



## Reinvestment: Stop, Drop, and Roll

Some campuses are choosing to demand that their universities not only divest from the fossil fuel industry, but **reinvest** at least part of the endowment into building the world we want to see.

### STOP

*new investments*

### DROP

*existing investments*

### ROLL

*into reinvestment*

## What is Reinvestment?

Reinvestment is the investment of capital (money) in solutions to climate change. More specifically, reinvestment is investment in the technologies and infrastructure that will allow us to meet our energy needs in a way that improves community health, supports local autonomy, and mitigates the impacts of climate change globally especially for those who will be most affected.

Clean technology, energy efficiency, and other sustainable technologies are a growing market, with over \$260 billion invested globally last year, and have an attractive growth potential.

While fossil fuel companies have made modest investments in renewable energy research, their core business model is centered on extracting the fossil fuels from the reserves they currently own and exploiting new fossil fuel reserves. Under this business as usual scenario we cannot advocate for investment in any fossil fuel company as a sustainable or responsible investment.

## How can you integrate reinvestment into your divestment campaign?

**We suggest that universities reinvest 5% of the endowment in the next 5 years in climate solutions.** This number is slightly higher than 3-4%, the average amount of endowment invested in fossil fuels. It is a reasonable number for a fund manager, yet it represents that we are proactively building a new economy rather than only critiquing the current one.

If all US universities took similar steps we would generate \$20 billion, one of the biggest investments in the green economy to date. It would double the investment that the Clinton Global Initiative, in partnership with some of the largest pension funds in the nation, pledged for energy efficient infrastructure in 2011<sup>1</sup>.

To mitigate the effects of climate change, it is more strategic to invest directly in solutions than to engage in the slow, incremental process of filing shareholder resolutions to reform the fossil fuel industry. Divestment frees capital for investments in these solutions.

## What types of reinvestment exist?

**Mutual Funds:** A multitude of mutual fund options already exist that screen out fossil fuels. The more universities demand these options, the more money managers will be motivated to provide them. Examples of these funds include:

- Generation Investment Management Climate Solutions Fund II
- Generation Investment Management Credit fund
- North Sky Clean Tech Fund of Fund
- SJF Ventures Fund III

**Real Assets:** Investing in local projects like wind farms, solar fields, and large- scale community efficiency projects will not only move our university to serve the community and state it is located in, but also greatly improve relationships between the campuses and communities that are sometimes strained for a multitude of other reasons.

- An average wind farm needs capital in the \$30 million/ \$500 million range. An average large scale solar array might be more like \$2 million. With an average cost of a home retrofit around \$8,000 (varies widely), a community campaign to retrofit 1,000 homes could easily use capitalization of around \$8 million. These are real-scale investments for an endowment.

**Revolving Loan Funds:** Some institutions have the opportunity to invest parts of the endowment in needed capital improvement projects, such as energy efficiency upgrades for buildings. By establishing a revolving fund a portion of the energy cost savings can be returned to the endowment, often gaining a higher rate of return than if invested in stock<sup>2</sup>. Such investments can also drive down campus operating costs, reducing the draw on the endowment.

If your money managers are unwilling to divest, there are plenty of companies that would jump at the opportunity to manage mission-driven investments from your university. Examples of sustainable investment firms include:

- Trillium Asset Management
- Boston Common Asset Management
- Boston Trust & Investment Management Company
- Impax Asset Management
- Hemes Investment Holding, Inc.
- Calvert Asset Management
- Pax World
- Portfolio 21 Investments
- New Alternative Fund
- Clean Yield

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### References:

1 [http://press.clintonglobalinitiative.org/press\\_releases/media-advisory-the-american-federation-of-teachers-afl-cio-and-the-center-for-american-report-progress-on-their-cgi-america-commitment-to-create-jobs-at-the-2011-clinton-global-initiative-annual-meeti/](http://press.clintonglobalinitiative.org/press_releases/media-advisory-the-american-federation-of-teachers-afl-cio-and-the-center-for-american-report-progress-on-their-cgi-america-commitment-to-create-jobs-at-the-2011-clinton-global-initiative-annual-meeti/)

2 [www.greenbillion.org](http://www.greenbillion.org)