

HB5268

UI Fossil Fuel Divestment Act

What is HB5268?

HB5268 would mandate that the Board of Trustees direct the University of Illinois Foundation to divest from fossil fuels. This would take the form of an addendum to the University of Illinois Act requiring the Board of Trustees to instruct divestment. Currently, the University of Illinois Foundation has roughly \$110 million privately invested in fossil fuel companies.

The University of Illinois, through both private and public endowments, has roughly \$230 million invested in companies that profit from the extraction, refinement, sale, and/or transport of fossil fuels. We want to change that.

Fossil fuel investments are not economically viable.

- Energy investments have a higher 10 year average volatility than any other sector of the economy.
- Fossil fuel investment returns are the lowest amount per sector of the economy between the years 2014 - September of 2023.
- Both the S&P 500 and the All Country World Index would have been at a higher valuation if they had no fossil fuel investments within them.
- Fossil fuel companies hold 2X the risk in the S&P 500 index than all other averaged stocks.

Notably, MSCI's ACWI fossil-free index has demonstrated superior performance compared to indexes invested in fossil fuel companies.

UI has already agreed to divest!

Crucially, the University of Illinois has already committed to completely divesting from fossil fuel companies within its endowments in the 2020 version of the Illinois Climate Action Plan (Objective 9.1) by FY 2025. Within the Illinois Climate Action Plan, the University of Illinois adds that, "Trends also suggest that the change in the economic market, especially as a result of COVID-19, supports a positive financial decision to divest."

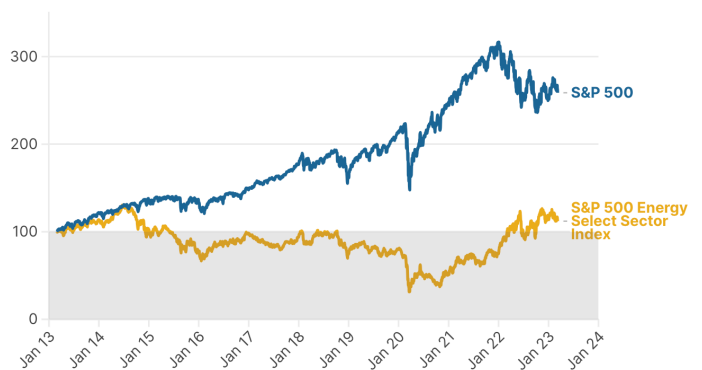
Additionally, there is precedent behind this issue: the University of Illinois has already divested 99% of its portfolio from "... coal utility and mining companies and has already divested its direct holdings in coal." (ICAP) The portfolio value of the University has only continued to rise.

S&P 500 vs. Energy Select Sector Index

Energy stock index has performed poorly compared to S&P 500

While the S&P 500 has made substantial gains, the Energy Select Sector Index has spent much of the last decade in negative territory

Percent share of index value



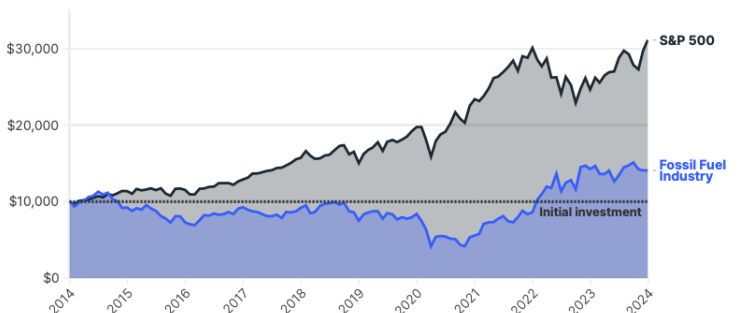
Source: S&P • as of Mar 9, 2023



Investors Beware: Fossil Fuel Stocks Harm Index Returns

The traditional energy sector has underperformed markets over the past decade. In the process, it has dragged down broader indices — and cost passive investors.

Value of \$10,000 invested in 2014



Source: S&P • Rebased total return
Lower line represents the S&P 500 Energy Index



Courtesy of Institute for Energy Economics and Financial Analysis. "Passive investing in a warming world." Connor Chung and Dan Cohen. S&P 500 index without fossil fuels, fossil fuels only over the actual S&P 500 index.

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As demonstrated previously, **investing in fossil fuel companies is not a prudent long-term investment strategy.** The global trajectory unmistakably points towards a low-carbon future, diminishing the market significance of fossil fuel entities. The University of Illinois' investment decision contradicts its professed values, proposed initiatives, and, most importantly, the desires of its student body.

Why HB5268?

For **16 years**, students at the University of Illinois have relentlessly advocated for fossil fuel divestment. Since 2008, we have gathered on the Quad, demanding the University to sever ties with fossil fuels. We've articulated our case at Board of Trustees meetings, protested every semester, and rallied by the hundreds, yet everything we have done has fallen on deaf ears.

In 2019, **students voted overwhelmingly in favor of divestment, with a resounding 3-to-1 majority.** In the same year, the student senate passed the "UIUC Fossil Free" resolution, urging the University to take action. **Chancellor Jones received formal advisement** to divest from fossil fuels and he personally sent a letter to both the University of Illinois System and UI Foundation, urging them to divest from fossil fuels. Our commitment to divestment spans over a decade and a half, and **HB5268 represents our best shot yet at holding our University accountable.**

