and tough competition from large diversified players. A look at the international commodities price list will confirm that oil, gas, thermal and metallurgical coal prices have all retreated from high water marks of 24 months ago. The market is broadly split on whether this is a cyclical downturn (therefore an investment opportunity) or a structural decline in the market.

Fossil Free UTAS argues that the market has not yet completely factored in the risk of significant international and domestic pressure on these industries as a result of multilateral efforts to curb carbon pollution.⁵

The most financially prudent course for the university is to focus on its core business of education, to halt any immediate trading in pure play fossil fuel companies until the market resolves the question of whether the industry is in structural decline or merely a cyclical downturn.

The role of the University of Tasmania

¹ Responsible Investment Association of Australia, [Responsible Investment Benchmark](#), 2013

² Aperio Group, [Do the Investment Math: Building a Carbon Free Portfolio](#), 2013.

³ Carbon Tracker, [Unburnable Carbon: are the world's financial markets carrying a carbon bubble?](#) 2012

⁴ SRI UK, [Mark Carney & the Case for Fossil Fuel Divestment](#), 2014

⁵ Tim Buckley, [Fossil Fuels, Energy Transition & Risk](#), 2014

The University of Tasmania is a leader in the Australian and Tasmanian communities. There is a tacit and explicit expectation that UTAS will contribute solutions to the problem of climate change. Similar expectations exist around UTAS causing or contributing to anthropogenic climate change. The University has always asserted that it is a leader and backed this up with action. These actions are explicitly laid out in the UTAS' operations and educational operations, as well as in the huge resources the university contributes to the global effort to understand and therefore combat anthropogenic climate change.

UTAS is an incorporated entity under the University of Tasmania Act 1992 and as such has duty to conduct itself as a business for the benefit of all its constituents including: members of the University Council, academic and general staff, students and graduates.

There is a strong argument that it is in the interest of all the universities constituents to combat anthropogenic climate change for purely pragmatic reasons. This fact is realised by the students of the university, with 94% of students taking part in a Divestment survey stating that they supported divestment: "the university should be a leader in our community and use its investments to make a positive impact on important social and environmental issues." This is also supported by the open letter to the university, which currently sits just under 1000 signatures.

There are opportunities for the University of Tasmania to demonstrate its leadership role specifically in relation to anthropogenic climate change that will benefit its marketing and brand. To this end, UTAS must divest its current investments in the fossil fuel industry. Investments that are currently used by those companies to extract, transport and combust fossil fuels.

Divestment as an effective solution

There is strong consensus across all fields that individuals and institutions are powerful in their habits of consumption and investment. By changing habits to mitigate the impacts of their behaviour, individuals and institutions send a strong message to their peers and to the market. This inspires paradigm shifts and long term change that is the key solution to the issue of anthropogenic climate change. Fossil fuel companies will also find that the cost of finance steadily increases with a trend matching that of the popularity of divestment.

Timeline of Past Events:

- ◇ **14/10/15 – rally and occupation at SBAY Campus, satellite events at North and North-West campuses**
- ◇ 15/09/15 – UTAS cancels investment committee attendance
- ◇ 01/09/2015 – Divest by Paris Summit timeframe added to open letter ask
- ◇ 30/08/15 – Fliering at UTAS 125 State Reception
- ◇ 14/08/15 – 100 person rally and drop in at VCs office
- ◇ 30/07/15 – Student survey–94% of UTAS students in favour of divestment
- ◇ 15/07/15 – UTAS agrees to host FFUTAS at investment committee in October
- ◇ 21/05/15 – Divestment debate: Q&A hosted by Richard Ecclestone, speakers: Greg Barns, Naomi Edwards, Vicky Fysh
- ◇ 20/05/15 – Sit in to protest UTAS pulling out of Divestment Q&A, results in agreement for formal meeting
- ◇ 21/11/15 – Action at Australian Campuses towards Sustainability Conference
- ◇ 20/10/2014 – Banner action Sandy Bay Campus
- ◇ 15/08/2014 – RtI documents released, reveal 10% direct equity invested in fossil fuels.
- ◇ 05/06/2014 – first open letter response
- ◇ 15/04/2014 – Open letter launched.

Open Letter text

To the members of the University Council:

RE: Divest UTAS from Fossil Fuels before November Paris Climate Summit

I am writing to encourage the University Council to commit to divest from fossil fuels before the climate negotiations that will begin in Paris on 30 November 2015.

The University of Tasmania has around \$30 million invested in the fossil fuel industry, both in directly controlled equities and via third party fund managers.

In a survey of current students, 94% agreed that the university should use its investments to achieve positive outcomes on important social and environmental issues.

It is my understanding that among the University Council members there is a desire for the University to take leadership on this issue. The main barrier to action is that the Federal government will attack UTAS for taking positive climate action, as they did when the Australian National University divested.

The Paris Summit will be a national and international focal point for climate change leadership. Rallies to show support for climate action, attracting hundreds of thousands of people, will be held all over Australia and the world.

It is hard to imagine a more strategic and powerful moment for The University of Tasmania to announce its intention to divest. The University will have a global audience to whom they can declare themselves a leader on climate change, backed by climate scientists and major political leaders around the world.

UTAS will not be alone if it divests at this time; there are already two Australian universities with divestment policies and at least four others considering divesting.

Divesting from the fossil fuel industry will produce tangible environmental, financial and social benefits for UTAS and its constituents with no additional risk or lost profit (Investing in a Time of Climate Change, Mercer, 2015). Reflecting this, a growing number of universities and funds around the world are choosing to divest from fossil fuels, such as Stanford University in the US, Oxford University in the UK and the world's largest pension fund - the Government Pension Fund of Norway.

I endorse the requests put forward in the University of Tasmania Divestment Open Letter and I call on the University to divest in time for the Paris Climate Summit on 30 November, 2015.

Yours Sincerely