February 17, 2015

Dear Sir or Madam:

Finding responsible and effective ways to address climate change remains among the most important issues we face today. At the same time, the world is facing a future in which the supply and availability of all forms of energy will need to be increased significantly if we are to sustainably grow the global economy while improving both the standard and quality of life for people around the world.

Research, development and large-scale deployment of new and innovative technologies is critical to addressing these twin and related challenges, and a number of our institutions, many in partnership with industry, have emerged as leaders in the ongoing pursuit and commercialization of technologies that have the greatest potential to help us genuinely deliver on these important long-term imperatives.

In fact, energy companies have collectively spent billions over the past decade to develop and advance low-carbon and GHG-reduction technologies. At best, recent campaigns aimed at forcing institutions to divest their financial holdings of many of these same firms represent a distraction from the hard work required to produce sustainable climate solutions. At worst, they stand to cost institutions hundreds of millions of dollars that could have otherwise been used to advance cutting-edge research, enhance academic programs, and provide additional financial support and aid to students in need.

To date, several schools, such as Swarthmore College in Pa. and Wellesley College in Mass., have undertaken their own evaluations of the potential costs associated with divestment. According to internal audits, each institution projects its endowment could lose more than $15 million per year over the next 10 years under a scenario in which divestment policies are adopted.

Reinforcing this analysis, a recent study by Prof. Daniel Fischel of the Univ. of Chicago, a signer of this letter, finds that portfolios that included energy-related stocks did better on an absolute basis over a 50-year time period than those that did not by an average of 0.7 percent per year – for each and every year the portfolio was active. With total university endowment holdings estimated to be $456 billion, the projected costs associated with this policy could exceed $3.2 billion per year. This strikes us as an excessively high price to pay for something even divestment proponents acknowledge is largely a symbolic act.

Meanwhile, even schools that choose to divest continue to consume and rely on products provided by the very same firms and industries targeted by their policies. In a 2013 letter explaining Harvard's decision not to divest, school president Drew Faust wrote that she found "troubling inconsistency" in the idea that "we should boycott a whole class of companies at the same time that, as individuals and as a community, we are extensively relying on those companies' products and services for so much of what we do every day."

In our view, continued engagement with the energy sector on these critical issues represents a far better and more practical approach than a policy of exclusion and isolation. Plainly put, the challenge of combatting climate change is too great, and the costs associated with divestment are too considerable, for us to pursue these worthwhile objectives in any other way.

Sincerely,

Christopher S. Kulander
Visiting Associate Professor of Law
South Texas College of Law

Kangping Chen
Associate Professor, Mechanical and Aerospace Engineering
Arizona State University

Alan Schwartz
Sterling Professor of Law
Yale Law School

Ivo Welch
J. Fred Weston Professor of Finance
UCLA Anderson School of Management

Lawrence M. Cathles III
Professor, Dept. of Earth and Atmospheric Sciences
Cornell University

Donald I. Siegel
Professor, Earth Sciences
Syracuse University

Daniel R. Fischel
Lee and Brena Freeman Professor Emeritus of Law and Business
University of Chicago Law School

Richard Thompson
Professor, Natural Resources Mgmt. & Environmental Sciences Dept.
California Polytechnic State University

Bruce Thornton
Professor, Classics and Humanities
California State University, Fresno

Alan J. Giehl
Instructor, Leeds School of Business
University of Colorado Boulder

Michael C. Munger
Professor, Political Science
Duke University

William J. Carney
Charles Howard Candler Professor Emeritus of Law
Emory University

Henry N. Butler
Professor of Law
George Mason University

Richard J. Pierce, Jr.
Lyle T. Alverson Professor of Law
George Washington University

Robert Chase
Professor, Petroleum Engineering
Marietta College

Burt J. Todd
Assistant Professor, Petroleum Engineering
Montana Tech of the University of Montana

Douglas Southgate
Professor, Agricultural, Environmental, and Development Economics
Ohio State University

Steven C. Agee
Dean and Professor, Economics
Meinders School of Business, Oklahoma City University

Terry Engelder
Professor, Geosciences
Pennsylvania State University

Turgay Ertekin
Professor, Petroleum and Natural Gas Engineering
Pennsylvania State University

A. Daniel Hill
Department Head, Petroleum Engineering
Texas A&M University

Stephen Holditch,
Professor Emeritus, Petroleum Engineering
Texas A&M University

Detlef R. Hallermann
Clinical Associate Professor, Finance
Texas A&M University

M. Y. Soliman
George P. Livermore Endowed Chair
Professor, Department of Petroleum Engineering
Texas Tech University

Randy Pacheco
CEO, Four Corners Innovations
San Juan College

Dan Sutter
Professor, Economics
Troy University

Eric Smith
Associate Director, Energy Institute
Tulane University

Mark J. Perry
Professor, Economics and Finance
University of Michigan-Flint

Richard Marrus
Professor Emeritus, Physics
University of California, Berkeley

Paul Brady
Professor Emeritus, Physics
University of California, Berkeley

Roger Meiners
Professor, Law and Economics
University of Texas at Arlington

JiYoung Park
Associate Professor, Urban and Regional Planning
University at Buffalo

Robert E. Babcock
Professor, Chemical Engineering
University of Arkansas

Lisa Hamil
Global Energy Management Program
University of Colorado Denver

Don Clarke
Consulting Geologist, Former Petroleum Geology Instructor
University of Southern California

Thomas Tunstall
Research Director, Institute for Economic Development
University of Texas at San Antonio

William F. Shughart II
J. Fish Smith Professor in Public Choice
Utah State University

Martin Abraham
Interim Provost
Youngstown State University

Stephen M. Bainbridge
William D. Warren Distinguished Professor of Law
UCLA

Joseph P. Martin
Professor, Petroleum Engineering
Drexel University

Douglas B. Reynolds
Professor, Oil and Energy Economics
University of Alaska Fairbanks

Ben W. Ebenhack
Associate Professor, Petroleum Engineering
Marietta College