Coal Divestment at UNC -

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4.24.15
ENST 698
Executive Summary

Problem: Examining the efficacy of divesting from stocks and funds held in coal in UNC-Chapel Hill’s about $3 billion endowment, and creating frameworks for corporate social governance.

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| History of Divestment at UNC:  
- Sudan Divestment Resolution (2008) resulted in all companies with ties to Sudan being added to their “Prohibited List.”  
- Board of Trustees pass a non-binding resolution requiring Management Company to research investing in environmentally-friendly clean energy strategies (2014).  

1987 → Voices for Sudan → Present  

Coal’s Future in the Market:  
- Resource royalty taxes likely to increase in the future  
- More expensive coal = more competition from renewables.  
- EPA proposal to limit tones of CO2/megawatt hour/power  
- Competition from natural gas

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| ● UNC Management Company Divest from Coal-holding funds and stocks  
● Tracking of investments being made in the endowment to ensure transparency  
● Stakeholder input and formal stance from Trustees on corporate governance |
What is Divestment?

- Refers to the sale or reduction of an asset via liquidation or exchange.
- Euphemistic for “socially responsible investing”
- Justifications:
  - Financial
  - Political
  - Ethical
- Strategies may include:
  - Disaggregation
  - Shareholder Advocacy
History of Divestment at UNC

- Apartheid South Africa (1987) disinvestment led by Anti-Apartheid Support Group\(^1\)
- Sudan Divestment Resolution (2008) resulted in all companies with ties to Sudan being added to Management Company’s “Prohibited List”\(^2\)
- Board of Trustees pass a non-binding resolution requiring Management Company to research investing in “environmentally-friendly clean energy strategies” (2014)
Precedent for Coal Divestment

- 20+ colleges & universities have divested in the U.S.\(^3\)
- Stanford represents the largest “purge” from coal with a $21.4 billion endowment
- Months later, Stanford invested in three oil and gas companies, to the dismay of many faculty
Management of the UNC Endowment

- The majority of the UNC endowment is managed by the UNC Management Company, Inc., established in 2003.
- It is a professionally staffed company.
- Four primary teams that make up the UNC Management Company.
- The Management Company is governed by a Board of Directors including UNC Chapel Hill leadership.
The UNC Endowment is subdivided into eight categories similar to most mutual funds. 6.5% of the endowment is invested in the Energy and Natural Resources sector. This amounts to approximately 172 million dollars tied up in energy interests.
Coal’s Future in the Market

- Resource royalty taxes likely to increase in the future → less financially attractive to investors
- More expensive coal = more competition from renewables
- Policy changes: EPA proposal to limit tones of CO2/megawatt hour/power
- Competition from natural gas → severance tax decreased recently

Result: emerging trend of decreasing return on coal
Prospects for Natural Gas Investment

- Production and use of natural gas especially in the United States is quickly increasing.
- Projections for coming years paint a positive picture overall for investment in natural gas commodities.
- Natural gas causes 50% fewer emissions than coal, and is a bridging technology.
Investment into Renewables

- Market drivers:
  - Renewable portfolio standards implemented in 37 states (March 2013)$^{10}$
  - Federal incentives: Production Tax Credits$^{11}$
- Global trends for investments in renewable energy$^{12}$
  - increasing steadily until 2011
- Torrefied wood - alternative viable energy source and also a promising area for reinvestment

FIGURE 1. GLOBAL NEW INVESTMENT IN RENEWABLE ENERGY BY ASSET CLASS, 2004-2013, $BN

*Asset finance volume adjusts for re-invested equity. Total values include estimates for undisclosed deals
Source: UNEP, Bloomberg New Energy Finance
Recommendations

1. Divestment
2. Transparency
3. Stakeholder input
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**Concerns**

**Recommendations**

1. Divestment
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**Outcomes**

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Thank You!

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References