

University of Dayton divests from fossil fuels

Brian Roewe | Jun. 24, 2014 Eco Catholic

The University of Dayton is leaving fossil fuels in the dust, at least in its investments.

The Marianist school in Dayton, Ohio, announced Monday its board of trustees unanimously approved a new investment policy for its \$670 million endowment that will begin the process of divesting from coal, oil and other fossil fuels.

Currently, about 5 percent, or \$34 million, of Dayton's investment pool lies in fossil fuel stocks. The university targeted about 200 firms with significant carbon fuel reserves, and have already begun the process of divesting from domestic equity accounts.

A second phase will see it pull out of fossil fuels in its international holdings, while at the same time seeking substitute investments in green and sustainable technologies, and developing filters to restrict future investments in fossil-fuel supported hedge funds or private equity. The school will review its progress in 18 months.

"This is a path for the University of Dayton to move forward and live up to mission," Dayton president Daniel Curran told *NCR* Monday, one that reflects its commitment to environmental sustainability, human rights and its religious mission

Earlier in the day [in a press release](#) [1], Curran described the move as "a significant step in a long-term process" consistent with Catholic social teaching, its Marianist values and campuswide commitments to sustainability.

"We cannot ignore the negative consequences of climate change, which disproportionately impact the world's most vulnerable people," he said in the release. "Our Marianist values of leadership and service to humanity call upon us to act on these principles and serve as a catalyst for civil discussion and positive change that benefits our planet."

In the past year calls for divestment have become more vocal on college campuses, in large part due to a nationwide campaign launched by 350.org, a climate change grassroots organization headed by Bill McKibben. Go Fossil Free campaigns have begun [at several Catholic schools](#) [2], including Georgetown University and Boston College.

Unlike those institutions, the idea of divestment at Dayton was not triggered by students, but through its investment committee in a conversation begun a year ago about socially responsible investing. The committee explored numerous questions related to divestment: What would be the impact of such a decision? Who would be included? How would it impact investment returns?

In addition to the financial aspects of investing, the committee examined statements from the U.S. Conference of Catholic Bishops, and recent comments on the environment made by Pope Francis.

Through ongoing conversations and numerous consultations with investing firms, the committee determined it

could take the divestment step without financially jeopardizing the university's future.

"We considered many factors, we went through this in an unbiased way," Curran said.

The primary risk factors included the possibility of sacrificing the school's future by not meeting return mandates, as well as subjecting the portfolio to unnecessary volatility. Because fossil fuel stocks represented a small fraction of the endowment, the risk of added volatility was minimized; still, a larger share would not have precluded the investment committee from pursuing divestment.

"If it had been a third, we think again we could get [stock] replacements. The potential for volatility would be greater, but even then in the discussions, we feel that we would be bringing in investments that would yield a similar level of risk," Curran told *NCR*.

But remaining invested in fossil fuels can pose risks, too. Thomas Van Dyck, a senior vice president with RBC SRI Wealth Management Group, which consulted the university, stated that valuation of fossil fuel companies "assumes every single drop of oil, everything they have in the ground, will be taken out."

Increasingly, carbon regulations and growing global demands for action on climate change have challenged the reality of such estimations.

"More and more people are understanding the financial risk underlying fossil fuels in the stock market and taking the appropriate action," Van Dyck said in a press release.

Part of the conversation also addressed a common debate: divestment versus shareholder advocacy. By maintaining investments, theoretically the school could influence energy companies in their practices -- an argument [espoused by several universities](#) [3] challenged by students to divest. At Dayton, Curran said they were realistic about the impact the shareholder route afforded.

"It would take a very large group of institutions at that level to have an impact. So we felt that limited divestment around certain areas was a more strategic way to go," he told *NCR*.

Curran acknowledged that for the trillion-dollar energy industry, the loss of \$34 million will hardly cause a ripple.

"We know at most levels it's symbolic," the Dayton president said. "And again, we felt we had to be on the right side of this."

The decision to divest has received positive reviews from several climate-focused religious groups. Dan Misleh, executive director of the Catholic Climate Covenant, which does not have a position on divestment, said Dayton "is looking beyond its bottom line" and "putting into practice" the themes of prudence, poverty and the common good that emerged from the U.S. bishops' [2001 document on climate change](#) [4].

Doug Demeo, a GreenFaith fellow and an adviser on socially responsible investments, said "we should be grateful for their bold initiative in this critical matter, and hopeful that other Catholic institutions exhibit similar fidelity and leadership in the divestment and reinvestment of their investments."

In the press release, Michael Galligan-Stierle, president of the Association of Catholic Colleges and Universities, applauded Dayton "as perhaps the first U.S. Catholic university to divest from fossil fuels."

"This is a complex issue, but Catholic higher education was founded to examine culture and find ways to advance the common good. Here is one way to lead as a good steward of God's creation," Galligan-Stierle said.

Curran has spoken with other Catholic institutions of higher education about divestment, most recently in June at the annual ACCU board meeting held in Kansas City. He told *NCR* other schools are probably at the point Dayton was a year ago, but that the issue is becoming more prominent.

"This is important for faith-based institutions to have this discussion, that it should be around mission, that you look at what our students are concerned about," said the Dayton president, offering his university as an asset for others choosing to explore divestment.

"Is it a plan that could work for every institution? I think every institution is going to have to look at its investment pool differently and what they can do and what they can't do, but it's what we think was the right thing for the University of Dayton," he said.

Even with divestment, fossil fuels won't completely disappear from Dayton, where nearly 90 percent of its on-campus energy comes from coal.

"That's the contradiction here. How do we live up to that? How do we address our carbon footprint on campus?" Curran said.

In that regard, the school has made other sustainability commitments. As a member of the American College and University Presidents' Climate Commitment, Dayton has pledged to go carbon neutral by 2050. In addition, it began Ohio's first master's program in clean and renewable energy in 2008, and two years later, began offering a minor in sustainability, energy and environment.

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[1] http://www.udayton.edu/news/articles/2014/06/dayton_divests_fossil_fuels.php

[2] <http://ncronline.org/preview-our-nov-8-colleges-universities-special-section>

[3] <http://www.harvard.edu/president/fossil-fuels>

[4] <http://www.usccb.org/issues-and-action/human-life-and-dignity/environment/global-climate-change-a-plea-for-dialogue-prudence-and-the-common-good.cfm>