



Who divests from fossil fuels?

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Climate change and investors' reactions



Changing climate



Evolving risks

*(physical, regulatory, reputational,
etc.)*



*Strategic decision
and portfolio shift*

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Fossil fuel divestment

What is it?

- A norm-enacting movement encompassing a broad range of actors and focusing on investors
- An investor publicly excluding FF assets from their investment portfolio (can be forward-looking, but usually means the withdrawal of funds).
- Can include divestment from one type of FF (e.g. coal), the use of revenue thresholds (e.g. 30%), target compatibility analyses (e.g. Paris alignment), or symmetric investment strategies (e.g. divest-invest)

Its origins

- Student-led movement to divest from coal at US universities
- Quickly more mainstream because of its financial risk angle (on top of ethical concerns)
- Links to emerging regulation (e.g. TCFD, HLEG, etc.)

Existing literature

Movement description

- Comparison to Apartheid
 - Similar: Raise awareness against controversial practices, norm entrepreneur, reinforcing economic logic (Hunt et al. 2016)
 - Different: Broader set of actors and a “novel form of private investor-targeted climate change governance” (Ayling and Gunningham 2017)

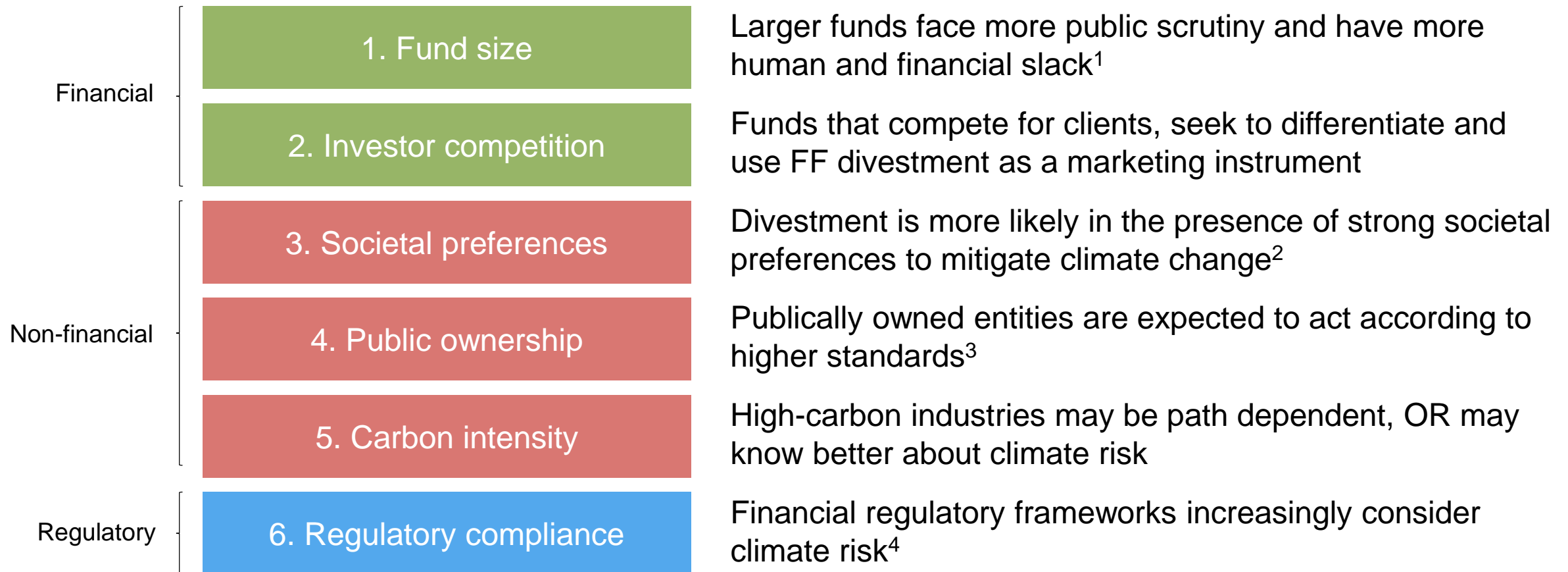
Effects

- Political disempowerment of FF industry
- Complicating access to capital and increasing its cost (Bergman 2018; Braungardt et al. 2019)
- No significant portfolio performance impairment or improvement (Trinks et al. 2018; Boermans and Galema 2019)
- Potentially negative effect on divested firms’ capital inflow and stock market value (Cojoianu et al. 2019; Dordi and Weber 2019; Rohleder et al. 2020)

Motives

- Larger funds with active management for Dutch pension funds (Boermans and Galema 2019)
- High slack and low media coverage to launch SR fund (Peillex and Ureche-Rangau 2016)
- Suez and geographical location for SR engagement (Sievänen et al. 2013)

Motives to divest



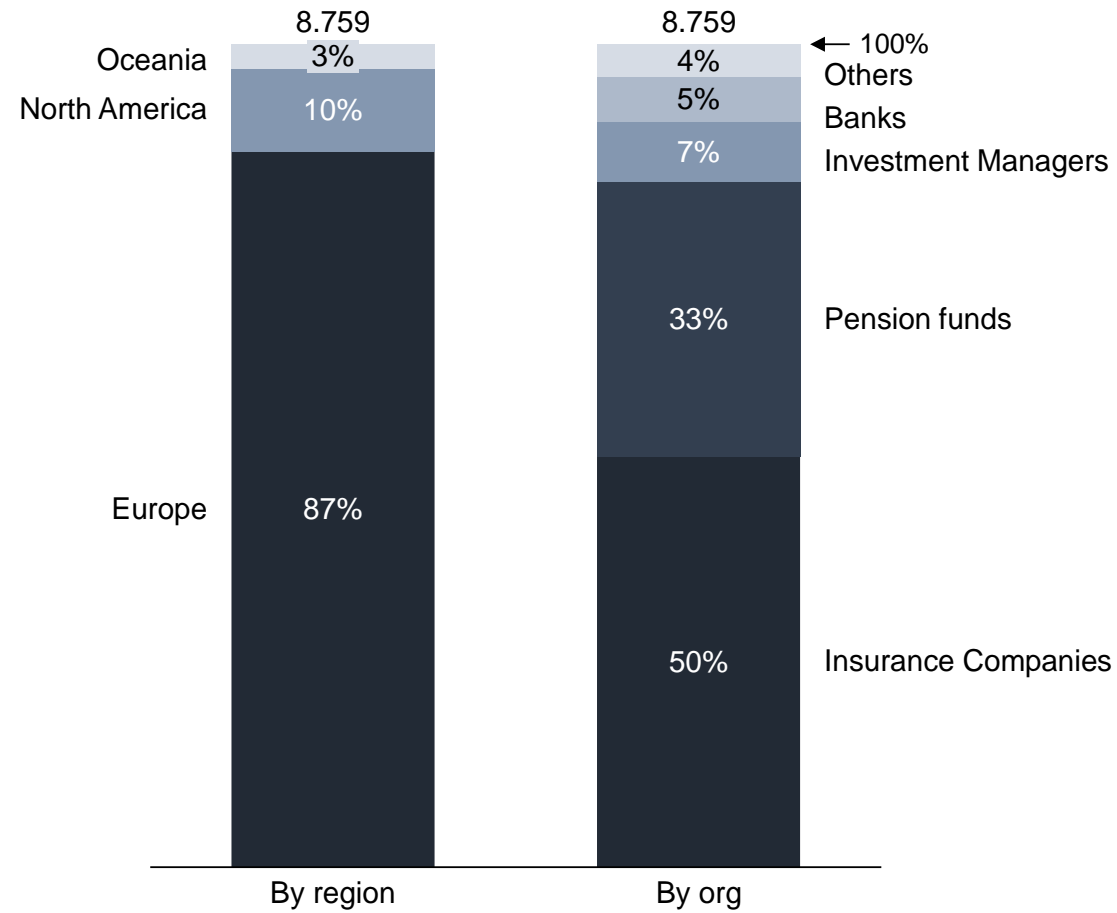
1. E.g. Sievänen et al. 2013, Peillex and Ureche-Rangau 2016

2. E.g. Dare et al. 2014 on social licence to operate

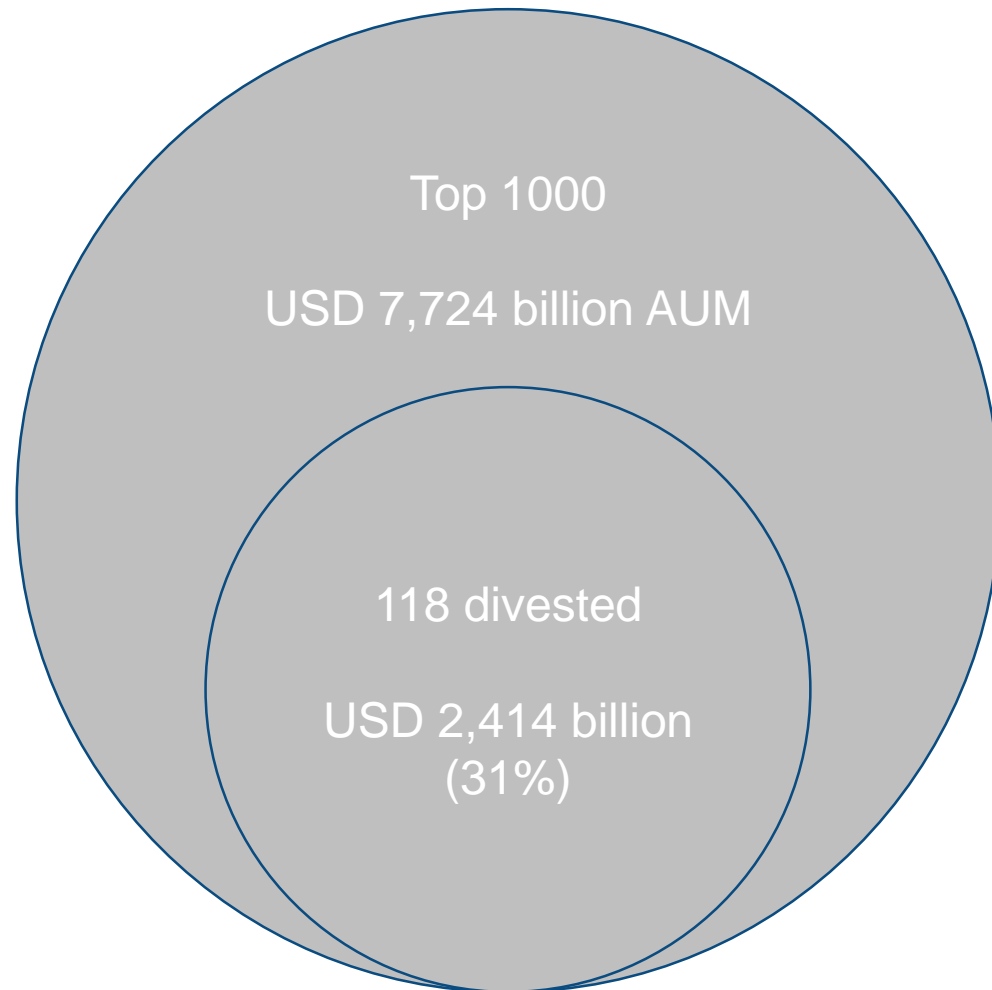
3. E.g. Christiansen 2013

4. E.g. TCFD 2017

Fossil fuel divestment worldwide



European pension funds



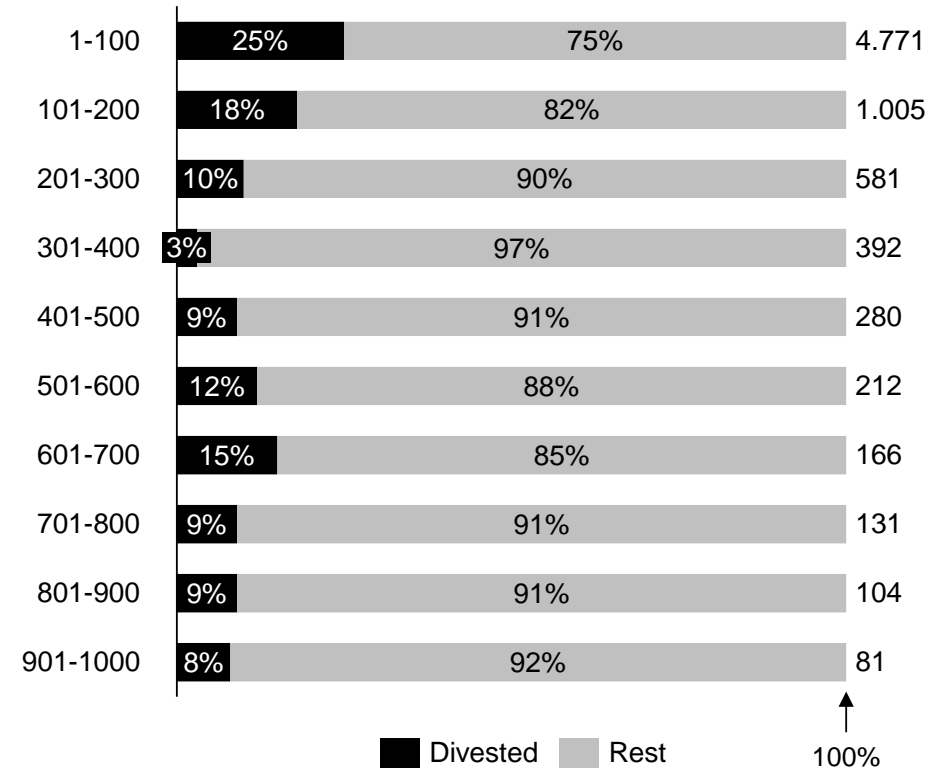
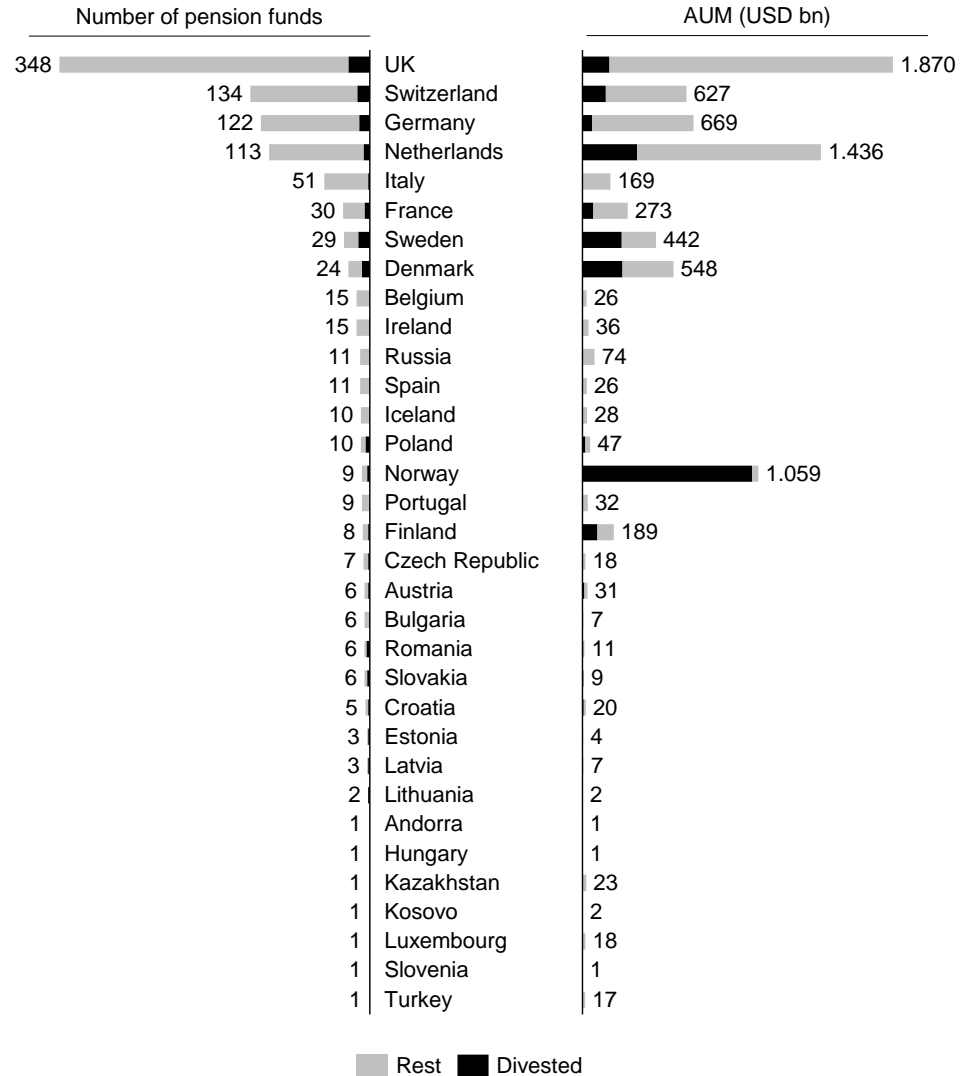
Identifying FF divestment

1. Match Top 1000 list (IPE, 2019) to divest-invest (N = 73)
2. Search pension fund website (N = 26)
3. Search newspapers and wires (Factiva, 2020) (N = 19)

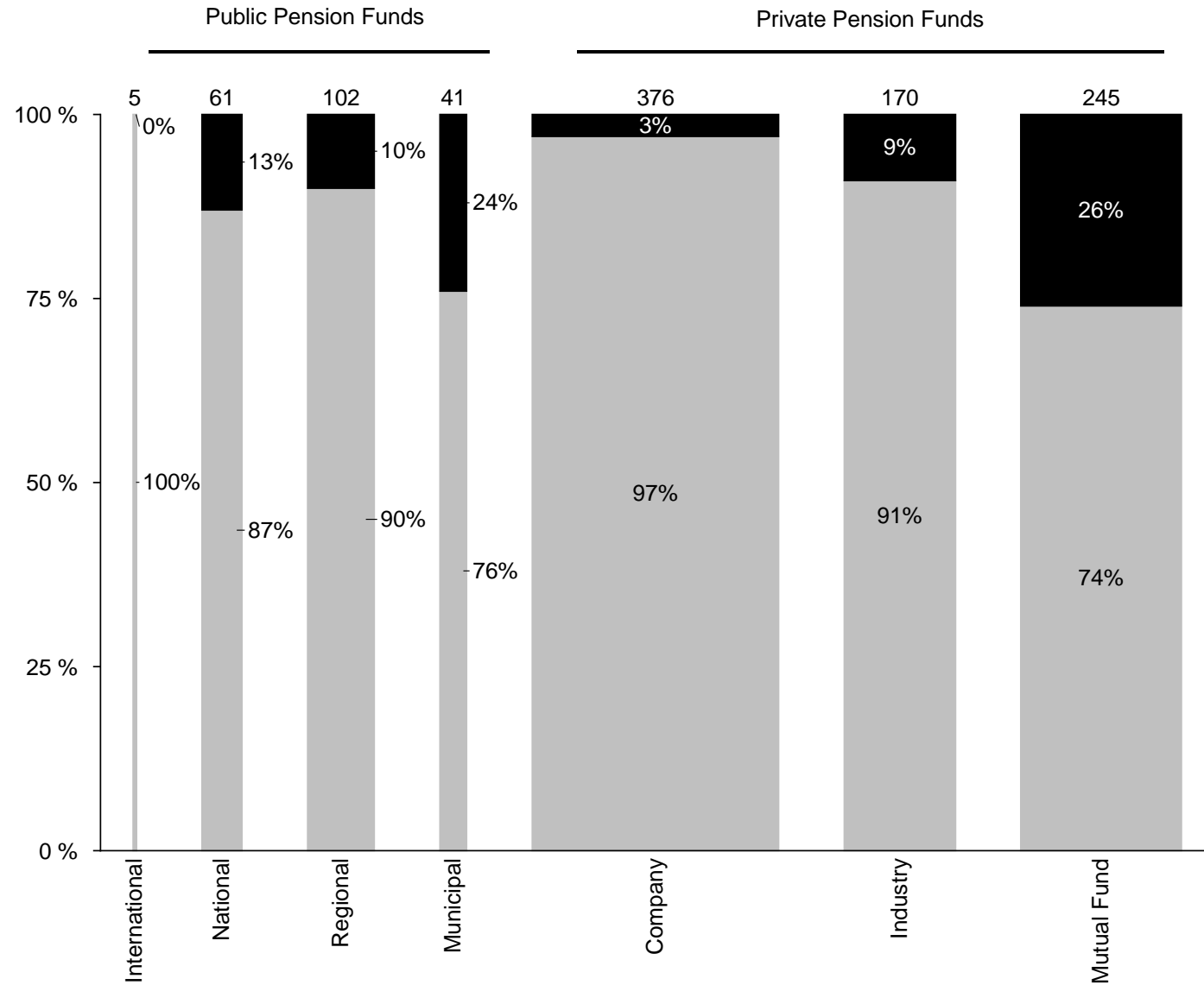
Rules

- Divestment on group level (cf. Subsidiaries)
- Divestment from one company only not counted

Geography and fund size



Fund type



Logit results

VARIABLES	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	divestment	divestment	divestment	divestment	divestment	divestment	divestment
Company		0.179*** (0.0768)					
Industry		0.632 (0.271)					
Mutual funds	2.001** (0.595)	1.086 (0.373)					
Log (AUM)			4.340*** (1.237)				
Public opinion				0.974 (0.292)			
Private ownership					0.481** (0.140)		
National						0.890 (0.433)	
Regional						2.450** (1.065)	
Municipal						8.295*** (3.948)	
Climate change policy							2.090* (0.787)
GDP per capita				1.830** (0.447)			1.437 (0.358)
Country fixed effects	Yes	Yes	Yes	No	Yes	Yes	No
Fund type fixed effects	No	No	Yes	Yes	Yes	Yes	Yes
Observations	816	816	812	895	816	816	895
seEform in parentheses, *** p<0.01, ** p<0.05, * p<0.1							

Discussion

Some implications

- The potential for impact (cf. size of publicly managed pension funds)
- The scope matters
- Build pro climate action coalitions in the financial world
- Use financial spillovers in policymaking

Future research

- Mechanisms?
- Climate-positive investments?
- Decision processes?