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At last, divestment is hitting the fossil fuel industry where it hurts

Bill McKibben

Trillions of dollars of investments are being taken out of carbon-intensive companies. Governments must now take notice

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'We have recently marked the 1,000th divestment in what has become by far the largest anti-corporate campaign of its kind.' Photograph: Dazman/Getty Images/iStockphoto

I remember well the first institution to announce it was divesting from fossil fuel. It was 2012 and I was on the second week of a gruelling tour across the US trying to spark a movement. Our roadshow had been playing to packed houses down the west coast, and we'd crossed the continent to Portland, Maine. As a raucous crowd jammed the biggest theatre in town, a physicist named Stephen Mulkey took the mic. He was at the time president of the tiny Unity College in the state's rural interior, and he announced that over the weekend its trustees had voted to sell their shares in coal, oil and gas companies. "The time is long overdue for all investors to take a hard look at the consequences of supporting an industry that persists in destructive practices," he said.

Six years later, we have marked the 1,000th divestment in what has become by far the largest anti-corporate campaign of its kind. The latest to sell their shares - major French and Australian pension funds, and Brandeis University in Massachusetts - bring the total size of portfolios and endowments in the campaign to just under $8 trillion (£6.4tn).

The list of institutions that have cut their ties with this most destructive of industries encompasses religious institutions large and small (the World Council of Churches, the Unitarians, the Lutherans, the Islamic Society of North America, Japanese Buddhist temples, the diocese of Assisi); philanthropic foundations (even the Rockefeller family, heir to the first great oil fortune, divested its family charities); and colleges and universities from Edinburgh to Sydney to Honolulu are on board, with more joining each week. Forty big Catholic institutions have already divested; now a campaign is urging the Vatican bank itself to follow suit. Ditto with the Nobel Foundation, the world's great art museums, and every other iconic institution that works for a better world.

Thanks to the efforts of groups such as People & Planet (and to the Guardian, which ran an inspiring campaign), half the UK's higher education institutions are on the list. And so are harder-nosed players, from the Norwegian sovereign wealth fund (at a trillion dollars, the largest pool of investment capital on Earth) to European insurance giants such as Axa and Allianz. It has been endorsed by everyone from Leonardo DiCaprio to Barack Obama to Ban Ki-moon (and, crucially, by Desmond Tutu, who helped run the first such campaign a generation ago, when the target was apartheid).

And the momentum just keeps growing: 2018 began with New York City deciding to divest its $189bn pension funds. Soon the London mayor Sadiq Khan was on board, joining the New York mayor Bill de Blasio to persuade the other financial capitals of the planet to sell. By midsummer Ireland became the first nation to divest its public funds. And this month, a cross-party group of 200 MPs and former MPs called on the their pension fund to phase out its substantial investment in fossil fuel giants.

Heavy hitters like that make it clear that the first line of objection to fossil fuel divestment has long since been laid to rest: this is one big action you can take against climate change without big cost. Indeed, early divesters have made out like green-tinged bandits: since the fossil fuel sector has badly underperformed on the market over recent years, moving money into other investments has dramatically increased returns. Pity, for instance, the New York state comptroller Thomas DeNapoli - unlike his New York City counterpart, he refused to divest, and the cost has been about $17,000 per pensioner.

The deeper question, though, is whether divestment is making a dent in the fossil fuel industry. And there the answer is even clearer: this has become the deepest challenge yet to the companies that have kept us on the path to climate destruction.

Former UN climate chief Christiana Figueres with President-designate of COP21 Laurent Fabius, at the Paris summit in 2015. Photograph: Stephane Mahe/Reuters

At first we thought our biggest effect would be to rob fossil fuel companies of their social licence. Since their political lobbying power is above all what prevents governments taking serious action on global warming, that would have been worth the fight. And indeed academic research makes it clear that's happened - one study concluded that "liberal policy ideas (such as a carbon tax), which had previously been marginalised in the US debate, gained increased attention and legitimacy". That makes sense: most people don't have a coal mine or gas pipeline in their backyard, but everyone has - through their alma mater, their church, their local government - some connection to a large pot of money.

As time went on, though, it became clear that divestment was also squeezing the industry. Peabody, the world's biggest coal company, announced plans for bankruptcy in 2016; on the list of reasons for its problems, it counted the divestment movement, which was making it hard to raise capital. Indeed, just a few weeks ago analysts at that radical collective Goldman Sachs said the "divestment movement has been a key driver of the coal sector's 60% de-rating over the past five years".

Now the contagion seems to be spreading to the oil and gas sector, where Shell announced earlier this year that divestment should be considered a "material risk" to its business. That's how oil companies across the world are treating it - in the US, petroleum producers have set up a website designed to discredit divestment,. and for a while had me under round-the-clock public surveillance. The pressure is not preventing anyone from acting: when Yale arrested 48 brave students who were occupying its investment offices last week, they left chanting: "We'll be back."

Divestment by itself is not going to win the climate fight. But by weakening - reputationally and financially - those players that are determined to stick to business as usual, it's one crucial part of a broader strategy. The Carbon Tracker initiative in London published the first report laying out the fact that the fossil fuel industry has five times more carbon in its reserves than any climate scientist thinks is safe. And with activists marching and going to jail, phrases such as "stranded assets" were soon appearing in the mouths of everyone from hedge fund managers to the governor of the Bank of England.

As Christiana Figueres, the former UN climate chief who managed to push through the

Paris accords in 2015, put it: “The pensions, life insurances and nest eggs of billions of ordinary people depend on the long-term security and stability of institutional investment funds. Climate change increasingly poses one of the biggest long-term threats to those investments and the wealth of the global economy.” Last year she turned down an honorary degree from a US university because it hadn’t yet sold its stock.

We can’t count on governments alone to do the work necessary – governments, from Canada and America to Russia and Saudi Arabia to China and India, are still too often beholden to the fossil fuel companies. We need to keep pushing hard on those companies – and we will.

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