

THE BOARD OF TRUSTEES
THE LELAND STANFORD JUNIOR UNIVERSITY

April 25, 2016

Stanford and climate change: A statement of the Board of Trustees

The Board of Trustees, through its Special Committee on Investment Responsibility, has been evaluating a proposal for Stanford to divest its endowment from the fossil fuel industry. This proposal was put forward by Fossil Free Stanford, a student organization that deserves great credit for its committed efforts to heighten awareness in the Stanford community about the threat of global climate change.

Stanford has placed a major emphasis on combating climate change and works to advance its efforts every day. Climate change is among the most serious challenges of our time, and addressing it requires all organizations, governments and individuals to contribute real solutions. As a research and educational institution with a deep commitment to addressing pressing global challenges, Stanford has embraced sustainability practices and demonstrated leadership in how it operates the university, in its academic programs and in its research initiatives.

A record of accelerating progress

As trustees, we believe Stanford has gone well beyond establishing goals and commitments to achieving significant results that have made it a leader in combating climate change. What Stanford has done and is now doing – through its academic mission, research and operations – is a critical part of the climate conversation. Stanford's strategic approach has included:

- **A new, greenhouse gas-reducing energy system:** With a vision of applying its intellectual resources to provide leadership in climate solutions, Stanford developed a comprehensive Energy and Climate Plan for its campus in 2009. This plan led to creation of the Stanford Energy System Innovations (SESI) – a completely transformative campus energy system costing nearly \$500 million that began operating in 2015. With SESI, Stanford will achieve a 68 percent reduction in campus greenhouse gas emissions by the end of 2016 and will exceed state, national and international goals for 2020 several years early.

Related links:

[Finding Climate Solutions:
Stanford Climate Research](#)

[Campus Energy and Climate Plan](#)

[Stanford Energy System
Innovations](#)

[Annual report of Sustainable
Stanford](#)

[Stanford letter to Paris climate
conference](#)

[School of Earth, Energy &
Environmental Sciences](#)

[Stanford Woods Institute for the
Environment](#)

[Precourt Institute for Energy](#)

- **Clean energy:** As part of SESI, Stanford has contracted to build an off-campus solar plant and is finalizing plans to expand the installation of solar panels on campus buildings. By the end of 2016, solar power will provide half of Stanford's electricity, and 65 percent of campus energy will come from renewable sources, including purchases from the California power grid.
- **Research leading to climate solutions:** Stanford made the environment and sustainability a key initiative in The Stanford Challenge campaign, raising \$433 million that has funded many of the university's new research institutes and facilities in this area. These include the Stanford Woods Institute for the Environment, the Precourt Institute for Energy, the TomKat Center for Sustainable Energy, the Steyer-Taylor Center for Energy Policy and Finance, the Jerry Yang and Akiko Yamazaki Environment & Energy Building (Y2E2) and others.

Today, Stanford faculty are international leaders in energy and environmental research – providing scientific leadership for the U.N. Intergovernmental Panel on Climate Change; modeling options for national clean-energy infrastructures; and pursuing strategies for carbon capture, solar cell efficiency, new battery technology, coastal resilience to sea-level rise, and a range of other pressing climate needs. Stanford offers students more than 750 courses addressing sustainability issues, and the Emmett Interdisciplinary Program in Environment and Resources trains graduate scholars to address the world's most challenging environmental and sustainability problems.

- **Green transportation:** Half of Stanford employees today commute to campus in ways other than driving alone in a car. To achieve this, Stanford has funded financial incentives for employees, developed partnerships with regional transit agencies and increased infrastructure for bicyclists. In addition, Stanford is expanding the availability of charging stations for electric vehicles and moving more of its fleet vehicles and Marguerite buses toward non-gasoline models.
- **Energy efficiency in campus buildings:** A campus-wide program, begun in 1993, has now retrofitted more than 500 buildings for energy efficiency. Stanford has allocated another \$30 million for major capital improvements to the most energy-intensive buildings on campus, and 15 of these projects have been completed so far. In its new construction, Stanford has won platinum-level environmental recognition for facilities such as the Knight Management Center and Y2E2.
- **Wastewater recovery:** Stanford is constructing a pioneering wastewater recovery facility, the Codiga Resource Recovery Center, that will test the extraction of clean water and energy from campus wastewater. This testbed aims to accelerate commercial development of this technology for broader use around the world.
- **A sustainability movement and reporting structure:** Stanford, in partnership with students and others in the campus community, has made sustainability a campus cause, engaging the community in efforts to change behaviors in ways that

reduce its environmental footprint. A sustainability office created in 2007 and Sustainability 3.0 – a 2011 collaborative effort involving faculty, staff and student leaders – helped chart the present campus strategy. The strategy includes robust annual reporting campus progress on a range of sustainability metrics and Cardinal Green, an ongoing campus-wide outreach initiative that includes four seasonal conservation campaigns each year.

A new climate task force

The trustees believe firmly that Stanford's progress must continue across the spectrum – in teaching, in research and in campus operations. The achievements to date are impressive by any measure. But we are committed to continuing our progress, as is demanded by the urgency of the global challenge. One example is a May 6 conference, "Setting the Climate Agenda for the New U.S. President," involving our schools of Law and Earth, Energy & Environmental Sciences, the Woods Institute for the Environment, the Precourt Institute for Energy, and state and federal energy officials.

In addition, to catalyze a new wave of ideas from across the campus community for ways Stanford can combat climate change, we are pleased to announce that the university will be creating a new climate task force.

This task force, with membership to be named including undergraduates, graduate students, faculty and staff, will actively solicit ideas from the Stanford community for ways in which Stanford can further address climate change through campus operations, research and teaching. We believe this task force will further heighten the engagement of the Stanford community on climate issues and generate new ideas for Stanford to combat climate change.

The question of divestment

With respect to investments, as background, Stanford's endowment exists to support the university and its students in perpetuity. An annual payout from the endowment helps to fund critical university functions, including teaching, research, student financial aid and libraries. This endowment payout represents one of the largest sources of annual funds for the university's budget – twice as large as Stanford tuition. To meet these needs, the endowment invests broadly in economic activity around the world. Divestment is rare, and consideration of it is reserved for specific cases in which, among other things, the demonstrated social injury by a company substantially outweighs any social benefits it provides.

The university has a Board of Trustees-approved [Statement on Investment Responsibility](#) that outlines a specific set of criteria by which the trustees may evaluate whether a company is inflicting social injury in a manner that warrants consideration of divestment. To assist the Board on these matters, the university has established an Advisory Panel on Investment Responsibility and Licensing (APIRL). APIRL is a community panel of students, faculty, staff and alumni that provides a recommendation to the Board's Special Committee

on Investment Responsibility (SCIR), which, in turn, provides a recommendation to the trustees as we consider these issues.

SCIR has now received recommendations from APIRL regarding the request to divest from the fossil fuel industry and has given thoughtful consideration to the subject. APIRL considered the issue in two dimensions. APIRL recommended divestment of companies whose primary business is oil sands extraction, a method that studies have found requires more water, and releases more carbon into the atmosphere, than other forms of fossil fuel extraction. However, Stanford Management Company has advised SCIR that the Stanford endowment has no direct exposure to companies whose primary business is oil sands extraction. Therefore, there is no action for the Board of Trustees to take.

Regarding the fossil fuel industry more broadly, APIRL concluded that it could not evaluate whether the social injury caused by the fossil fuel industry outweighs the social benefit it provides, and therefore did not recommend divestment. SCIR has considered this issue carefully and discussed it in full with the Board of Trustees. After extensive consideration and review of the criteria in the Statement on Investment Responsibility, the trustees agree that the criteria are not met and are declining to divest.

As trustees, we are convinced that the global community must develop effective alternatives to fossil fuels at sufficient scale, so that fossil fuels will not continue to be extracted and used at the present rate. Stanford is deeply engaged in finding alternatives through its research. However, despite the progress being made, at the present moment oil and gas remain integral components of the global economy, essential to the daily lives of billions of people in both developed and emerging economies. Moreover, some oil and gas companies are themselves working to advance alternative energy sources and develop other solutions to climate change. The complexity of this picture does not allow us to conclude that the conditions for divestment outlined in the Statement on Investment Responsibility have been met.

We believe the long-term solution is for all of us to reduce our consumption of fossil fuel resources and develop effective alternatives. Because achieving these goals will take time, and given how integral oil and gas are to the global economy, the trustees do not believe that a credible case can be made for divesting from the fossil fuel industry until there are competitive and readily available alternatives. Stanford will remain a leader in developing such alternatives.

It is important to note that the university's investment program does consider the implications of climate change during analysis of the economic attractiveness of various investments. Prudent investors acknowledge that the world is beginning a transition away from carbon-based energy sources and that pricing for fossil fuels will reflect this transition. Stanford Management Company explicitly incorporates this consideration, as well as the prospect for greater carbon legislation in the future, into its energy investment framework. For instance, on the subject of investment in oil sands companies, Stanford Management Company has informed SCIR that without a fundamental change in technology

that would significantly reduce the greenhouse gas emissions associated with extracting petroleum from oil sands, these investments will not make sense for Stanford.

In addition, Stanford Management Company works with its investment partners to identify and support industry best practices that, in addition to positively impacting investment results, may pay significant environmental dividends. For instance, methane is recognized as a particularly damaging form of carbon emission. By seeking to work with its investment partners on best practices in limiting the release of methane in the production and transmission of natural gas, Stanford Management Company hopes to improve both investment and environmental outcomes.

We thank the members of Fossil Free Stanford for their work on these issues. Their activism has helped educate and focus the attention of the university community. We welcome opportunities for students and the university to partner in mobilizing our community to further use its strengths in research and education to make a difference on climate change.

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