

Financial justification for divestment from fossil fuels

1. It is the best guarantee for Princeton to maintain its financial health and thus vital for university initiatives such as financial aid.

- [Two major financial management firms, BlackRock and Meketa](#), have separately concluded that investment funds have experienced **no negative financial impacts from divesting from fossil fuels** (March 2021). In fact, they found **evidence of modest improvement in fund return**.
- Large funds have started to divest. In January 2021, [NYC divested 3 pension funds worth \\$4 billion](#) from fossil fuels.
- Divestment actions by hundreds of funds worldwide have **passed the prudence tests required of fiduciaries**.
- **Fossil fuel stocks have underperformed for the last five years** and forward-looking analysis shows they are **exposed to significant regulatory, technological and market risks**.

2. It is Princeton's fiduciary responsibility to divest.

- According to a [report](#) from the Commodity Futures Trading Commission, "Climate change poses a major risk to the stability of the U.S. financial system and to its ability to sustain the American economy."
- The fossil fuel industry is facing a future full of financial risk [because of their looming liability](#). States and cities are [suing fossil fuel companies](#) for knowingly misleading the public about the dangers of fossil fuels and for causing climate change, which is now costing governments billions in mitigation and adaptation.
- The fossil fuel industry is facing a future full of financial risk because their assets will be stranded. According to [coverage](#) of a report on oil from the equity research firm [Redburn](#) in 2019, "the danger for oil companies and their shareholders is that billions of dollars' worth of investments are tied up in projects that may ultimately be abruptly cut off or otherwise rendered uneconomical." Also see [coverage](#) of the report in the Financial Times.
- Crucially, refusing to divest has not helped PRINCO's returns. In fact, PRINCO has underperformed recently, coming in 5th amongst Ivy endowments for the last 2 years. Meanwhile, Brown has fully divested and [leads in Ivy endowment returns](#) with [12.4% in 2019](#) and [12.1% in 2020](#).
- Coverage of PRINCO's underwhelming returns *without divestment* for the last 5 years:

[2020 5.6](#) [2019 6.2](#) [2018 14.2](#) [2017 12.5](#) [2016 0.8](#)

For further synopsis and analysis of the financial case for divestment, see this recent article by Bill McKibben in The New Yorker on "[The Powerful New Financial Argument for Fossil Fuel divestment](#)."

More information and articles at divestprinceton.com