10 myths about fossil fuel divestment put to the sword

As environmentalist Bill McKibben lays out the case for divesting from coal, oil and gas companies, we examine some of the popular myths around fossil fuel divestment

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Aerial view of coal trains, tracks and port along river, Newport, Virginia, US. Photograph: Cameron Davidson/Corbis

1. Divestment from fossil fuels will result in the end of modern civilisation

It is true that most of today's energy, and many useful things such as plastics and fertilisers, come from fossil fuels. But the divestment campaign is not arguing for an end of all fossil fuel use starting tomorrow, with everyone heading back to caves to light a campfire. Instead it is arguing that the burning of fossil fuels at increasing rates is driving global warming, which is the actual threat to modern civilisation. Despite already having at least three times more proven reserves than the world's governments agree can be safely burned, fossil fuel companies are spending huge sums exploring for more. Looked at in that way, pulling investments from companies committed to throwing more fuel on the climate change fire makes sense.

2. We all use fossil fuels everyday, so divestment is hypocritical

Again, no-one is arguing for an overnight end of all fossil fuel use. Instead, the 350.org group which is leading the divestment campaign calls for investors to commit to selling off their coal, oil and gas investments over five years. Fossil fuel burning will continue after that too, but the point is to reverse today's upward trend of ever more carbon emissions into a downward trend of ever less carbon emissions. Furthermore, some of those backing a "divest-invest" strategy move money into the clean energy and energy efficiency sectors which have already begun driving the transition to a low-carbon world.

3. Divestment is not meaningful action – it's just gesture politics

The dumping of a few fossil few stocks makes no immediate difference at all to the amount of carbon dioxide entering the atmosphere. But this entirely misses the point of divestment, which aims to remove the legitimacy of a fossil fuel industry whose current business model will lead to "severe, widespread and irreversible" impacts on people. Divestment works by stigmatising, as pointed out in a report from Oxford University: "The outcome of the stigmatisation process poses the most far-reaching threat to fossil fuel companies. Any direct impacts pale in comparison."

The "gesture politics" criticism also ignores the political power of the fossil fuel industry, which spent over $400m (£265m) on lobbying and political donations in 2012 in the US alone. Undercutting that lobbying makes it easier for politicians to take action and the Oxford study showed that previous divestment campaigns – against apartheid South Africa, tobacco and Darfur – were all followed by restrictive new laws.

Those comparisons also highlight the moral dimension at the heart of the divestment campaign. Another dimension is warning investors that their fossil fuel assets may lose their value, if climate change is tackled. Lastly, backing divestment does not mean giving up putting direct pressure on politicians to act or any other climate change campaign.

A cardboard version of the Statue of Liberty stands in the ocean at the Gaviota Azul beach in Cancun, Mexico. Photograph: Stringer/Reuters

4. Divestment is pointless – it can't bankrupt the coal, oil and gas companies

More organisations are divesting all the time, from Oslo city council to Stanford University to the Rockefeller Brothers Fund, but the sums are indeed relatively small when compared to the huge value of the fossil fuel companies. But the aim of divestment is not to bankrupt fossil fuel companies financially but to bankrupt them morally. This undermines their influence and helps create the political space for strong carbon-cutting policies – and that could have financial consequences. Investors are already starting to question the future value of the fossil fuel companies' assets and, for example, it is notable that no major bank is willing to fund the massive Galilee basin coal project in Australia. This myth can also be turned on its head by considering the risk of fossil fuel companies bankrupting their investors. Many authoritative voices, such as the heads of the World Bank, Jim Yong Kim, and the Bank of England, Mark Carney, have warned that many fossil fuel reserves could be left worthless by action on climate change. If the retreat from fossil fuels does not happen in a gradual and planned way investors could lose trillions of dollars as the "carbon bubble" bursts.

5. Divestment means stocks will be picked up cheaply by investors who don't care about climate change at all

To sell a stock you have to have a buyer. But the amounts being divested are too small to flood the market and cut share prices, so they won't be going cheap. Also, the buyers of the stock are taking on the risk that the fossil fuel stocks may tank in the future, if the world's nations fulfil their pledge to keep global warming below 2C by sharply cutting carbon emissions. If these stocks are risky, then the public and value-based institutions primarily targeted by the divestment movement should not be holding them. The argument that owning a stock gives you influence over a company leads us neatly into the next divestment myth. Guardian journalists explain the 'keep it in the ground' theory in easy to understand terms

6. Shareholder engagement with fossil fuel companies is the best way to drive change

This argument would have merit if there was much evidence to support it. When, for example, the Guardian asked the Wellcome Trust to give instances where engagement had produced change, it could not. And as campaigner Bill McKibben has pointed out, engagement is unlikely to persuade a company to commit to eventually putting itself out of business. In fact some market regulators, such as in the US, do not allow this kind of engagement.

The leading environmentalist Jonathon Porritt spent years engaging with fossil fuel companies only to conclude recently that such efforts were futile. Nonetheless, serious engagement could drive some change and 2015 has seen both BP and Shell having to support such shareholder resolutions. But such resolutions need specific changes and deadlines to be effective. Whatever your view, remember this is not an either/or situation. Many campaigners view divestment as the stick and engagement as the carrot, with both aiming for the same ultimate goal.

Traders work in the crude oil options pit at the New York Mercantile Exchange in New York, US. Photograph: Michael Nagle/Getty Images

7. Divestment means investors will lose money

Many of those who have divested so far are philanthropic organisations, universities and faith groups who use their endowments to fund their good works. Selling out of fossil fuels would cut their income, say critics, as those companies have been very profitable investments over the last few decades.

The first response to this is money does not trump morality for many of these groups. But the second is that when it comes to investments, the past is no guide to the future. Coal stocks have plummeted in value in recent years, as has the oil price in recent months, meaning recently divested funds have actually avoided losses. Furthermore, a series of analyses have suggested divestment need not dent profits.

Of course, oil prices might rebound, possibly even coal prices. But such volatility is unwelcome for investors looking for steady incomes. And for long-term investors, major financial institutions including HSBC, Citi, Goldman Sachs and Standard and Poor's have all warned of the risks posed by fossil fuel investments, particularly coal.

Perhaps the best response to this myth is that the proof of the pudding is in the eating: over 180 organisations have already asked themselves if divestment would help or hinder their missions and then gone ahead and done it. The most notable is the Rockefeller Brothers Fund, founded on a famous oil fortune. Valerie Rockefeller Wayne noted that funding companies that cause the problems being tackled by their programmes is pretty dumb: "We had investments that were undermining our grants."

8. Fossil fuels are essential to ending world poverty

Fossil fuel supporters often argue that coal, oil and gas made the modern world and is vital to improving the lives of the world's poorest citizens. It is an emotive argument. But the most recent report from the UN's Intergovernmental Panel on Climate Change, written and reviewed by thousands of the world's foremost experts and approved by 195 of the world's nations, concluded the exact opposite. Climate change, driven by unchecked fossil fuel burning, "is a threat to sustainable development," the IPCC concluded.

It warned that global warming is set to inflict severe and irreversible impacts on people and that "limiting its effects is necessary to achieve sustainable development and equity, including poverty eradication". The IPCC went even further, stating that climate change impacts are projected "to prolong existing and create new poverty traps".

That could not really be clearer. The challenge is to ensure poverty is ended by the large-scale deployment of clean technology, and shifting money out of fossil fuels by divesting could help that.

Smog in China: an airplane flies past the Canton Tower, better known as Guangzhou TV Tower, on a hazy day in Guangzhou, Guangdong province, China. Photograph: China Stringer Network/Reuters

9. Most fossil fuels are owned by state-controlled companies, not the publicly traded companies targeted by divestment

This is true. The International Energy Agency estimates that 74% of all coal, oil and gas reserves are owned by state-controlled companies. The most straightforward response to this is that divestment is just one of many ways of trying to curb carbon emissions and that international action at state level will of course be essential. But there are reasons why divestment could help. The listed fossil fuel companies have huge influence and undermining their power could embolden politicians in leading nations to deliver ambitious international climate action.

In any case, many of the biggest state-controlled companies float some of their stock, while also contracting the publicly traded companies to help extract their reserves. Furthermore, the state-controlled reserves tend to be the ones that are easiest and cheapest to extract and are therefore the most sensible to use in filling up the last of the atmosphere's carbon budget, the trillion tonnes or so of carbon that scientists say is the limit before dangerous climate change kicks in. Last, the extreme and expensive hydrocarbons that really must stay in the ground – such as tar sands, the Arctic and ultra deep water reserves – are the near exclusive preserve of listed companies.

10. It's none of your business how other people invest their money

First, some divestment campaigners target their own pensions funds – it is their money. But even if it is not, the impacts of fossil fuel investments are not limited to the stock owners themselves. The carbon emissions from fossil fuel burning are causing climate change that affects everyone on Earth. Furthermore, the "none of your business" argument would imply no divestment campaign was legitimate, meaning the harm caused by tobacco and apartheid South Africa would have gone on longer.