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ANU's resources blacklist: social activism, or the shape of things to come?

The Australian National University has drawn fire for dumping mining stocks – but is it ideal? Daniel Mercadante (Licensed by CC BY 2.0)

The Australian National University's decision to **withdraw A$15 million in investment** from seven resources companies, including gas producer **Santos**, has been praised by divestment campaigners and condemned by industry and the federal government.

Infrastructure minister Jamie Briggs **labelled the move a "disgrace"** and said it would threaten jobs, while treasurer Joe Hockey described ANU as "**out of touch with reality**", and education minister Christopher Pyne branded the move "**bizarre**".

A host of other organisations – including **Stanford University**, the **British Medical Association**, the **World Council of Churches**, and **superannuation funds** – have also opted to divest from fossil fuels and other stocks.

ANU Vice-Chancellor Ian Young has **responded to the criticism** by saying he hopes the move helps Australia become "a technological leader in the post-carbon world".

Has ANU gone further than other divesting organisations?

Jemma Green, Senior Research Fellow, Curtin University, Board Director, Future Super, and advisory board member for Carbon Tracker

What Stanford did (in divesting from all coal) is far more extensive than ANU, which has decided to divest of specific companies.

This kind of screening is just normal stuff, but the resources industry is very sensitive to divestment at the moment because fossil-fuel divestment is high-profile and getting a lot of traction.

If you look at major investment funds, they have all got fund managers screening their funds for ethical practice. But if you trace back the origins of socially responsible investment, this is not a new thing.

Why has ANU's move generated so much reaction?

Raymond da Silva Rosa, Professor of Finance, University of Western Australia

The move is relevant, it's a harbinger of a trend, and it has a big possibility. It won't change investment policies in the short or medium term, but mining companies might now feel they have to do more to convince investors.

But my point is about the way ANU went about it. It used it as an opportunity to grandstand and effectively slander the reputations of some quite small companies that rely on the stock market.

It could instead have given the companies the opportunity to explain themselves. For ANU it might be a small thing, and it's not going to affect the big companies much, but it can have devastating consequences for some companies.

It's perfectly reasonable to use independent experts to evaluate prospective investees, including on ethical criteria. However, if a university is going to make an example of a particular set of companies it is divesting from its portfolio then it has a responsibility to assess how reliable those independent outside experts are and to give the companies involved an opportunity to respond.

The Vice-Chancellor's response that "our policy is not to invest in companies that do social harm" is too complacent by far. What constitutes "social harm" is a complicated issue. For instance, does ANU intend to divest itself of Apple and not buy its products because of its use of suicide labour in its supplier factories in China?

My feeling is that universities do best when they get involved in research rather than social activism – that's dangerous ground when you're boycotting things over such complex issues.

Ben Neville, Researcher, Department of Management and Marketing, University of Melbourne

This is most certainly an existential threat to coal especially and fossil fuels generally. And so it should be – climate change is an existential threat to us all. We can't survive in anything close to the standard of living and civilisation that we are used to if we get to the 4C we are currently heading towards. According to Bill McKibben's maths, the fossil fuel companies can only dig or drill 20% of what they already have on their books, and according to HSBC this means they are only worth 50% of what the share market currently values them at.

It means no more exploration for new resources and a slow death until the 20% they are allowed to dig or drill is finished. Everything else is stranded (assets).

Given their screaming-red at the conclusions and consequences of climate science, and the support for the climate-denial

kick and scream at this more-directed existential threat to their operations. And given the traditional place the fossil fuel industry has had in our national community, this will be shared by the wider business community where they aren't able to see and accept the dire need for change, nor the upside potential of growth in renewables.

Jemma Green: This is ushering in a new era - in the absence of perceived adequate carbon policy in Australia, market and grassroots responses are determining the trajectory. It used to be about bone-in-the-nose greenies having a protest and not making much impact, but now it's major institutions which are impacting companies' social licence to operate and stigmatising certain sectors that are perceived to be problematic.

From the companies' point of view, it's only a few million dollars being divested, but what's more important is the danger to their reputation.

It's on the agenda because the divestment movement is gaining such a profile.

The industry is saying this is a drop in the ocean, but they are obviously worried more will follow, so lobbyists and resources managers want to stymie this movement.

ANU Vice-Chancellor Ian Young says he wants Australia to aim to be leader in post-carbon world. Lukas Coch/AAP Image

Does it really threaten jobs?

Tony Wood, Energy Program Director, Grattan Institute

It could be a long time before fossil asset divestment starts to become mainstream. Many producers might feel that most of their assets will be out of the ground before this (divestment) really gets going.

But it could happen more quickly - then everyone runs to the exit before they get crushed in the stampede.
But why look for more gas when we've already got four times more than we can burn if climate change predictions are correct and global targets to reduce greenhouse gas emissions are translated into policy? Big resources companies will be hoping the changes happen reasonably slowly so they can adjust their project portfolios in line with what investors want.

Ben Neville: Yes, over time, and the quicker the better: there should be no jobs in coal and fewer and fewer in oil and gas.

But there are many more jobs in the renewables industry, with substantially more future-potential. So the jobs issue is a fuzzily. More relevant is how you transfer shareholder value wrapped up in organisational structures, plant and property to a renewable future.

Free-marketeers are usually extremely accepting of the birth and death of companies (see the car industry). But in this instance they don't seem accepting of it at all.

It's great that these companies are taking on board their social responsibility in terms of rehabilitating mine sites, indigenous employment and community development. But as genuine as it seems, it will all come to naught if their core business still heads us towards a 4C (warmer) world.

Why divest from things like nickel, as well as fossil fuels?

Jemma Green: It's not nickel mining per se, it's a particular nickel company. In my former job at JP Morgan, I used to look at companies in this way: there were some companies we would lend to, and others we wouldn't.

You're looking at the whole environmental and social risk associated with these companies – those companies (from which ANU has withdrawn investments) must be the lowest on that list.

ANU shouldn't have to be drawn into a public debate about it – it's their investment. They have obviously determined that there's an inconsistency between their values and those of some of the companies they have been investing in.

The university divestment movement has gained traction, particularly in the United States. Lauren Cross/University of Delaware, CC BY

Is there an agreed international benchmark for ethical investment?

Ben Neville: As far as I know there really is no agreed ethical investing standard. Some funds adopt "negative screens" (against alcohol, gambling, etc.) or "positive screens" (the most ethical). But the industry seems to have fragmented as it has developed.

The **Equator Principles** for project finance, which some of our leading banks have signed on to, are surprisingly disappointing. In developed countries companies basically just have to follow the law, although the principles have been developed to stop harm being done in developing countries.

What's interesting is that there is no formula for universities on this. ANU analysed the situation and chose to divest from seven firms. Stanford looked at it and chose to only divest from coal as it has the cleanest case, and oil has fewer substitutes and more

this year and decided not to at all, but I'd be astounded if Melbourne didn't follow in the near future.

Jemma Green: The International Finance Corporation's **performance standards** set environmental and social standards for pollution and lots of other factors too.

It's only by doing this that you can show when a company is operating outside the norms. You need to engage with the company to find out. Other companies might have a worse issue but also have the desire to do something about it.

Screening indices such as the **Dow Jones Sustainability Index** or the **FTSE4Good Index** rank companies as "best-in-class", so they do include fossil fuel companies, ranked by various other sustainability criteria.

The key is whether they screen out sectors entirely, or just companies within those sectors. ANU is doing both, ranking companies by their sustainability performance but also placing carbon as an important factor, so screening out companies with big carbon exposures out first, and then ranking other companies by their overall sustainability performance.

This is normal practice within funds and investment banks. Some funds have particular ethical screens, such as tobacco, uranium and firearms, and others focus on social issues or fossil fuel and carbon dioxide externality and profile.

Every day, funds and banks say no to dealing with companies because they don't meet their particular criteria. Some funds will engage with companies for a while to see if they will change their behaviour. If they do, great. If they don't, they divest.

*Jemma Green is a board director and investment committee member for **Future Super**, a dedicated fossil fuel-free superannuation fund.*

*Raymond da Silva Rosa has received joint funding from UWA's Business School and **Resource Capital Funds** to study capital-raising in small mining firms.*

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