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University of California Regents Reject Historic Faculty Vote to Divest UC Funds from Fossil Fuels

San Diego, CA – On Wednesday, July 17, at the UC Regents meeting in San Francisco, the following UC Faculty Memorial was presented: ***“The U.C. Academic Senate petitions the Regents to divest the University’s endowment portfolio of all investments in the 200 publicly traded fossil fuel companies with the largest carbon reserves.”*** The Memorial was voted on by faculty at all 10 UC campuses, and received a combined vote of 77% in favor. Robert May, Chair of the statewide University of California Academic Senate presented the Memorial with an impassioned appeal to the Regents to formally divest. However, the Regents did not further consider the Memorial in open session, and did not put it on their agenda for a future meeting. Rather, the Regents only re-iterated their previous position via a statement by Regent Roger Sherman, Chair of the Investments Committee. The UC Public Affairs Office declined to comment as to how that statement had been arrived at or authorized.

In his statement, Regent Sherman rejected divestment because the Regents are required to put the financial interests of the University first (“fiduciary responsibility”), and to consider the Climate Crisis just like any other “material risk.” He further noted that for the past five years, he and Chief Investment Officer Jagdeep Bachher have not found good investment opportunities in fossil fuel stocks. Critically, he did not commit to a timeline for divestment, or even rule out that UC would purchase fossil fuel stocks in the future.

We find the response of the Regents to be deeply disappointing in both process and content. With regard to process, according to its 1868 charter, governance of the University is shared between the Regents and the Academic Senate. The Memorial is the outcome of many students, faculty and staff working for the past 7 years. In 2013, the student representatives at UC Berkeley voted unanimously to request the Regents to divest. Student initiatives on multiple campuses echoed that request and asked their faculty for support, leading to votes in the Academic Senates at UC Santa Barbara, UC San Diego, and UC Santa Cruz, urging the Regents to divest. The Regents did not respond to these resolutions, so the Memorial process was initiated last year by UC San Francisco. This rarely-used process is only used for major concerns of the Faculty, and requires two separate votes on all 10 UC campuses. These votes were informed by a careful consideration of the arguments pro and con. The con arguments were essentially those that the Regents have previously put forward against divestment. When 77% of the voting Faculty rejected those arguments, the Regents gave no indication of having reconsidered their position, nor requested any clarification or evidence for the Faculty’s reasoning. We feel that this apparent refusal to seriously consider the Memorial to be inconsistent with the principal of shared governance.

With regard to content, the fiduciary responsibility of the Regents does not prevent divestment from fossil fuel stocks. Indeed, the Regents have recently voted to divest from Sudan and private prisons. In 1986, UC divested from companies doing business with South Africa, an action that Nelson Mandela identified as a turning point in the struggle against Apartheid. Furthermore, UC faculty have been leaders in establishing the scientific consensus that avoiding climatic disasters requires that most carbon reserves stay in the ground, which would cause the value of those stocks whose divestment was requested by the Memorial to plummet. Conversely, if the carbon reserves are burned, those stocks would again fall because they are tied to the world economy that could no longer be supported by our severely degraded biosphere. Indeed, fossil fuel stocks have performed relatively poorly since the students first requested the Regents to divest from them. From a purely financial fiduciary viewpoint, fossil fuel stocks are risky, and have prospects that are extremely unlikely to improve.

We are now at a tipping point in the energy balance governing the future livability of our planet. The outcome depends on the concurrent sociopolitical tipping point in what we do about carbon emissions. It is not too late for the Regents to divest. By doing so they would place the intellectual prestige of one of the world’s largest and most respected universities behind the emerging global consensus for effective action.