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 demand that universities reinvest 5% of the endowment in the next 5 years in climate solutions. This number is slightly higher than the estimate of current university investments in the fossil fuel industry.

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 20111.

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.
Reinvestment Guide

How is reinvestment a justice issue?

Communities of color and low income communities are disproportionately impacted by the effects of fossil fuels at all points in the production process; from extraction to transportation to combustion and finally disposal. Reinvestment options provide alternatives with fewer health impacts and greater opportunities for living wage jobs at each point in the life cycle of fossil fuel consumption.

Making reinvestment part of the ask of your divestment campaign ensures your university will fund real solutions to climate change not just greenwashed alternatives. For example, many investors tout biomass incineration as renewable energy - despite the fact that the combustion process emits more carbon into the atmosphere than coal and is equally harmful to surrounding communities.

How is reinvestment a fiduciary responsibility?

Mission-driven investing is an increasingly prominent way for fiduciary stewards of our universities to translate institutional values into practice in the endowment so these institutions can exist in perpetuity.

Dirty energy investments negatively impact the global economy in a multitude of ways that undermine the viability of fossil fuel investments in the portfolio. These impacts include climate disasters, shifts in political landscape, and resulting energy price shocks. Investing in a clean energy economy is the only pathway to maintain the financial health of institutions in the long-term.

What is the impact of reinvestment?

If 5% of all endowments reinvest in solutions, our divestment campaign will grow the green economy by $20 billion dollars.

Economists with the World Economic Forum have projected that we need $700 billion invested annually in clean energy by 2020 to avoid breaching the 2°C global warming threshold. As of 2010, we are only investing approximately $243 billion invested in clean energy. Reinvestment offers a pathway to close the clean energy investment gap.

By engaging with conventional fund managers, universities put pressure on them to develop more fossil free and competitive clean energy investment options for all institutional and individual investors.
How does reinvestment benefit local communities?

**Improves Public Health:** Reinvestment can address public health issues by funding developments in wastewater treatment and mass transit. This is an investment in healthier communities because it reduces the need for hazardous waste disposal methods like trash incineration and diminishes exposure to car exhaust.

**Benefits Local Economies:** Investments in locally sourced renewable energy reduce greenhouse gas emissions and allow communities to generate revenue from the energy they create. Local energy ownership can reduce the cost of living for families, the cost of doing business for businesses, and create security in the energy supply.

**Makes New Technologies Accessible:** Investments in new technology will increase access and affordability of renewable energy, resulting in increased savings for all communities. Examples of these technologies include: renewable energy itself and power transmission, agricultural advancements that lower fossil fuel inputs, and building materials that improve heating and cooling efficiency.

How does reinvestment benefit universities?

Reinvestment is an opportunity to make investments align with the missions and values of our universities. Sustainable investments make progress on goals in climate action plans such as the American College and University Presidents’ Climate Commitment (ACUPCC) and the AASHE Sustainability Tracking and Rating System (STARS).

Reinvestment is an opportunity for our universities to be ahead of the curve when it comes to potentially lucrative technology in sectors like energy efficiency and grid optimization.

Universities that reinvest in responsible and local options will not only demonstrate their leadership in sustainability but also improve their communities and overall relationships with city and county government and businesses.

Responsible investment mitigates long-term risk by identifying potential environmental, social, and governance (ESG) risks before they become portfolio risks. Consider catastrophes such as the BP oil spill and the Fukushima nuclear disaster; these catastrophes occurred partially because of environmental and governance failures. Responsible investment addresses ESG risks and factors that conventional investment does not integrate into the bottom lines.
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\(^{10}\). 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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