
As 2017 gets started, the activist rhetoric for divestment will inevitably ramp up. So here are a few hard truths that divestment proponents ignore: **1. It's bad business.** Pension and university endowment managers have a heavy charge: to optimize their returns in order to fund important elements of our society: pensions for those who serve our nation (like firefighters, nurses, and teachers) and endowments to offset student fees and to provide scholarships. That's their duty—not engaging in activist or public relations campaigns. Kevin Sunday, Director of Government Affairs at the Pennsylvania Chamber of Business and Industry, recently tackled the issue of divestment by looking at the market. He found: By far the strongest performing industrial sector of the S&P 500 so far this year has been energy companies. ... [Oil and gas companies] as a group will have outperformed the broader market by fifteen percentage points, which is no small feat given that the S&P 500 as a whole returned solid gains of approximately 11%. And the level of demand for oil and natural gas isn't going anywhere. As Sunday continues: [The U.S. Energy Information Administration's Short-Term Energy Outlook](#) makes clear that demand for oil has continued to increase every year for the past five years and is expected to continue well into the future. The same is true for gas, whose production continues to grow as domestic producers continue to develop shale resources across the United States. All of this adds up to an inevitable conclusion It would also be foolish for institutions to cave to divestment advocates, given that the only meaningful impact such a strategy brings will likely be underperformance for the institution now and in the future. **2. It's hypocritical.** As *Denver Post* columnist Vincent Carroll [pointed out](#) last week: Divestment would be hypocritical and divisive. It would amount to rank moral posturing. **It would demonize an industry — and the people who work in it — that remains critical to civilization and whose byproducts are used every hour of every day by nearly every one of us.** **3. It's immoral.** As the *Denver Post* recently [editorialized](#), even if it were possible to divest, “It would be cruel to poor and hardworking people in our country and impoverished nations beyond our borders to do so.” Replacing existing affordable, reliable energy sources with more expensive alternatives would decrease the ability of vulnerable populations to access heat, electricity, and raise the cost of the millions of products made from oil and natural. **4. It's impossible.** Divestment is literally impossible. Can you sell stocks in energy extraction and production companies? Yes. But *all* companies use oil and natural gas—for fuel, electricity, heat, transport, and through the petrochemicals that go into everything from solar panels to seat belts. That's right. You can't make solar panels (or wind turbines, for that matter) without oil and natural gas. **5. Activists won't be the ones to pay the price.** The extremists who are pushing for divestment are not the ones who will suffer from the lower returns—it's the pensioners and students who are relying on the income from optimized investments. For all of these reasons, fund managers should ignore the extremist rhetoric and focus on making sure that students and retirees are able to benefit from optimal investment returns.

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