Funding the Future

'Keep it in the ground' is about the next major financi...

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The Guardian has a petition on its web site which I would urge you to sign. They say:

Join us in urging the world's two biggest charitable funds to move their money out of fossil fuels

To Bill and Melinda Gates, founders of the Bill and Melinda Gates Foundation; Jeremy Farrar and Sir William Castell, director and chair of the Wellcome Trust:

Your organisations have made a huge contribution to human progress and equality by supporting scientific research and development projects. Yet your investments in fossil fuels are putting this progress at great risk, by undermining your long term ambitions.

Climate change poses a real threat to all of us, and it is morally and financially misguided to invest in companies dedicated to finding and burning more oil, gas and coal. Many philanthropic organisations are divesting their endowments from fossil fuels. We ask you to do the same: to commit now to divesting from the **top 200 fossil fuel companies within five years and to immediately freeze any new investments in those companies.**

There is, I have to say, an even more important reason for their disinvesting from these companies, and that is that fossil fuel companies are the next major global financial crash in the making.

Fossil fuel companies are not just valued on what they make; they are also valued on the basis of the reserves that they hold. This is why they keep trying to find more reserves of oil, coal, and so on. But, in practice, we now know that the vast majority of the existing identified reserves of carbon fuels in the world will have to stay in the ground if we are to have any hope of keeping climate change below 2°, at which point it becomes potentially fundamentally dangerous to the future of human well-being. So, there is a very strong likelihood that the reserves of these companies are dramatically overstated, in practical terms, and as a result that their valuations are also massively

too high.

After banks and finance companies fossil fuel companies are the biggest companies by value on the London stock exchange. But, that valuation may be wholly inappropriate for the reasons I note.

Disinvestment is not just about telling these companies to keep fossil fuels in the ground; it is also about a phased, and gentle, programme of these companies seeing their valuations reduced so that a major collapse in the financial markets can be avoided, maybe.