

# THE CASE FOR CATHOLIC DIVESTMENT

## The Global Challenge of our Lifetime

Well established climate science demands we take urgent action to curb greenhouse gases. To have a chance of keeping global temperature rise within a 2°C limit, around 80% of known fossil fuel reserves need to remain in the ground. Yet the industry is banking on burning this and spending billions prospecting for more. As part of the landmark Paris climate agreement, national commitments require increased ambition over time to avoid catastrophic climate change. Compounding matters, the United States has pulled out of this international agreement and is setting federal policies driving a fossil fuel frenzy and clean energy slowdown. The world needs stronger climate action, not less.

## Catholic Moral Authority

In a long line of Catholic social teaching, Pope Francis has made impassioned calls to responsibly care for our common home. *Laudato Si'* expresses his concern over ecological degradation and its toll on the human family that disproportionately harms the poor and most vulnerable. In response to the climate crisis, the encyclical states: “We know that technology based on the use of highly polluting fossil fuels – especially coal, but also oil and, to a lesser degree, gas – has to be progressively replaced without delay.” Further, a 2015 statement by Catholic Bishops from all continents stressed to, “Put an end to the fossil fuel era... and provide affordable, reliable and safe renewable energy access for all.” Called to listen to the cry of the earth and cry of the poor and address climate injustice, Catholic institutions have a moral imperative to speed the clean energy transition.

## Divestment Momentum

The fossil fuel industry’s business model is in fundamental conflict with life on earth. In a world committed to stay below 2°C warming, investors are putting pressure where it counts and using their assets to continue pushing the energy sector away from fossil fuels. Faith groups, universities, foundations, financial institutions, pensions and cities have been leading the global [Divest-Invest movement](#) in resistance to recklessness and complacency. To date, nearly 700 institutions totaling a value of more than [\\$5.2 trillion](#) have divested from fossil fuel companies. So far, 70 Catholic institutions have committed to divest including the Franciscan Sisters of Mary, Georgetown University, Missionary Society of St. Columban, and the University of Dayton. As part of the Global Catholic Climate Movement’s [Fossil Free Pledge](#) initiative, Catholic pledges are ramping up. 40 pledges were jointly announced last October, 20 more confirmed will be announced in April 2018, with another 30-40 in the works. Divestment is having a real-world impact on the entrenched fossil fuel industry. It’s weakening their social license and political grip (globally and locally at the moment) and prompting financial markets to recognize its inherent climate risk. Several recent financial industry reports by BlackRock, Moody’s, Mercer, and Fitch now cite climate risk as a [fiduciary concern](#).

## **Aligning Investments with Mission Integrity**

Efforts to protect our common home should not stop at the investment committee, where truly much can be done. Catholic institutions have the privileged position of stewarding substantial financial assets, and already follow ethical investment guidelines and screen out morally intolerable companies. However, most portfolios do not yet take climate change into account, and likely hold significant investments that threaten the future of the planet. Investors and fund managers may be unaware of the ways in which climate-harming sectors and corporations may be undermining the Catholic social mission, or how their investments could contribute toward global climate solutions. In this context, it's necessary to review investment strategies and craft new guidelines. Careful examination by institutional leadership and investors should inform a deeper understanding of climate science, Catholic social teaching on ecological citizenship, and the growing financial risks of fossil fuel investments (overpriced unburnable stranded assets, climate litigation, etc.). Fiduciaries need to ensure that investments are fiscally sound and also consistent with the mission and values of the institution they serve. This may involve divestment AND shareholder engagement alongside SRI (sustainable, responsible, impact) investing. In a candid dialogue, the question remains - is it morally acceptable to profit from an industry whose core business will destroy life on a monumental scale? To assist with this process, see [Ethical Investments in an Era of Climate Change](#), a step-by-step guide to work through Catholic investment strategies.

## **The Reality of a Fossil Free Portfolio**

The most common form of divestment excludes the 200 largest fossil fuel companies (by reserves). The Catholic pledge calls for a phase out within five years. Time tested [Catholic case studies](#) can help demystify the process and dispel [myths](#). It's important to note, with proper management divestment is unlikely to cause a deleterious impact on financial performance. Fossil free portfolios have met or exceeded market index benchmarks.\*\* Following divestment, broader institutional benefits have ranged from engaging younger generations interested in sustainability to recruiting talented staff attracted to serious mission commitment. Fortunately, the market has acclimated to the growing Divest Invest movement; more transparency tools and fossil free financial products have come available. Today in a world where everything is customized, divesting a portfolio is a very doable undertaking. As investment committee members and fund managers may lack knowledge in this realm, consulting with specialists is recommended (see attached list of experts and divested institutions\*\* willing to help).

## **Lead by Example**

We simply cannot continue business as usual. The magnitude of the climate crisis requires bold decisions. All levers of change are urgently needed to turn the tide. As Archbishop Desmond Tutu has said, "People of conscience need to break their ties with corporations financing the injustice of climate change." By striking a new path and joining the Divest Invest movement, the Catholic institutions can help lead the next era of mission investing. Hope remains with acts of courage, conviction, and responsibility.

## Prominent Divest-Invest Specialists

*University of Dayton\*\* (after 12-month exploration, divested \$670M endowment with unanimous vote in July 2014)*

[George Hanley](#) – UD trustee, championed divestment on the Investment Committee, also CoDirector of the Hanley Foundation\*\* that divested in 2014 (Chicago)

[Fr. Martin Solma](#), provincial of the Marianist Province of the United States, UD Trustee, championed divestment on the Investment Committee (Dayton)

[Andy Horner](#), UD's Vice President of Finance/CFO (Dayton)

[Matt Porter](#), financial consultant with DiMeo Schneider, the investment firm managing University of Dayton's divested endowment (Chicago)

[Vince Miller](#) – Chair of Catholic Theology, and editor of [The Theological and Ecological Vision of Laudato Si'](#) (Dayton)

*Franciscan Sisters of Mary\*\* (completed divestment in 2014, leader of mission investing)*

[John O'Shaughnessy](#) - CEO & CFO of Franciscan Sisters of Mary, oversees their fully divested/SRI assets, board member of Global Catholic Climate Movement (St. Louis)

[Tom Van Dyck](#) - RBC Wealth Management SRI Managing Director/Financial Advisor & Founder/Chair of As You Sow, longtime leader in field of socially responsible investing and Divest Invest, presented on divesting to UD's investment board (San Francisco)

[Mark Campanale](#) – Founder of the Carbon Tracker Initiative, conceived the seminal 'unburnable carbon' capital markets thesis and editor of the report, [Unburnable Carbon: Are the World's Financial Markets Carrying a Carbon Bubble?](#) (London)

[Tomás Insua](#) - Founding Executive Director of the Global Catholic Climate Movement which is organizing Catholic divestment efforts worldwide (Rome, visiting Chicago this March as a speaker at Loyola's Climate Conference)

[Lorna Gold](#) – Trócaire's Head of Policy and Advocacy, board member of Global Catholic Climate Movement, leading divestment efforts in Ireland (Trócaire & the country of Ireland divested) (Dublin)

[Rev. Fletcher Harper](#) – GreenFaith's Executive Director, leading global faith based Divest Invest efforts and catalyst of the [SHINE](#) campaign (New Jersey)

[Ellen Dorsey](#) – Executive Director of the Wallace Global Fund\*\* (divested in 2012), catalyst of Divest Invest Philanthropy and the [SHINE](#) campaign, Catholic, involved with Vatican impact investing talks (Washington DC)

[Erin Lothes Biviano](#) - an American Catholic theologian at the College of Saint Elizabeth, offers a theological perspective on environmental issues including Laudato Si and fossil fuel divestment. (New York City)

[Bruce Boyd](#) - Managing Director of Arabella Advisors, Arabella has prepared the [Global Divestment Report](#) and [Assets in Action](#) which features Catholic case studies (Chicago)