Further research from Arizona State University has been released today which highlights - yet again - just how damaging divestment will be for universities that bow to pressure from narrow-minded pressure groups, and shed their investments in fossil fuel companies.

Findings from Dr. Hendrik Bessembinder, a professor at ASU's Carey School of Business, show that costs related to divestment have the potential to rob endowment funds of as much as 12 percent of their total value over a 20-year time frame. For large institutions, this could be as much as $7.4 billion, while medium-sized institutions could see a reduction of between $52 million and $298 million. For small institutions, the loss could stretch from $17 million to $89 million.

But the costs with divestment don't stop at the loss of funds. Dr. Bessembinder's findings show that heavy transaction and compliance costs will be incurred as fund managers sell off their fossil fuel holdings, as many of these are held in mutual funds, commingled funds and private equity funds. Substantial research and compliance costs will also be incurred as managers ensure their investments comply with their divestment goals.

Finally, the report also adds that the top 10 environmentally-focused funds charge management fees 10 basis points higher than their peers in the active management space, and 38 basis points higher than the passively-managed funds that long-term investors tend to favor.

As stark as these numbers are, they become even more grave when viewed in context. A 12 percent drop in endowment funds means a 12 percent drop in funds for the college. In turn, this means less money for research, fellowships, financial aid and professorships - among much, much more.

Although some reports state that the divestment movement has been "largely rebuffed," pressure on campuses across the country to shed their fossil fuel investments still remains. However, while the divestment advocates claim to represent the best interests of American citizens, divestment merely politicizes energy production in favor of more expensive methods - harming the very people advocates think they are trying to save.

Print as PDF:

Tags

Fossil Fuel Divestment

Fossil Fuels

Divestment