CAMBRIDGE CITY COUNCIL

CITY COUNCILLOR LELAND CHEUNG

September 12, 2013

Donna P. Lopez
City Clerk
City Hall
Cambridge, MA 02139

Dear Ms. Lopez:

Please place the enclosed letter and remarks on Communications and Reports from City Officers.

Thank you.

Sincerely,

Leland Cheung

CAMBRIDGE CITY COUNCIL

CITY COUNCILLOR LELAND CHEUNG

September 16, 2013

President Drew G. Faust and the Fellows of Harvard University
Harvard University
Massachusetts Hall
Cambridge, MA 02138

Dear President Faust and Fellows:

I am pleased to submit the enclosed written copy of my remarks urging Harvard University to divest from fossil fuel companies. Harvard University has a long track record of being a responsive and deliberative body that protects the interests of the broader community when considering plans for the future. I trust the University to exercise the same conscientious consideration in its investment practices as well.

I appreciate your time and consideration. Please do not hesitate to contact me directly if I can provide any additional information.

With best regards,

Leland Cheung
Cambridge City Councillor

COUNCILLOR LELAND CHEUNG:
REMARKS DELIVERED TO HARVARD UNIVERSITY ON SEPTEMBER 16, 2013 ON THE TOPIC OF FOSSIL FUEL DIVESTMENT

Hello. My name is Leland Cheung, and I am here today as a Cambridge City Councillor and alumnus of Harvard University. I am honored to join the membership of Divest Harvard this afternoon to urge the administration of Harvard University to consider divesting our $30.7 billion endowment from fossil fuels. Thank you for providing me with the opportunity to share my thoughts on one of the most significant challenges facing our community.

I have no doubt that nobody in this room is a stranger to the potential perils of climate change and the damage that it will ultimately inflict on our city, the Commonwealth, our nation, and the world. Individually, we all try to do our part to protect our planet – we recycle, commute sustainably, patron socially-responsible businesses, and principally support the concept of environmental sustainability. However, our individual environmental efforts - even when amassed together – cannot keep up with the pace of climate change. Now is the time to protect the safety and vitality of our cities by standing together to divest from companies that have the potential to threaten our generation's future.

Harvard University has a long track record of being a responsive and deliberative body that protects the interests of the broader community when considering plans for the future. It is essential that the University exercise the same conscientious consideration in its investment practices going forward. If I were to ask each member of the administration sitting before me today, I feel confident that everyone would express to me that principally, they stand behind the idea of divestment, but are concerned about the potential risk that such an action would have on our endowment's returns. At what point should our social values guide our financial decisions and our influence over the financial decisions of others?

The answer is that the risk that keeps us stagnant is likely not much of a risk at all. A recent report from the Aperio Group estimated that over the past ten years, a carbon divested fund would have yielded higher returns than a non divested portfolio. Looking forward, a recent study determined that excluding the worst 15 carbon offenders from a US portfolio adds an additional risk of only 0.0006 percent, and that the comprehensive list of fossil fuel companies adds an additional absolute portfolio risk of 0.0101 percent.

Furthermore, maintaining investments in fossil fuels may introduce greater risk into portfolios for the long-term than the risk resulting from divestment. If we maintain our commitment to keeping global temperature rise below 2 degrees Celsius, we will only be able to burn a total of 20 percent – 565 gigatons – of the current "above ground" fossil fuels until 2030 . Furthermore, there is a growing domestic and international move towards the regulation of carbon emissions – regulation of the industry (via carbon tax or subsidy remover) will make fossil fuel extraction more expensive, and devaluate stocks even more – a clear financial risk for shareholders. In this case, it's clear that the perceived "risk" of divesting is worth the reward. Divesting means protecting our shareholders from future risk as well as protecting our planet and our citizens.

The earlier we start to divest from fossil fuels, the more time we have to analyze and rebalance our portfolios to sell off fossil fuel assets over a period of several years. The longer we wait, the more chance we have of opting to divest *after* the carbon bubble has burst and the price of shares has dropped.

If we're investing in oil companies, we are betting against the future economic growth of the clean energy companies that are born and based in Massachusetts – many of which have been started by Harvard graduates and will be started by current Harvard students.

Harvard University has an extensive history of empowering the world's greatest thinkers by leading by example. It is time for us to demonstrate that same sense of leadership in our investment practices. Now is the time to divest to protect the economic and environmental futures of current Harvard students, our alumni, and future generations.

Thank you.