Divesting From Fossil Fuels

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Dr Quintin Rayer

(DPhil, FInstP, Chartered FCSI, SIPC, Chartered Wealth Manager
Head of Research and Ethical Investing at P1 Investment Management) reflects on fossil fuel extraction, divestment, and morality.

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Climate concerns have emerged as a significant theme in ethical investing. Global warming is almost certainly the most significant challenge and the greatest threat that humanity, and our planet, face today [1]. Along with an increasing number of investors, at P1 we are focusing on reducing carbon emissions associated with our portfolios.

One response has been to divest from fossil fuel companies that are responsible for the source of emissions [2]. What motivates investors to fossil divest? One reason is a desire to halt extraction of carbon-dioxide generating fuel reserves [3] to stop the damage being done to Earth's delicate climate balance. Here we explore the moral argument, which for many, makes this reason paramount.

Fossil divestment involves severing ties with firms that extract fossil fuel reserves, selling or refusing to own stock in fossil extractors and producers, being backed by the UNFCCC in 2015 [4]. It is an exclusion, addressing the challenges of society's over-dependence on fossil fuels, and the climate dangers they pose. Estimates from July 2017 indicate that the 200 global publicly owned firms with the largest fossil reserves have 492 gigatons of potential CO_2 emissions underground. This is six times more than can be burned if we are to have an 80% chance of limiting global temperature rise below 2°C [5].

The moral philosopher Henry Shue has explored the question of fossil fuel extraction and moral responsibility [6]. He noted that society distinguishes responsibilities into positive and negative, general, and special, backward-looking and forward-looking.

It became clear no later than the 1960s that continuing CO_2 emissions would progressively undermine the climate. Then, the primary carbon producers could see they were marketing harmful products. Shue argues that the negative responsibility to "do no harm" required them to reduce that harm rapidly either by modifying the product to capture its dangerous emissions or by developing safe substitutes, such as developing carbon-free energy. The seriousness of the harms brought by climate change made this responsibility especially compelling.

Ceasing to contribute to harm would include ending exploration for additional fossil fuels. Shue notes the half-century of failure by corporate carbon producers to reduce the harms caused by their products. He sees this as giving them additional responsibility to correct the damage done by their decades of neglecting the negative responsibility.

Supposing major carbon producers decided to make more than a minimal positive social contribution. In that case, their political power, wealth, and expertise would qualify them for leadership in the transition to an energy regime that would be safe for future generations to rely on [6].

Shue appears to argue that the responsibility for the vast bulk of emissions since ‘no later than the 1960s’ lies with the fossil fuel extractors and producers due to their failure to reduce harm. Additionally, active global warming denial activities by fossil fuel extractors and producers would appear to compound their responsibility [7].

For many investors, it is this historical record of knowing and failing to act, or even denying, that has led to distrust. Unsurprisingly, that distrust has resulted in many investors, like ourselves, deciding to divest.

References

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