



USC Board of Trustees  
3551 University Avenue,  
Los Angeles, CA 90089  
October 12, 2020

To the USC Board of Trustees' Investment Committee,

Under President Carol Folt's leadership, USC has made a remarkable, student-centered pivot towards global citizenship and social awareness, exemplified by a commitment to sustainability. Operationally, she has put tremendous pressure on all fronts to reduce the carbon footprint of our campus, and for the first time in USC history, the University invited us, student climate advocates, to meet with the chairs of the investment committee and discuss our endowment's investments in fossil fuels. While we deeply appreciate these efforts, and with the weight of a global pandemic, a climate emergency, and race-based realities seeping forth, we must ask again of the investment committee: extend your climate commitment to the endowment. We ask that USC publicly commit to a transparent and rapid selling of all \$277 million of its stated investments in the fossil fuel industry, and additionally commit to the reinvestment of a substantial portion of those funds towards clean technologies, and renewable energy.

In February 2020, when we met with the Investment Committee Trustees, our campaign rested on three main points: the University's fiduciary responsibility to its stakeholders, the overwhelming student support for divestment/reinvestment, and the need to mitigate the climate crisis. Since we paused in March, the country has lost over 210,000 people to the COVID-19 pandemic, undergone a long-overdue racial reckoning, experienced record-breaking natural disasters, and sustained historic economic damage. The world we live in today is starkly different from the one we inhabited at the start of this decade. These changes warrant introspection: Is USC divesting and reinvesting still wise, and if so, is it urgent given our new reality?

Unequivocally, yes and yes. Climate change, the global economy, systemic racism, and COVID-19 are all related, and all need to be addressed by every institution. While each issue deserves independent consideration and action, the stability of our climate must be prioritized for equity and global health to be achieved. While USC's operational changes are commendable, divesting from fossil fuels is a necessary component of climate responsibility.

Fossil fuel burning is currently responsible for 82% of the global emission of carbon dioxide, the greenhouse gas (GHG) most responsible for climate change and the resultant droughts, floods, hurricanes, extreme heat, and wildfires that are ending lives, destroying communities, and disrupting the global economy.<sup>1,2</sup> The burden of these consequences do not fall evenly; rather, the climate externalities caused by GHG emissions have, and will continue to have, a disproportionate impact on black and brown communities. This is due to the structural racism that forces people of color to live in hazardous conditions and denies them the wealth necessary to prepare and react to a changing climate.<sup>3</sup> Ignoring this reality accelerates the cycle of injustice and increases

<sup>1</sup> Anthony, Peter et al. "Global Carbon Budget 2019". Globalcarbonproject.Org, 2019, [https://www.globalcarbonproject.org/carbonbudget/19/files/GCP\\_CarbonBudget\\_2019.pdf](https://www.globalcarbonproject.org/carbonbudget/19/files/GCP_CarbonBudget_2019.pdf).

<sup>2</sup> 20, Renee Cho|June, et al. "How Climate Change Impacts the Economy." State of the Planet, 20 June 2019, [blogs.ei.columbia.edu/2019/06/20/climate-change-economy-impacts/](https://blogs.ei.columbia.edu/2019/06/20/climate-change-economy-impacts/).

<sup>3</sup> Morello-Frosch, Rachel, et al. 2009, The Climate Gap: Inequalities in How Climate Change Hurts Americans & How to Close the Gap.

the disparity between those who contribute the most to climate change and those who suffer the consequences. Climate justice, therefore, must be factored into the University's renewed commitment to fighting racial injustice.

Furthermore, and based on efforts already taken to combat COVID-19, USC clearly wishes to prevent the next global pandemic. It cannot further this goal while investing in fossil fuels. A warming planet and increased exploitation of finite natural resources increases our vulnerability to novel infections, zoonotic coronaviruses and otherwise. The science is unambiguous on this; just as forest fires are a natural reaction to warming, so too is the global spread of deadly pathogens.<sup>4</sup>

Environmental, social and health considerations aside, divesting from fossil fuels is financially responsible. The Board of Trustees' Investment Committee makes decisions that allow University operations, education, and research to be well-funded for years to come. This task has been made more difficult by the largest market downturn since the Great Depression.<sup>5</sup> However, this crash has ultimately served to highlight which industries are resilient to the new global reality caused by climate change, and which aren't.

The COVID crisis caused oil to drop to negative \$37 per barrel which clearly deflated petroleum's share value.<sup>6</sup> Since June, both the general stock market and fossil fuels have stabilized, although in very different places. In late February, prior to the downturn, the S&P 500 was up 3.5% on the year, and petroleum was down 11%. Today, the S&P 500 has recovered and is up almost 7% on the year, while petroleum remains down nearly 35%.<sup>7</sup> At least \$277 million of our endowment sank with fossil fuel prices, while clean technology and renewables yielded 36% positive returns for the year.<sup>8</sup> We believe — along with many investors and academics, as well as other Universities — that protecting the principle of our endowment doesn't just allow for, but in fact requires fossil fuel divestment.<sup>9,10,11</sup>

On every front, divesting from fossil fuels is wise, but must it be a top priority? USC divesting alone would not significantly affect the bottom line of any coal, oil, or natural gas company, or significantly limit their abilities to borrow funds. What is meaningful, however, is the compounding effect of a public announcement and the \$277 million freed up to invest in other, more promising substitutes — most notably cleantech and renewables. If the Investment Committee of an endowment as large and respected as USC's sends the signal that they no longer trust their fossil fuel investments, others will follow, which would free hundreds of billions of dollars for investment in alternative sources of energy. This is a necessary step to decarbonizing the economy, and, as explained, achieving racial justice and preventing future pandemics.

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<sup>4</sup> UNEP. Preventing The Next Pandemic: Zoonotic Diseases And How To Break The Chain Of Transmission. United Nations Environmental Programme (UNEP), 2020, p. 17. Accessed 10 Oct 2020.

<sup>5</sup> Gopinath, Gita. "The Great Lockdown: Worst Economic Downturn Since The Great Depression". IMF Blog, 2020, <https://blogs.imf.org/2020/04/14/the-great-lockdown-worst-economic-downturn-since-the-great-depression/>. Accessed 10 Oct 2020.

<sup>6</sup> Bayly, Lucy. "U.S. Crude Oil Futures For May Plummet To Minus \$37 — Lowest Price In History". NBC News, 2020, <https://www.nbcnews.com/business/markets/oil-prices-tumble-lowest-level-1980s-n1187716>. Accessed 10 Oct 2020.

<sup>7</sup> "S&P GSCI Petroleum." S&P GSCI Petroleum - S&P Dow Jones Indices, [www.spglobal.com/spdji/en/indices/commodities/sp-gsci-petroleum/](http://www.spglobal.com/spdji/en/indices/commodities/sp-gsci-petroleum/).

<sup>8</sup> "S&P GSCI Petroleum." S&P GSCI Petroleum - S&P Dow Jones Indices, [www.spglobal.com/spdji/en/indices/commodities/sp-gsci-petroleum/](http://www.spglobal.com/spdji/en/indices/commodities/sp-gsci-petroleum/).

<sup>9</sup> Singh Bachher, Jagdeep, and Richard Sherman. "Opinion: UC Investments Are Going Fossil Free. But Not Exactly For The Reasons You May Think". Los Angeles Times, 2019, <https://www.latimes.com/opinion/story/2019-09-16/divestment-fossil-fuel-university-of-california-climate-change>.

<sup>10</sup> Blanco, Sebastian. "Mad Money's Jim Cramer Is Done With Fossil Fuels". Forbes, 2020, <https://www.forbes.com/sites/sebastianblanco/2020/02/06/mad-moneys-jim-cramer-is-done-with-fossil-fuels/#342f869f26eb>. Accessed 10 Oct 2020.

<sup>11</sup> Bikales, James, and Kevin Chen. "Harvard Faculty Vote In Favor Of Divestment 179-20 | News | The Harvard Crimson". TheCrimson.Com, 2020, <https://www.thecrimson.com/article/2020/2/5/faculty-vote-support-divestment/>.

We are living in a time of transition forced upon us by global factors outside our control. Wearing masks, working from home, putting out fires, and scrambling to protect shrinking assets — we've been reacting to the changing world around us. However, we have the tools and the knowledge to be proactive. We can acknowledge that the world — and the climate — is changing. Divestment and reinvestment are a prime opportunity for USC to actively confront this change while simultaneously accelerating the growth of our endowment. Let's finally make a proactive transition; let's be among the leaders that forge ahead. Divest from fossil fuels; reinvest in green tech and renewables.

You can reach us via email at [divestreinvestsc@gmail.com](mailto:divestreinvestsc@gmail.com).

Fight On,  
DivestSC

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