
## The Divest-Invest Movement Has Exceeded All Expectations

A decade ago, the call to divest from fossil fuels was launched by college students. Its goal: to shift the rosy false narrative around fossil fuel companies and to expose and reduce the political power the industry has used to block climate action. Since then, it's grown into a global movement, inspiring individuals to not only divest from fossil fuels but also pressure their institutions – from Harvard University to the New York Pension Fund – to move their money. So far, nearly 1,500 organizations with assets of more than $39.2 trillion have committed to divest from fossil fuels – that's a figure higher than the annual GDP of the United States and China combined. Green Century® is one of the first family of diversified and environmentally responsible fossil fuel free mutual funds and has been a champion of the divest-invest movement since its beginnings. We are proud that our investors have contributed to its success.

# Fossil Fuel Free Investing Has Made an Impact

### Changing the conversation about oil and gas corporations

Since the divestment movement began, the attitude toward having taxpayers support the industry has changed. In a recent *Forbes* article, the divestment movement is credited with reframing the discussion around fossil fuel finance and pushing investors to question the long-term viability of the entire sector.

### Exposing the faults in dirty energy corporations

ExxonMobil* in one form or another had been in the S&P 500 Dow Index for 92 years.[1] In fact, for decades it was the largest publicly traded company and, as recently as 2013, had "ruled the S&P," according to CNBC. But in 2020, the S&P 500 dropped Exxon Mobil – a change that would almost have been unthinkable 10 years ago when fossil fuel divestment movement began. "It's pretty symbolic," said Stewart Glickman, energy analyst at CFRA Research. "It's a recognition that the energy sector doesn't have anywhere near the same clout it used to."

### Choking off capital to build new fossil fuel projects

When the divestment movement started, one goal was to stop the construction of new dirty energy projects by increasing the cost of capital. Ten years ago, the "cost of capital" for developing oil and gas and renewable projects was about the same (~8%) for each. Now, according to analysis from the Goldman Sachs Group, the projected return that can financially justify a new oil project is 20% for long-cycle developments. At the same time that cost has dropped to between 3%-5% for renewables.

As countries with increasing divestment pledges see lower capital flows to domestic fossil fuel companies, fossil fuel free investors and activists are witnessing progress toward keeping the oil and gas in the ground.

### Changing the industry's political influence over national policy

For decades, fossil fuel corporations promoted self-serving economic and environmental policies, securing tax subsidies, legislation and regulations. In 2019, Gallup reported that for the very first time a majority of Americans said they believed the country should put less emphasis on fossil fuels of all types. "The oil sector has gone from being the leader of the world economy to a laggard," according to the Institute for Energy Economics and Financial Analysis. At the United Nations' Conference of Parties in 2021, the movement helped successfully press for the U.S. to end its international public financing for fossil fuel projects.

Supporters of fossil fuel free investing also successfully pressed for federal legislation that unlocks funding for the expansion of electric vehicle charging stations.

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# Investors in the fossil fuel-free movement are making a difference

## Fueling greater investment in clean and renewable energy

When individuals stop financially backing fossil fuel corporations, they can signal support for clean energy. In 2020, annual renewable capacity additions increased 45% to almost 280 gigawatts (GW). That's the highest year-on-year increase since 1999. The International Energy Agency predicts that renewables will account for 90% of new power capacity expansion globally in 2021 and 2022.

## How divestment may help to prevent potential financial and performance risks associated with the fossil fuel industry

We believe the moral case to avoid fossil fuel companies has always been strong but making this shift may also improve investors' financial bottom line. In the last decade, some of our predictions have come to pass.

**Performance –** Investors were concerned about the financial implications of divestment and many studies emerged on their effects. One from The Institute for Energy Economics and Financial Analysis demonstrated that the "financial case for fossil fuel divestment is strong."

Grantham, Mayo, Van Otterloo & Co. LLC (GMO), a global investment manager, went further to debunk outdated notions in *The Mythical Peril of Divesting from Fossil Fuels*. Grantham stated that "investors with long-term horizons should avoid all oil and chemical stocks on investment grounds."

**Stranded assets –** When the movement started, we warned that if companies are unable to extract and sell their reserves corporations could write off those assets and these "stranded" assets could negatively affect a company's valuation or share price. What we did not predict was how quickly this would happen. In 2020, for example, Shell* wrote off $22 billion and BP wrote off $17.5 billion.

**Volatility –** We indicated that the energy sector was poised to be unpredictable and it turned out to be the most volatile sector in the 2010s. *Yahoo! Finance* predicts more volatility in the energy sector in the short and long term.

*A sustainable investment strategy which incorporates environmental, social and governance criteria may result in lower or higher returns than an investment strategy that does not include such criteria.*