

Report of the ad hoc Fossil Fuel Divestment Review Committee  
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## INTRODUCTION

Since Pope John XXIII's 1961 encyclical *Mater et Magistra*, "see-judge-act" has been the standard model of Catholic theological ethics and social action.<sup>1</sup> Informed by that method, and in prophetic fidelity to its mission to engage "the Roman Catholic tradition that is attentive to contemporary problems faced by the Church and the world," the report recommends that the CTSA divest itself of all fossil fuel holdings.<sup>2</sup>

SEE: "WHAT IS HAPPENING TO OUR COMMON HOME"

With this title to chapter one of *Laudato Si'*, Pope Francis emphasizes the need for an inductive methodology that situates moral discernment in the context of experience informed by the best available science.

The IPCC (Intergovernmental Panel on Climate Change) is the Nobel Prize-winning body of the United Nations that synthesizes peer reviewed research in physical and social sciences to summarize what we can know about our climate. Five such assessment reports exist to date, beginning from 1990. The sixth report is in the publication process, with sections already released.<sup>3</sup>

According to the sixth *IPCC Assessment Report*, our world's climate has warmed by about one degree Celsius since the industrial revolution.<sup>4</sup> This warming is the unequivocal result of human activity. Our energy source choices, primarily fossil fuel combustion, emit greenhouse gases, or GHGs, into the atmosphere. Since the mid-19th century, scientists have known that GHGs trap heat through the process known as the greenhouse effect. Humans' greenhouse gas emissions rapidly accelerated over the past 150 years and are now higher than at any point in several million years. Simply put, our use of fossil fuels is incontrovertibly changing the global climate.

One degree sounds harmless. However, average global temperatures change by small increments only when a very large number of numbers trend similarly (upwards). As the *Sixth Assessment Report* notes, the changes of global warming are "unprecedented" when compared to the climate's status over centuries or millennia.<sup>5</sup> Atmospheric GHG concentrations are higher and global surface temperatures are rising more quickly. Since the Earth is a delicate ecosystem, this one degree of warming has already had significant consequences for humans and non-human creation.

*Why this matters*

What consequences follow a warming climate? We are experiencing species extinctions, changes in our oceans, more frequent extreme weather events, and droughts. Heat extremes are more common. We experience more frequent and intense heavy precipitation events, damaging property and livelihoods while thousands lose their homes and become refugees. The frequency

of global major tropical cyclones increased over the last four decades.<sup>6</sup> A warmer climate causes more frequent forest fires, more invasive species, and increased disease. These changes in turn lead to additional ecosystem changes.<sup>7</sup> Additional warming risks true catastrophe and poses an existential threat to civilization.

### *Acceleration*

The consequences of climate warming interact, which can further accelerate the pace of global warming. Feedback loops like this can accelerate the pace of initial warming. For example, ice melt from initial warming produces additional warming by exposing dark soil that absorbs more heat and emitting more GHGs as frozen organic matter thaws and is broken down by soil microbes.

Warming of 1.5°C above pre-industrial levels marks a critical threshold point identified by the IPCC and others. It is a warming above which we can expect significantly more disastrous consequences. Beyond this threshold, the risks of rapidly accelerating global warming increase significantly. Given current population trends, researchers at Cornell University estimate rising sea levels alone could displace 1.4 billion people by 2060 and 2 billion by 2100.<sup>8</sup> However, CTSA member Richard Miller suggests the effects of climate change not only threaten population growth trends but pose an existential threat to civilization. In its worst-case scenario, the IPCC estimates the planet could warm 5.7°C by 2100.<sup>9</sup> Summarizing the preeminent climate scientists Kevin Anderson and Hans Joachim Schellnhuber, member of the Pontifical Academy of Sciences, Miller describes that “at 4–6°C the carrying capacity of planet could be reduced to between a half a billion and a billion people” - a scenario that would amount to the death of at least 87 percent of the world’s current population.<sup>10</sup>

It is an established fact that the impacts of climate change fall disproportionately upon the poor and upon marginalized communities.

The U.S. Environmental Protection Agency (EPA) defines environmental justice as:  
the fair treatment and meaningful involvement of all people regardless of race, color, national origin, or income, with respect to the development, implementation, and enforcement of environmental laws, regulations, and policies. This goal will be achieved when everyone enjoys: The same degree of protection from environmental and health hazards, and Equal access to the decision-making process to have a healthy environment in which to live, learn, and work.<sup>11</sup>

Environmental justice was pioneered in the US in the 1970s and 1980s. Sociologist Dr. Robert Bullard documented environmental *injustice* through research on how environmental degradation systematically and disproportionately harms communities of color – a reality later termed “environmental racism.”<sup>12</sup> As Bullard notes, “America is segregated and so is pollution.”<sup>13</sup> Ministries of the United Church of Christ produced two studies demonstrating that ecological injustices in the US *disproportionately* harm communities of color.<sup>14</sup> African American communities like that in Warren County, North Carolina protested racist toxic waste dumping.<sup>15</sup> In conversation with this work, secular and religious ecofeminists have increasingly described

how modern ecological harm is driven by patriarchy and racism, and disproportionately injures women.<sup>16</sup>

Today climate change is widely recognized to constitute domestic and international environmental injustice and racism because 1) climate change disproportionately harms “racial and ethnic minority communities,”<sup>17</sup> 2) Caucasian neighborhoods in the U.S. have the highest per capita carbon emissions,<sup>18</sup> and 3) these racialized emissions patterns are “related to historically racist housing policies” like redlining.<sup>19</sup> Similarly, climate change is understood to unduly injure women.<sup>20</sup>

Alongside these developments, Catholic, Christian theology has sharpened its sense of environmental and climate justice.<sup>21</sup> Leonardo Boff emphasized the inexorable connection between care for God’s creation and the Catholic preferential option for the poor.<sup>22</sup> Ivone Gebarra outlined the theological connections between women and non-human nature.<sup>23</sup> James Cone described the connections between different forms of our social sin.<sup>24</sup> Daniel Castillo brought insights from Boff and Gustavo Gutiérrez into dialogue with climate justice.<sup>25</sup> Catholic pastoral ministry and experience has also become more attuned to climate justice. Speaking about economic inequality – and in a way that applies to environmental racism given the correlation between economic poverty and race – the German bishops lamented, “This great inequality between polluters and victims makes anthropogenic climate change into a fundamental problem of global justice.”<sup>26</sup> Catholic Climate Covenant elevated a documentary about climate refugees from the Carteret Islands relocated with support from diocese.<sup>27</sup> In data that reflects the disproportionate impacts of climate change on communities of color, Hispanic U.S. Catholics are more likely to believe in and be concerned about climate change than White Catholics.<sup>28</sup>

We will likely reach a warming of 1.5 degrees between 2030 and 2052, if sufficient changes are not made.<sup>29</sup> Even so, the changes of global warming cannot be stopped immediately. We experience today the climate effects of decisions made years ago. Our climate will continue to warm no matter what changes we make right now. Similarly, many of the changes correlating with this warming trend are irreversible. We can expect changes in our planet’s life and we can expect more dramatic changes if we continue as we are. For example: global sea levels will likely continue rising between 0.28 meters to 0.55 meters per year, if we begin to emit only very low net levels of GHGs. If high levels of emissions continue, the rate of sea level rise will increase between 0.63 and 1.01 meters annually.<sup>30</sup> However, every degree matters: despite our likely inability to remain at or below 1.5°C, minimizing global warming as much as possible through prudent action will minimize the damage to present and future generations of human and non-human creation.

*What kind of a response is prudent?*

Thomas Aquinas defines prudence as “right reason applied to action” and the U.S. bishops emphasize prudence as essential to climate change mitigation.<sup>31</sup> If we want to slow, limit, or reverse the climate’s warming, prudence requires action informed by the best available science to rapidly and drastically lower our net annual GHG emissions. This science indicates a clear need to suspend pursuit of fossil fuels; as United Nations Secretary-General António Guterres

summarizes, “Investing in new fossil fuels infrastructure is moral and economic madness.”<sup>32</sup>

The IPCC estimates that **to have at least a 50 percent chance of limiting global warming to 1.5°C, global greenhouse gas pollution must peak by 2025, be cut in nearly half by 2030, and the world must reach net zero carbon emissions by ~2050.**<sup>33</sup> To this end, scholars in the discipline-leading journal *Nature* conclude that globally “nearly 60 percent of oil and fossil methane gas, and 90 percent of coal must remain unextracted . . . to allow for a 50 percent probability of limiting warming to 1.5°C.”<sup>34</sup> This approach is supported by the United Nations.<sup>35</sup>

The U.N. calls carbon neutrality by 2050 “the world’s most urgent mission.”<sup>36</sup> To realize net zero by 2050, the International Energy Agency (IEA), an intergovernmental organization of thirty-plus nations, used IPCC data and other sources of information to formulate recommendations. Among this group’s proposed “Roadmap” is the recommendation that “no new oil and gas fields” be approved for development and that only existing assets are used by companies supplying oil and gas.<sup>37</sup> Investors’ participation in corporations that seek to continue to develop new extraction sites is categorically imprudent.

Some may point to the 2015 Paris Agreement as a prudent framework that offsets additional fossil fuel exploration and development. This is incorrect. Even if the world met the Paris Agreement goals and commitments - which is by no means a certainty - the U.N. estimates the world would experience global warming of 2.2-2.7°C by 2100.<sup>38</sup> A delay in more direct and serious action - especially when coupled with continued fossil fuel exploration and extraction - will make it less likely that we can find a way to stay in range of safe climate temperatures.<sup>39</sup>

## JUDGE: DIVESTING FROM FOSSIL FUEL CORPORATIONS

The Vatican does not invest in fossil fuel corporations and has repeatedly supported fossil fuel divestment and discernment.<sup>40</sup> This position has also been enacted by the bishops’ conferences of Belgium, Ireland, Austria, the Philippines, Greece, Luxembourg, and Malta, informed by Catholic theologies of economic justice, social sin, and cooperation with evil.

The Church’s social teaching establishes a moral framework for considering socially responsible investment and the question of divestment from the fossil fuel industry. To begin, it gives qualified support to the market economy. For example, in *Centesimus Annus* (1991), Pope John Paul II praises the market economy, “which recognizes the fundamental and positive role of business, the market, private property and the resulting responsibility for the means of production, as well as free human creativity in the economic sector,” as long as this economic system is “circumscribed within a strong juridical framework which places it at the service of human freedom in its totality, and which sees it as a particular aspect of that freedom, the core of which is ethical and religious” (no. 42). It is legitimate for business enterprises to seek out profit, when other human and moral factors are considered, as well (no. 35), and likewise it is beneficial for individuals, associations, and business enterprises to make use of financial institutions and invest in specific business corporations or in mutual funds and other financial instruments in the hope of growing their assets. In their updated *Socially Responsible Investment Guidelines* (2021), the United States Conference of Catholic Bishops affirm that pursuing a reasonable return on investments can be a responsible form of stewardship on the part of church entities and other

Catholic organizations.<sup>41</sup>

At the same time, Catholic social teaching also makes clear that “the decision to invest in one place rather than another, in one productive sector rather than another, is always *a moral and cultural choice*” (*Centesimus Annus* no. 36, emphasis in original). The value of an investment cannot be determined by market considerations alone. This teaching is part of Catholic social teaching’s broader warning against what John Paul II calls the “idolatry of the market” (no. 40). In his words, “[T]here are collective and qualitative needs which cannot be satisfied by market mechanisms. There are important human needs which escape its logic. There are goods which by their very nature cannot and must not be bought or sold” (no. 36).

More recently, Pope Francis has likewise taught in *Laudato Si’* (2015) that “we need to reject a magical conception of the market, which would suggest that problems can be solved simply by an increase in the profits of companies or individuals” (no. 190). Francis warns that, “[B]y itself the market cannot guarantee integral human development and social inclusion” (no. 109). The market alone also cannot ensure the protection of the environment or mitigate global climate change. As the *Compendium of the Social Doctrine of the Church* (2004) states, “Environmental protection cannot be assured solely on the basis of financial calculations of costs and benefits. The environment is one of those goods that cannot be adequately safeguarded or promoted by market forces” (no. 470). In *Laudato Si’*, Pope Francis calls for ecological conversion, a spiritual, moral, and cultural transformation that must be both deeply personal and broadly social (nos. 216-221). Therefore, when John Paul II calls for “life-styles in which the quest for truth, beauty, goodness and communion with others for the sake of common growth are the factors which determine consumer choices, savings and investments” (*Centesimus Annus* no. 36), this suggests that Catholic organizations should consider how their investments reflect their own ecological conversion and promote the social changes needed to combat climate change.

The theological and ethical concepts of social sin (sometimes referred to as structural sin or structures of sin) and cooperation with evil are useful tools for this process of discernment. The notion of social or structural sin was developed among Latin American liberation theologians in the 1960s and 1970s to describe the oppressive conditions experienced by the poor and the global economic system that causes them. For example, the Peruvian theologian Gustavo Gutiérrez wrote, “Sin is evident in oppressive structures, in the exploitation of humans by humans in the domination and slavery of peoples, races, and social classes. Sin appears, therefore, as the fundamental alienation, the root of a situation of injustice and exploitation.”<sup>42</sup>

The concept has since been widely adopted by theologians and incorporated into the Church’s social teaching.<sup>43</sup> In his apostolic exhortation *Reconciliatio et Paenitentia* (1984), Pope John Paul II teaches that the term “social sin” can refer to “realities and situations . . . , when they become generalized and reach vast proportions as social phenomena, [which] almost always become anonymous, just as their causes are complex and not always identifiable,” and that these social sins are “the result of the accumulation and concentration of many personal sins” (no. 16).<sup>44</sup> In his encyclical *Sollicitudo Rei Socialis* (1987), he adds that these “structures of sin” likewise “become the source of other sins, and so influence people's behavior” (no. 36). John Paul also notes how social sins are perpetuated not just through the actions of those with malicious intent, but also through laziness, indifference, and blindness (*Reconciliatio et*

*Paenitentia* no. 16).<sup>45</sup>

The Church's social teaching suggests that the economic patterns of production and consumption that contribute to the destruction of the natural environment, and the carbon-based economy fueling climate change in particular, should be considered social sins or structures of sin.<sup>46</sup> For example, Pope Benedict XVI warns of "the urgent need to eliminate the structural causes of global economic dysfunction and to correct models of growth that seem incapable of guaranteeing respect for the environment and for integral human development, both now and in the future" (Address to the Diplomatic Corps (2007)). Likewise, in *Laudato Si'*, Pope Francis identifies "a model of development based on the intensive use of fossil fuels, which is at the heart of the worldwide energy system" (no. 23) as a leading factor contributing to climate change, suggesting that the very structures of our economic system must change if we are to limit the effects of climate change. Francis also notes that these structures are perpetuated not just by our participation in consumerism, but also through indifference and blindness toward impending ecological catastrophe (no. 59). CTSA member David Cloutier has recently written on how Pope Francis's teaching in *Laudato Si'* can be deepened by understanding our "worldwide energy system" as reflecting reciprocally reinforcing structural factors and cultural values. He suggests that Catholic teaching points toward an understanding of the interdependence between personal agency and structural and cultural transformation in the struggle against climate change.<sup>47</sup>

The principle of cooperation with evil is much older than that of social sin, formalized by early modern Catholic moralists, most notably St. Alphonsus Liguori.<sup>48</sup> There are two broad types of cooperation with evil, formal cooperation and material cooperation. Formal cooperation occurs when one provides moral support for another's evil action, while material cooperation occurs when one's own action facilitates the evil action of another. Material cooperation is either immediate or remote depending on whether one respectively assists in performing the sinful act itself or contributes to the conditions making the sinful action possible. While formal cooperation is always unethical, the morality of material cooperation is dependent on the circumstances. In recent years, the principle of cooperation with evil has been central to public discourse on the Affordable Care Act's contraceptive mandate<sup>49</sup> and the use of vaccines developed from or tested using cell lines derived from aborted fetal tissue.<sup>50</sup> As these two examples illustrate, the evil with which one should avoid cooperating, if possible, has traditionally been understood as a discrete, sinful act. Julie Hanlon Rubio, however, has argued that cooperation with evil remains a useful concept even when addressing participation in social sins.<sup>51</sup> Along similar lines, Albino Barrera, O.P.<sup>52</sup> and Daniel K. Finn<sup>53</sup> have explored how individuals and institutions bear responsibility for causing, participating in, or cooperating with harmful economic structures.

Drawing on the principle of cooperation with evil, the USCCB adopts the strategy of refusing to invest, or divesting from, "companies whose products and/or policies are counter to the values of Catholic moral teaching or statements adopted by the Conference of Bishops," a strategy that in practice means refusing to support businesses engaged in promoting what the bishops consider to be intrinsically evil acts. This includes companies that participate in or support abortion, euthanasia, assisted suicide, in vitro fertilization, and pornography, among other practices, as well as companies who persistently violate the rights of their workers or "firms that derive any revenue from the production of weapons inconsistent with Catholic teaching on war." Although

investing in the fossil fuel industry could be considered a form of material cooperation with evil, it is not the sort of cooperation envisioned by the first strategy proposed by the bishops, but rather a more complex form of cooperation.

As the bishops note, “The entangled web of corporate relationships that is today’s economy almost makes it impossible to know all the effects investing in a single company, specific security, or investment fund can produce. Nevertheless, we must do all we can to assure that we invest in those corporations and institutions that promote human dignity and enhance the common good.” When it comes to matters that could more properly be considered social sins, including climate change, the bishops propose “corporate dialogues, proxy voting, and support of shareholder resolutions” as a strategy for shifting corporate behavior, but they also leave open the door for divestment **if dialogue proves ineffective**. The Church’s teaching on social sin suggests that the crucial question here is whether continued investment in the fossil fuel industry truly contributes to the “ecological conversion” of the personal and collective agents involved in the industry or rather perpetuates the underlying structures of sin in the name of “specious reasons of higher order” (John Paul II, *Reconciliatio et Paenitentia* no. 16).

Fossil fuel corporations’ exhaustively documented, decades-long opposition to policies and other efforts that threaten their core business model of hydrocarbon exploration, extraction, and combustion leads to the prudential judgment that shareholder engagement has been and is likely to continuously be ineffective amidst the climate emergency.<sup>54</sup> This is especially true given the closing window of opportunity to avoid climate catastrophe that bears repeating: the IPCC estimates that **to have a 50 percent chance of limiting global warming to 1.5°C, GHG pollution must peak by 2025, be cut in nearly half by 2030, and reach net zero emissions by 2050.**<sup>55</sup> To this end, “nearly 60 percent of oil and fossil methane gas, and 90 percent of coal must remain unextracted . . . to allow for a 50 percent probability of limiting warming to 1.5°C.”<sup>56</sup>

### **Efficacy Considerations**

Some argue that fossil fuel divestment is an ineffective response to the climate crisis. This is because stocks sold by some will be bought by others and thus mitigate financial incentives for corporations to change their activities. Here, at least three considerations are important. First, divestment frees enormous funds for reinvestment in renewable energy instead. Second, fossil fuel divestment is never futile because it stigmatizes fossil fuel expansion, production, and consumption. Divestment morally interrupts the status quo, shifts the social narrative around fossil fuels, and has the potential to move legislators away from accepting the support from fossil fuel companies that ties their hands regarding fossil-free legislation.<sup>57</sup>

Economists recognize the power of such stigmatization and demonstrate that “increasing oil and gas divestment pledges in a country are associated with lower capital flows to domestic oil and gas companies.”<sup>58</sup>

Finally, the theological virtues indicate efficacy is not the most important consideration around fossil fuel divestment. In his reflections on Christian hope, Dominic Doyle builds on the observation of Václav Havel that “hope is not expectation that things will turn out successfully,

but the conviction that something is worth working for, however it turns out.”<sup>59</sup> Reflecting on climate change, John Coleman describes, “The question is ‘Are We Being Faithful?’ I don’t think the question is whether or not we’ll be successful in reversing climate change. The question we need to ask is, ‘Were we faithful?’”<sup>60</sup> In the Catholic tradition, faith is the “adequate response” to God’s invitation to charity.<sup>61</sup> In the context of climate change, an adequate response to God’s invitation is love that wills and acts for the good in hopeful fidelity to the greatest commandment and is guided by prudence.<sup>62</sup> For present purposes, support for divestment transcends efficacy and is animated by faith, hope, and charity.

## **Financial Considerations**

This subsection outlines and judges financial considerations of fossil fuel divestment. While important, the CTSA *must not* assess them apart from the moral, ecclesial, and missiological dimensions of divestment and the Church’s essential responsibility to address what Pope Francis rightly calls the “climate emergency” that threatens “perpetrating a brutal act of injustice towards the poor and future generations.”<sup>63</sup> This is because, as Pope Benedict XVI repeatedly emphasized, “every economic decision has a moral consequence” and environmental costs must be incorporated into economic calculations.<sup>64</sup>

### *Financial Risks and Devaluation*

An overarching sentiment among many financial experts is that fossil fuel investments are increasingly risky and likely to incur devaluation. David Carlin, programme lead for the United Nations' Environment Programme Finance Initiative Task Force on Climate-Related Financial Disclosures, describes, “Fundamentally, fossil fuel companies are valued on their reserves. Climate science tells us that to maintain a safe climate, most of those reserves must remain in the ground. Unexploitable reserves become worthless, stranded assets.”<sup>65</sup> As noted, scholars in *Nature* conclude that globally “nearly 60 percent of oil and fossil methane gas, and 90 percent of coal must remain unextracted . . . to allow for a 50 percent probability of limiting warming to 1.5°C.”<sup>66</sup>

As regional, national, and international policies move to effectively lock known carbon reserves underground and disincentivize exploration of new stores in accord with this best available science, fossil fuel corporations’ risks of holding stranded assets that cause institutional devaluation increase considerably. So too does the risk of those invested in these corporations. This is true even for those fossil fuel corporations that have historically provided strong returns on investments. Ignoring this risk based on past returns constitutes “backtesting” which, as the Decarbonization Advisory Panel of the New York State Common Retirement Fund describes, “is akin to navigating a car down the road using only the rear-view mirror. This strategy works when the road ahead mirrors the past—it does not work when a hard turn is needed to avoid a cliff up ahead. Climate change promises sharp turns ahead.”<sup>67</sup> The Panel continued that “backtesting may lead to wrong conclusions in investment decisions in light of the nature of climate change impacts.”<sup>68</sup> Based on such an assessment, New York State’s pension fund—one of the world’s largest—divested its \$226 billion in assets from fossil fuels in December 2020.<sup>69</sup>



## *Litigation*

Global decarbonization and stranded assets are not the only financial risks to fossil fuel stocks. In its report *The Financial Case for Fossil Fuel Divestment*, experts from the Sightline Institute and Institute for Energy Economics and Financial Analysis identify “political conflicts between producer nations, competition, innovation, and attendant cultural change. These risks can be grouped into a few broad categories, such as ‘pure’ financial risk; technology and innovation risk; government regulation/oversight/policy risk, and litigation risk.”<sup>70</sup> Litigation risks stem from precedent lawsuits filed against fossil fuel corporations for climate change disinformation, infrastructure damage from climate change, misleading reserve valuation, racketeering, and human rights violations.<sup>71</sup> The very existence of these lawsuits underscores the ethical perils of fossil fuels and raises questions about whether CTSA’s future investments in them constitutes scandal or complicit cooperation with moral evil.<sup>72</sup>

## *Financial Prudence*

No one can predict exactly when the carbon bubble might burst on fossil fuel holdings. Nevertheless, the Decarbonization Advisory Panel of the New York State Common Retirement Fund observed, “Being too early in avoidance of the risk of permanent loss is much less of a danger than being too late.”<sup>73</sup> This directive echoes the recent assessment from Harvard University president Lawrence S. Bacow. In his letter to Harvard affiliates announcing fossil fuel divestment of the University’s \$41 billion endowment—the largest in higher education globally—Bacow said, “Given the need to decarbonize the economy and our responsibility as fiduciaries to make long-term investment decisions that support our teaching and research mission, we do not believe such investments are prudent.”<sup>74</sup> Bacow’s reference to prudence echoes the U.S. Conference of Catholic Bishops’ emphasis of this virtue, classically defined by Aquinas as “right reason applied to action,” as central to adequate climate change responses.<sup>75</sup>

## *Financial Performance*

Experience appears to generally verify the financial imprudence of fossil fuel investments. Research from MSCI found that between 2010-2015, fossil free investment portfolios outperformed those with fossil fuel holdings.<sup>76</sup> Since 2012, the S&P’s 500 Fossil Fuel Free Total Return Index has similarly surpassed the regular S&P 500.<sup>77</sup> At minimum, fossil fuel divestment does not generally appear to harm most portfolio returns. In “Examining the Impact of Divestment from Fossil Fuels on University Endowments,” Ryan and Marsicano assessed nearly 700 U.S. colleges and universities that had partially or fully divested. They concluded:

Our research found no discernable, consistent, average impact of divestment on endowment assets and no conclusive evidence of negative effects to private university endowments more generally. However, among the institutions we selected for synthetic control analysis, we find that divestment had limited but positive effect on the value of mid-sized, large, and very large endowments. While it is possible that divestment could still negatively impact endowment assets in ways undetectable to our methods, we find no credible evidence to suggest that divestment causes poor market returns.<sup>78</sup>

In summary, Ryan and Marsicano describe that their research “challenges the assumption that divestment yields negative returns to endowments.”<sup>79</sup> Similarly, Sanzillo, Hipple, and Williams-Derry systematically refute six prominent financial arguments against divestment:

1. Based upon a 50-year analysis of past fossil fuel returns, a portfolio that divests from fossil fuels will lose billions of dollars going forward [“backtesting” fallacy];
2. Divestment from fossil fuels will weaken returns, particularly for small funds, as the fees to convert a fund and then monitor its operation will be exorbitant . . .
3. Compliance costs to monitor fossil fuel industry changes cannot be sustained by small funds . . .
4. Divestment alone will not lead to lower stock prices and a higher cost of capital for oil and gas companies, and is therefore not worthwhile . . .
5. Large and small institutional investors will lose money from divesting their fossil fuel holdings, and will underperform their benchmarks or historical performance . . .
6. Funds will be reinvested in investments that do not meet the fund’s targets.<sup>80</sup>

#### ACT: RECOMMENDATIONS

We recommend that at this year’s Annual Convention, the CTSA Board make principled commitments through yes/no votes to:

- 1) freeze any new investments in the Carbon Underground 200,<sup>ii</sup> either through direct ownership or commingled funds that include fossil fuel public equities and corporate bonds,
- 2) divest from direct or comingled investments in the Carbon Underground 200 no later than the 2025 Annual Convention, the year in which the Nobel Prize-winning Intergovernmental Panel on Climate Change calculates that global greenhouse gas emissions must peak if humanity is to have a >50% chance of limiting global warming to 1.5°C, beyond which warming is likely to accelerate and intensify beyond already dangerous levels.

We further recommend that at this year’s Annual Convention, in order to implement the above two principled commitments with wide input from the membership, the Board commit through a yes/no vote to initiate a process whose goal will be to:

- 3) develop a plan by the 2023 Annual Convention that will enact these two principled commitments.

To solicit widespread input from the membership, we recommend that the Board selects a subcommittee to research options, who will present their options at town halls during the academic year 2022/2023, and the membership shall then vote upon the options that will implement the principled commitment to divest.

CTSA’s divestment from fossil fuels would be an act of climate and environmental justice congruent with and expressive of the Society’s affirmation of “advocacy for racial justice and systemic change as a component of the service they render to the church and the academy at this critical hour.”<sup>81</sup>

CTSA's divestment thus represents an *ad intra* systemic change that will advance climate, racial, and gender justice animated by Pope Francis's insight in *Laudato Si'*:

It cannot be emphasized enough how everything is interconnected . . . We are faced not with two separate crises, one environmental and the other social, but rather with one complex crisis which is both social and environmental. Strategies for a solution demand an integrated approach to combating poverty, restoring dignity to the excluded, and at the same time protecting nature (nos. 138-139).

### C) Sources

- IPCC SR - IPCC, Special Report, APM (2018), A-1.
- see <https://www.epa.gov/ghgemissions/overview-greenhouse-gases>
- The sixth assessment report has reports from the three working groups, each of whom prepares lengthy reports with executive summaries. Working Group I addresses “The Physical Science Basis.” Working Group II covers “Impacts, Adaptation, and Vulnerability.” Working Group III covers “Mitigation of Climate Change.” The IPCC also assembles Special Reports about specific topics (such as the October 2018 report, “Global Warming of 1.5 Degrees Celsius”). All this work and descriptions of their methods are available at [www.ipcc.ch](http://www.ipcc.ch). IPCC assessment reports also give projections of possible futures (see for example the Summary for Policy Makers (SPM), section B (p. 12f) of the report, here: [https://www.ipcc.ch/report/ar6/wg1/downloads/report/IPCC\\_AR6\\_WGI\\_SPM\\_final.pdf](https://www.ipcc.ch/report/ar6/wg1/downloads/report/IPCC_AR6_WGI_SPM_final.pdf)

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<sup>1</sup> Pope John XXIII, *Mater et Magistra* (Vatican: Libreria Editrice Vaticana, 1961), no. 236.

<sup>2</sup> Catholic Theological Society of America, “About Us,” 2019, <https://ctsa-online.org/AboutUs>.

<sup>3</sup> See [www.ipcc.ch](http://www.ipcc.ch).

<sup>4</sup> IPCC, *AR6 Climate Change 2021: The Physical Science Basis – Summary for Policymakers*, 2021, A.1.8, available at:

[https://www.ipcc.ch/report/ar6/wg1/downloads/report/IPCC\\_AR6\\_WGI\\_SPM\\_final.pdf](https://www.ipcc.ch/report/ar6/wg1/downloads/report/IPCC_AR6_WGI_SPM_final.pdf).

<sup>5</sup> IPCC, *AR6 Climate Change 2021*, A.2

<sup>6</sup> *Ibid.*, A.3.4.

<sup>7</sup> *Ibid.*, B.3.1 and B.3.4.

<sup>8</sup> Charles Geisler and Ben Currens, “Impediments to inland resettlement under conditions of accelerated sea level rise,” *Land Use Policy* 66 (2017): 322-330.

<sup>9</sup> *Ibid.*, Box SPM.1.

<sup>10</sup> Richard W. Miller, “Deep Responsibility for the Deep Future,” *Theological Studies* 77, no. 2 (2016): 440.

<sup>11</sup> U.S. Environmental Protection Agency, “Environmental Justice,” 2022, <https://www.epa.gov/environmentaljustice#:~:text=Environmental%20justice%20is%20the%20fair,laws%2C%20regulations%2C%20and%20policies>.

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