

Fossil Fuels, Climate Change, and the Unitarian Universalist Common Endowment Fund (UUCEF), May 2013

The Investment Committee and Socially Responsible Investment Committee believe that climate change represents an imminent threat to our society and that the UUA, in part through the use of its investments, can play a significant role in the necessary societal shift away from fossil fuels. Indeed, oil, gas, and coal companies already make up a relatively small part of our portfolio. However, both committees unanimously recommend against complete fossil fuel divestment for the UUCEF. We believe the UUA's record shows we can be most effective in addressing climate change issues through shareholder advocacy, and we have concerns about the investment impact of a strict divestment policy.

This year, the UUA broke new ground in climate advocacy with a "carbon bubble" resolution at coal producer Alpha Natural Resources. Citing scientific estimates that much of the world's fossil fuel reserves may need to remain unburned to avoid severe climate effects, we asked the company to report on how its business might be affected by future carbon regulation. By placing this resolution in the proxy statement---a public document distributed to all shareholders---we are helping to build pressure on fossil fuel companies, and to raise awareness of climate change in the financial industry. The UUA has also been engaging Chevron for years on the environmental and human rights impacts of its operations in Ecuador. Shareholder engagement at this level is labor-intensive, sophisticated, and effective; we are proud that we have been able to exercise leadership out of proportion to our endowment's size, thanks to the dedication both of our paid staff and of volunteer members of our committees.

We are currently considering ways to expand our shareholder advocacy on climate change, targeting both fossil fuel producers and large energy users such as utilities. We plan to work through our memberships in the Investor Network on Climate Risk, environmental advocacy group Ceres, and the Interfaith Center on Corporate Responsibility, all of which have played a significant role in organizing investor pressure to address climate change. We are also exploring ways to enhance our already-substantial screening process for fossil fuel companies in our directly managed accounts.

In terms of the investment impact of divestment, some members of our committees believe that maintaining some fossil fuel holdings is important for diversification, which lowers risk. Other committee members disagree about this aspect of diversification by industry. However, all of us note that in order to achieve the diversification by geographic region and asset class which we believe to be prudent, we must often invest in pooled vehicles such as mutual funds or comingled funds. We are not able to impose our own screens on these vehicles, and the kinds of funds we need are not always available in versions that exclude fossil fuels.

We will be organizing a workshop on climate change and responsible investment at the 2013 General Assembly, in order to continue the conversation about this issue. In the meanwhile, congregations or individuals wishing to learn more or share their thoughts should read our frequently-asked questions (FAQ) document on this subject, available here [\[insert link\]](#) and may contact the committees at the addresses indicated.