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Private Climate Change Governance and The Divestment Movement

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Climate Change Governance: Public and Private

- Failure of government and inter-governmental initiatives to deliver effective climate change mitigation
- To what extent can others fill the ‘governance space’ that states and international organizations have left open?
- considerable potential for private climate change governance and for public-private hybrids.

Actors and strategies

the State, industry and civil society

The State

- Emissions standards
- Carbon pricing
- Cap and trade
- Subsidies & rebates
- Tax breaks
- Other incentives
- Enabling policies (e.g. urban planning)

Civil society

- Direct action
- Engage with government
- partnerships
- Consumer information and education
- Seek industry disclosure
- NGO standard-setting and certification
- supply chain pressure, shaming, boycotts
- Shareholder advocacy

Industry

- Industry self-regulation
- Commit to/ comply with voluntary standards
- Enterprise-level initiatives
- Engage with government
- R & D support



The Divestment Movement: History

- 350.org created by Bill McKibben and his students at Middlebury College, Vermont’.
- Intended to be a vanguard movement to raise awareness and galvanise action,
- Publication of Carbon Tracker report in 2012 gave 350.org fresh direction
- Making the case for keeping most fossil fuel reserves in the ground – go “fossil free”
- The campaign now targets the 200 leading publicly traded fossil fuel companies (identified by the *Carbon Tracker* Initiative)
- Includes: divestment campaign on campuses and other ‘soft’ targets
- Rapid growth in relatively short time



June 2013

Portland OR

Oct 2013
Boxtel NL

Jan 2014
17 foundations
(assets US \$1.8bn)

April 2013
Uniting Church
NSW/ACT

Feb 2013
College of the
Atlantic, ME

May 2014
Stanford
University (coal)

May 2014 UNFCCC Exec Sec
Christiana Figueres : *Divestment
may be a question of morality, but
it is prudent too.*

Nov 2012
Seattle
WA

Jan 2014 World
Bank President Jim
Yong Kim: *Every
company, investor,
and bank that
screens new and
existing investments
for climate risk is
simply being
pragmatic.*

April 2014
Fmr South African
Archbishop Desmond
Tutu: *People of
conscience need to
break their ties with
corporations financing
the injustice of climate
change*

June 2014
Oakland CA

At April 2015:
28 unis, 42
cities, 2
counties, 74
religious
institutions, 73
foundations &
20 others

350.org &
allied
groups
2009

June 2014
British Medical
Assoc

July 2014
World
Council of
Churches

April 2015
SOAS
University of
London

Nov 2014: UN
Sec-Gen Ban Ki
Moon

Feb 2014
Fmr Irish President Mary
Robinson: *The divestment
campaign ...is one shining
example of what is needed to
curb greenhouse gas
emissions*

June 2014
Barack
Obama

Sept 2014
Church of
Sweden

March 2015
Minneapolis MN

Go Fossil
Free
2012
SUPPORTS DIVESTMENT

Sept 2014
Rockefeller
Brothers Fund

Jan 2015
Marrickville
Sydney

Jan 2015
Quakers
Aust

Nov 2014
Victoria
University of
Wellington

October 2014
University of
Glasgow

DIVESTMENT COMMITMENT

Aims

Two central arguments:

- ***Financial: The risk of Stranded Assets (“unburnable carbon”).***
- Raise awareness amongst investors of the role of the fossil fuel companies in climate change
- Breed uncertainty among investors (ethical or not) about the fossil fuel industry’s future as a source of profitable investment
- But campaigners know that divestment is unlikely to directly affect company valuations;
- **Emotional and moral appeal**
- Make pariahs of the fossil fuel industry (cf. tobacco) by removing their ‘social licence to operate’
- Principal role as moral entrepreneurs.
- Effective reframing and packaging to make issues more accessible



Main characteristics

➤ It is *private*

- does not rely on conventional forms of law or regulation developed by the state or internationally, but rather on informal action by NGOs.

➤ It is *investor-targeted*

- persuading institutional investors to modify their portfolios is (ostensibly) its principal focus.

➤ It's *networked*

- involving activist networks from multiple organisations that cross borders.

➤ It's *transnational*

- –it operations in multiple countries
- Unlike FSC, MSC, ISO etc, the focus is not on rules with which participants must comply/supply chain pressure etc
- Emphasis on the logic of appropriateness

A network in which different actors play different but often complementary roles

- UNEP –Finance Initiative, International Energy Organisation, World Bank
- Carbon Tracker initiative
- Carbon Disclosure Project
- Climate Change partnerships eg 350.org and *The Guardian*, Allianz and World Wildlife Fund
- HSBC, Citigroup, Allianz, Mercer etc
- FTSE4Good, Dow Jones Sustainability Index etc
- Specific ‘low carbon investment funds’
- A new business terrain: model mongers and mercenaries

The future of the divestment movement

- Will it implode, will the media lose interest?
- Will it overcome the resistance of investors to divestment
- Can it more fully engage with the developing world?
- Can it overcome serious obstacles: the complexity of shareholdings by institutional investors, the concept of *fiduciary responsibility*, and the incentives for short-termism?
- Will shareholder activism and pushing for corporate disclosure prove to be more effective strategies than divestment?
- Or will it continue to evolve, extending its networks, finding new ways to engage with business, the state and other NGOs
- Will it become part of a broader epistemic community which shares concerns, policy ideas, science and technologies relevant to mitigating climate change?
- Will financial institutions ‘herd’, will there be a stampede to divest potentially stranded assets?
- Will it find ways to harness financial institutions as gatekeepers?
- Who will win the ‘battle of principles?’

Webs of Dialogue: Lessons from Global Business Regulation

- dialogue as a mechanism of the weak
- webs of influence comprise of many actors wielding many mechanisms
- weak single strands in webs of influence often become strong by being tied to other weak strands
- NGO influence has been greatest when it has captured the imagination of mass publics in powerful states
- When many different types of actors use many dialogic mechanisms of this sort, impressive regime-building has been repeatedly demonstrated
- entrepreneurship by the weak can sometimes prise open conflicts among stronger players, enrolling big business in the cause of citizen groups



Next steps

1. The nature and role of the divestment movement

- What role does it play in the emerging ‘transnational regime complex for climate change’?
- How is it distinct from other forms of private climate change governance?
- From where does the divestment movement derive authority and legitimacy?

2. The current and potential contours of the network within which it operates

- Extent of the network? Actor characteristics?
- Strength and density of network? Relationships between ‘nodes’?
- How is the network managed?
- Future directions

3. The factors that are likely to shape the movement’s influence in the longer term

- Capacity to create or facilitate a broader web of influence that could bring about a normative shift in attitudes?
- Effectiveness in comparison with other strategies such as shareholder activism?
- Coping with obstacles? What is the impact of networks?

4. How might the Divestment Movement connect to state to increase its impact?

Conclusion: Towards An Energy Revolution?

- No such energy revolution can be achieved without States and International Organizations playing key roles
- Private sector governance is important, particularly in the short to medium term, and particularly in winning hearts and minds
- The financial markets and institutional investment, are crucial spheres in which to bring about a shift in norms
- In this context the divestment movement, and the broader network of which it is a part, can help reframe international and domestic debates

“The Stone Age didn’t end because we ran out of stones, and the age of oil won’t end because we run out of oil.”