

The fossil fuel divestment game is getting bigger, thanks to the smaller players

Written by Luke Kemp, Lecturer in International Relations and Environmental Policy, Australian National University

Fossil fuel divestment is gathering pace around Australia and the world. More and more individuals and organisations are pulling their investment assets out of companies involved with the exploration, extraction, production or financing of fossil fuels.

The underlying reason is the brutal maths of climate change: to keep global warming within 2°C of pre-industrial levels – as both scientists and the [Paris climate agreement](#) say we must – around [80% of declared fossil fuel reserves](#) need to stay in the ground.

So far, 580 institutions, controlling assets [worth about US\\$3.4 trillion](#), have divested from fossil fuels. The top four types of divest institutions are faith-based groups, foundations, governments and educational institutions. The pattern in Australia is largely the same.

Local governments have been some of the most active organisations in the Australian divestment scene. Last week Sydney's city council [pledged to divest its A\\$500 million portfolio](#), regardless of the outcome of the forthcoming mayoral and council election.

It will join a list of [27 Australian local governments](#) that have divested since 2014. This includes other significant investors such as the City of Melbourne and the [ACT government](#). Sydney is the tenth Australian local government to have made a divestment pledge in 2016 alone.

Australian universities have joined in. In May, La Trobe University pledged to [divest its A\\$40 million portfolio](#) from fossil fuels. Swinburne University, with a portfolio of some A\$150 million, [agreed to pursue a similar goal](#) last December. And last week Queensland University of Technology (QUT) [agreed to pull its A\\$300 million fund out of fossil fuels](#).

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Many financial institutions have also joined the movement. So far [52 banks and credit unions](#) in Australia have publicly divested and will no longer fund fossil fuels. Among these are comparatively major players such as

[Bendigo Bank](#)

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Why now?

Beyond an underlying recognition of a need to move to a low-carbon economy, the trends driving the current flurry of divestment are manifold.

Part of the impetus is due to the growing financial case for divestment itself. This means that divestment, far from being a decision made in spite of lower financial returns, can actually lead to [better returns](#).

International events are probably also driving this year's prominent moves. The [negotiation of the Paris Agreement late last year](#), and its [recent ratification by both China and the United States](#), may make continued investment in fossil fuels [seem riskier](#)

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But the strongest force behind divestment seems to be simple public pressure from concerned citizens, investors and students. At every Australian university that has announced plans to divest, the decision has been made after lengthy “fossil-free” campaigns by students and academics. It has been a bottom-up phenomenon, rather than top-down, proactive actions by the administration.

Different approaches

The exact approaches to divestment have varied across institutions. Different organisations have adopted contrasting timelines and extents for their divestments, as well as differing approaches to transparency.

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[La Trobe University has pledged](#) to divest from the “top 200 publicly traded fossil fuel companies ranked by the carbon content of their fossil fuel reserves within five years”. This will be coupled with full carbon disclosure and annual reports on the state of divestment.

Similarly, Swinburne’s [responsible investment charter](#) says that it will divest from companies that earn significant revenues from fossil fuel extraction or coal power generation. This will be backed by full disclosure of investments and carbon exposure.

Others have been more ambiguous. QUT has directed its external fund manager to ensure that it has “no fossil fuel direct investments” and “no fossil fuel investments of material significance”. Sydney’s council has agreed to put coal, gas and oil extraction on its list of environmentally harmful activities that are to be avoided when investing.

Others have taken even more unconventional approaches. Both Monash University and the Australian National University (ANU) have taken first steps [partially divested](#) by targeting coal. The ANU, which [blacklisted seven specific resources firms in 2014](#), has made a point of reducing the [“carbon intensity” of its portfolio](#). This appears to have been done with view to reducing its carbon risk exposure. This is financially prudent, but it is not full divestment, and therefore not real moral leadership.

To draw a parallel with a previous campaign, it’s hard to imagine universities during the apartheid era bragging about reducing their “racism intensity” while stopping short of a full embargo.

It would be intriguing to compare the reductions in carbon intensity from full divestment to that of the ANU’s current approach. For now that is impossible since the ANU has not made details about its externally managed investments publicly available.

Given the diversity of actions there is a need to clarify what exactly constitutes full divestment. At the very least, transparency and carbon disclosure should be considered as necessities for accountability.

Truth to power

The main aim of fossil fuel divestment is not what many people tend to think. It's not about reducing carbon risk. It's not even primarily about financially wounding the fossil fuel industry. It's about taking away its social licence – turning fossil fuel firms into social pariahs, just like big tobacco.

There is also a curious element to the movement: it is not the powerful who are typically taking action.

Among government it is the local branches such as the ACT government and Sydney council that are taking action. No Australian state government has yet joined the ranks, while the federal government seems intent on making its climate policies as friendly as possible to the fossil-fuel industry.

Among universities, too, smaller institutions such as La Trobe, Swinburne and now QUT have led the charge. So far none of the [Group of Eight](#) elite universities has fully divested. It is odd, given their cherished status as “thought leaders” and drivers of national policy debate.

Among banks it has generally been the smaller players who have responded to climate science and investor concerns. None of the “big four” banks – Westpac, ANZ, NAB and the Commonwealth Bank – has divested. Instead they funded the fossil fuel industry to the tune of [A\\$5.5 billion](#) last year.

But as divestment gathers pace, powerful institutions will soon have no choice but to jump aboard the juggernaut or be left behind. Once national governments, major banks and superannuation and pension funds divest, the financial bottom line of the fossil fuel industry may actually take a hit.

Destroying a social licence can eventually lead to financial losses. Markets, like movements, often operate by critical mass.

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In historical hindsight the first movers of divestment will be viewed fondly. The laggards, meanwhile, will probably be seen by future generations as 21st-century Neros, fiddling with their money while the planet burned.

Luke Kemp has received funding from the Australian and German governments. He is an active member of the Fossil Free ANU campaign.

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