

Memorandum

Date: Thursday, June 16, 2016

To: THE NYU COMMUNITY

From: William Berkley, Chair, NYU Board of Trustees and Andrew Hamilton, President, NYU

Re: The Board of Trustees' Response to the University Senate Resolution on Fossil Fuel Divestment

Following a [report](#) from a University Senate Working Group that recommended against divestment, in spring 2015 the University Senate passed a [resolution](#) proposing that, going forward, no further investments in fossil fuel related companies should be made on behalf of NYU's endowment.

The Board of Trustees respects the Senate, and takes its recommendations very seriously. The Board carefully studied the arguments presented in favor of divestment. Notwithstanding this, and the concerns the Board shares about climate change, the Board does not believe divestment is the proper action to take. Regardless, the University will continue to take steps and look for concrete ways to enhance sustainability and reduce its greenhouse gas emissions, which it has reduced by 30% since 2007.

We want to share with you the response the Board today sent to the members of the University Senate outlining its reasoning (below).

Letter to the University Senate from Chair William Berkley and President Andrew Hamilton on behalf of the Board of Trustees

June 16, 2016

Dear Members of the University Senate,

We are writing you in response to the resolution passed by the Senate in April 2015 concerning fossil fuel related investments.

Background

There is agreement among members of the Board that global warming is real and is a serious transnational problem. And there is no dispute by the Board with the general consensus and the overwhelming weight of scientific opinion that human

agency is at the heart of climate change.

Given that, the Board believes that NYU must play an institutional role in addressing the challenge of climate change. And, indeed, NYU has a strong record on taking measures to improve sustainability:

- - *Our building of the cogeneration plant (which alone has reduced NYU's greenhouse gas emissions by over 20%) to serve Washington Square facilities, and the building of a cogeneration plant at the NYU Langone Medical Center, which has reduced greenhouse gas emissions there by approximately the same amount*
 - *Investments in energy efficient lighting, occupancy sensors, smart thermostats, and related technologies, which have contributed to a reduction in our overall electrical usage of approximately 30% in the last 10 years even as reliance on electricity-drawing devices has increased*
 - *The progressive swap-in of hybrid vehicles, electric vehicles, green buses, and hybrid electric buses for Public Safety, Campus Transportation, and other offices*
 - *The ongoing support for NYU's [Green Grants](#) program*

Together, these steps have enabled NYU to embrace the NYC Carbon Challenge, meeting the initial goal of reducing greenhouse gas emissions by 30% five years ahead of schedule, and permitted us to accept the more ambitious goal of a 50% reduction by the end of 2025.

And these operational steps do not, of course, include the contributions that NYU's academic research on climate change has made to the field or public understanding.

As to divestment (or, more precisely, making no fossil-fuel related investments in the future): the Board carefully considered the Senate's resolution. We also studied the materials provided by NYU Divest, and listened carefully to the report of the Board's Investment Committee, which was assigned the role of reviewing this matter for the Board; this included their report on the face-to-face presentation made by NYU Divest in May. We also read the report of the Senate Working Group, and reviewed the decisions on this matter made at a number of other research universities. And our review included a recent letter from a group of faculty.

After debating this matter, the Board has elected not to divest. Given our respect for the Senate and the consideration and effort that we know went into its resolution, we want to offer a full explanation of our thinking.

Discussion

At the forefront of our deliberations was the role of NYU's endowment. Its prime purpose is to support the University's academic and research missions; as NYU's fiduciaries, the prudent investment of the endowment is among the Board's weightiest duties. Particularly given NYU's low per-student endowment, any consideration that would depart from that prime purpose should be subject to a very

high bar of scrutiny. We applaud the efforts of faculty, students, and staff to advocate for addressing climate change and in proposing divestment, but do not support NYU using its endowment as a tool for simply making statements.

We understand that some proponents of divestment argue that divestment in and of itself can help to advance the use of renewable energy sources and reduce dependency on fossil fuels. However, we are not persuaded by this argument.

First, divestment does not reduce the amount of capital or funding available to fossil fuel companies; rather, it simply transfers ownership of stock from one holder to another.

Second, the decision to support investment in alternative energy technology is not mutually exclusive with investment in fossil fuel companies; in fact, many of the fossil fuel companies listed on the “Fossil Fuel 200” are major investors in alternative energy research and ventures.

And third, divestment is neither the only nor even among the most impactful steps NYU can take to address the underlying issue: atmospheric CO₂ and climate change. The actions and research noted above, among other efforts, all have a far greater impact on NYU’s greenhouse gas emissions and sustainability than would divestment. We believe that further action by the University in this regard is warranted, and we support it.

Moreover, it seems disingenuous for NYU to, on the one hand, deem the fossil fuel industry morally reprehensible—the clear implication of a decision to divest—while on the other hand continue to regularly and willingly use their products to power and heat our campus and to transport our students and faculty (albeit in ways that are more efficient and less carbon intensive than in the past).

And, finally, there is the impact on the endowment. To accomplish the goals proposed in the Senate resolution would require us to invest only with firms that have renounced fossil fuel related investments. This would significantly limit the choices we may make in investment managers, thereby limiting our ability to seek out the best long-term investment opportunities for the endowment.

Conclusion

For all the foregoing reasons, notwithstanding the Trustees great respect for the University Senate and the urgent nature of climate change, we do not believe divestment is the proper action to take.

Because the challenge of climate change is pressing, NYU must have an active role in the future—as we have now—in addressing it. The Trustees believe the senior leadership should always be looking for opportunities to expand those areas where NYU’s contribution will have a more tangible impact on climate change: sustainability programs, infrastructure investments that will reduce NYU’s carbon footprint further, and research on climate change.

Sincerely,

*William R. Berkley
Chairman, Board of Trustees*

*Andrew Hamilton
President*