

Louvain School of Management

Climate action & corporate stigma

Is fossil fuel divestment desirable?

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Introduction

“The forest is being ravaged by a fierce fire. All animals flee out of the woods and gather around a lake, clueless, watching their dear home disappear in silence. Suddenly, the calm is disturbed by a humming bird. The small bird flies above the lake, fills its beak of water and flies back over the fire to release the tiny drop. It then comes back and repeats the marginal operation. All animals watch these efforts in despair, knowing the hummingbird cannot possibly put out the fire.”

If the planet were a forest, the forest would be on fire.

It has now become clear to most that denying global warming is folly. Although once called the “*greatest hoax*” by US Senator James Inhofe (Kristof, 2018), global warming has been generally acknowledged by the global scientific sphere, notably the International Panel on Climate Change (IPCC) as a fact fueled by human activities (IPCC, 2014: p. 2). Most have heard of the Paris Agreement to keep rising temperatures under the tipping point of 2°C, without which global warming would have irreversible consequences (United Nations, 2015). Global warming is happening, the forest is on fire.

Considering this, society faces two viable options for survival: flee the forest and settle somewhere else or attempt to put out the fire. As there is no supporting evidence of an emergency exit from the earth yet, society’s only take to survival is taking actions to combat global warming. Some attempts of the sort have emerged throughout time, from scientific researches on the matter, to awareness campaigns and habits shifts. Projects are undertaken at the individual and collective level simultaneously. The following will focus on a collective campaign that has emerged in recent years: the global movement of fossil fuel divestment.

Fossil fuel divestment is a campaign that aims at tackling global warming at its source: fossil fuels. Under the premises that the combustion of fossil fuels is massively contributing to global warming, and that this combustion is managed and supported by the fossil fuel industry, the movement urges investors to divest their investments in fossil fuel companies. Multiple motives apply in the campaign’s reasoning, but one of them will constitute the focus of this thesis:

stigmatization. Through divestment, campaigners intend to point out the industry as fundamentally bad as a means to annihilate its social and political credits. Strikingly, stigmatizing the fossil fuel industry has been raised as the most important lever of the divestment movement, notably by economist Ben Caldecott who stated that all other impacts of divestment “*pale in comparison*” (Carrington, 2013).

The research question that will guide the discussion in the subsequent work is the following: “*Climate action and organizational stigma: is fossil fuel divestment desirable?*”. Answering this question will contribute to the assessment of divestment from fossil fuels as a robust and resilient campaign.

In order to answer this question methodologically, the present thesis will be divided into three distinct parts: general concepts, situational analysis and explorational analysis. The first part will set the basis on which the further analyses will rest. Precisely, it will develop the concepts of fossil fuel divestment and organizational stigmatization. The second part will attempt to describe the current situation: it will define whether stigmatization is an appropriate means for the campaign goals and will assess whether the industry of fossil fuels is indeed stigmatized as of today. This part will therefore answer the question “is the campaign effective in stigmatizing the fossil fuel industry?”. The third and last part will build on the situation exposed in part two in an explorational way. It will explore the reasons and consequences attached to the (lack of) stigma on the industry and will also attempt to assess the morality of the campaign. Indeed, divestment will only be fully desirable given it both works and follows society’s moral code. At the end of the third part, an answer will be given to the desirability of the stigmatization process of fossil fuel divestment.

In terms of scope, the analyses will be limited to assessing the efficiency and morality of the campaign as it is. As such, it will not regard the post divestment options such as re-investing in renewables, nor will it attempt to develop a comprehensive set of recommendations for the actors involved.

The forest is on fire. The question now is: is cutting ties with the responsible parties the right solution towards putting out the flames? Is it efficient, let alone fair?

Part 1 - General Concepts

Before delving into complex analyses, this first part will help understand the two key concepts of the thesis' topic: fossil fuel divestment and organizational stigmatization. Despite being quite technical and literature-based, this part will be important for the following. Indeed, apprehending these concepts will allow to develop the basis on which the further analyses will rest. The concept of fossil fuel divestment will be unveiled in the first section, followed by organizational stigmatization.

Section 1.1 - What is fossil fuel divestment?

1.1.1 What is fossil fuel divestment, technically?

The present thesis treats the case of fossil fuel divestment, and the extent to which it stigmatizes the fossil fuel industry. This section will introduce what has become a global campaign in the recent years: fossil fuel divestment.

First of all, let us break down this notion of fossil fuel divestment. Divesting is the operation of selling an asset which can represent any valued property, from a business department to a simple stock in a publicly listed company: holders who want to get rid of the asset do so through divestment and generate revenue out of it (Ganti, 2019). It is, in other words, the opposite of an investment. Indeed, in order to divest, one must fulfil the condition of having previously invested in the asset he/she is willing to sell.

Fossil fuels refer to fuels that are formed naturally through the decomposition of highly energetic buried organisms (Sato, 1990: p. 271). Through the process, they naturally gain high percentages of carbon and are mostly found in the forms of petroleum, coal and natural gas (Metcalf, 2019). They have been used and burned by society as a means to create and consume energy and became the world's primary energy source at a rate of 84,7% in 2018 (BP, 2019a). Over the years, the burning of fossil fuels has been raising concerns as it became clearer that this activity was at the source of gigantic CO₂ emissions, and was therefore playing a big part in global warming (Kibria, Akhundjanov & Oladi, 2019: pp. 253-254). Fossil fuel divestment therefore refers to the action of selling an asset that is related to fossil fuels.

1.1.2 What is fossil fuel divestment, as a campaign?

Recently, fossil fuel divestment became more than a mere technical term. In the last years, together, the terms *fossil fuels* and *divestment* were used in the context of a campaign of international reach. Although the precise origins of the movement remain unclear, it is commonly agreed that it was launched in American campuses around 2011 (Arabella Advisors, 2018), and inspired by historical divestment campaigns such as the one against Apartheid (Lytton, 2013). To urge their higher education institutions to divest their fossil dependent endowments, students all over the country started to organize panel discussions, open debates or votes concerning the divestment problematic (McKibben, 2013). From then on, a movement was created to push both private and institutional investors to divest from fossil fuels. The campaigners' motto was straightforward: "*If it's wrong to wreck the planet, then it is wrong to profit from that wreckage*" (McKibben, n.d. [cited in Lytton, 2013])

In September 2012, Unity College became the first U.S. college to purge its endowments from fossil fuels stocks (Unity College, 2019). By 2013, the movement had spread to over 250 other campuses (McKibben, 2013). The spread eventually crossed the American border, as universities overseas started to divest. Notably, the university of Glasgow was the first European university to embrace the movement in 2018 (Vaughnan, 2014a). The spread eventually contaminated other types of institutions. In 2014, the World Council of Churches, decided to rule out all fossil fuel investments (Vaughnan, 2014b). In 2018, the Republic of Ireland became the first country to divest from fossil fuels (Carrington, 2018). Earlier this year, Norway's Government Pension fund Global (also known as the world's biggest sovereign wealth funds) purged \$13bn worth of fossil fuel stocks (Ambrose, 2019).

Fossil fuel divestment is now regarded as the fastest growing divestment movement in history, which is why studying it is very interesting. By the end of 2018, the campaign had triggered close to 1000 commitments to divest, which added up to over 6 trillion USD divested (Arabella Advisors, 2018). This was regarded as a "*major milestone*" by the campaign organizing heads (350.org, 2018). Bill McKibben, a leading figure in the movement and "*probably America's leading environmentalist*" (Shivani, 2010) founded 350.org in the midst of the movement. The

international, non-governmental organization strives in the fight against climate change and allocates important efforts in the fossil fuel divestment campaign. 350.org is very often cited as a reference for the movement all over the globe. Their website allows a direct link to a list of fossil fuel companies¹ to divest from as well as a real-time account of the amounts divested over the globe. As of June 2019, totals divested were over 9 trillion USD, supported by 1076 organizations representing over 58 thousand individuals (350.org, 2019).

Another interesting aspect of the campaign is its motives. Among the many motives of fossil free campaigners, stands the one of stigmatization. Indeed, campaigners publicly advance stigmatization as a weapon against the industry. In fact, Ben Caldecott, a British economist and environmentalist reported, “*Stigmatisation poses a far-reaching threat to fossil fuel companies – any direct impacts of divestment pale in comparison*” (Ansar *et al*, 2013: p.13). This is the reason why this thesis will focus on stigmatization. In their study in 2016 in which they analysed the many motives of fossil free campaigners, Healy and Debski pointed two goals particularly linked to stigmatization. Notably, they argue that divestment advocates use stigmatization as a means to lower the political power of the fossil fuel industry, and to pressure them into taking radical corrective actions towards lower carbon emissions (Healy & Debski, 2017: p. 706). Based on that, fossil fuel divestment can be understood as a campaign that strives, among other goals, to stigmatize the fossil fuel industry as a means to reach a twofold objective; dismantling its political power and pressuring it into taking corrective actions.

The movement of fossil fuel divestment is an interesting campaign to study as it represents the fastest growing divestment campaign in history. Furthermore, it uses stigmatization to reach its goals, which is original and would lead, if successful, to important milestones for the fight against global warming. Not only does it strive to dismantle the fossil fuel lobby, it also aims at making this industry part of the energy transition. The following will shed light on organizational stigmatization before we delve into the extent to which the campaign has indeed stigmatized the industry so far.

¹ By fossil fuel companies, the movement and this thesis refer to the group of companies with business models revolving around the extraction, refining and sale of fossil fuels. This intentionally leaves out other “carbon intensive” organizations whose activities rely on the consumption of fossil fuels, such as airline companies.

Section 1.2 - What is organizational stigmatization?

This second section is about organizational stigmatization. It comes to complete the basis for the next analyses by defining and illustrating what a stigma is, in the context of organisations. Since stigmatization is, as we have seen, an important and interesting part of the fossil fuel divestment movement, it has been selected as the focus of this thesis. This section will uncover what being stigmatized truly means, mainly based on the work of Devers *et al*, who focused an entire research on the topic. Organizational stigmatization will be first defined, and then illustrated using the example of sin industries.

1.2.1 How can we define organizational stigmatization?

The literature has a lot to offer on the topic of stigmatization as well as similar phenomena. The following will propose a literature review on organizational stigma to justify the use of Devers *et al*'s research as a reference. It will then break down the latter's definition of the concept before attempting to simplify it for the sake of the present thesis.

a) Organizational stigma: literature review

When referring to academic literature, the term “stigma” first appeared in the sociological field and was related to humans, not organizations. In particular, the American sociologist Erving Goffman focused part of his study on the said stigma (Slattery, 2003: p. 185). Goffman related to the term as an attribute that leads to social discredit and impairs full acceptance of the bearer. He defined “*bearer*” as an individual whose appearance, attitudes or ethnological belonging formed the basis of social discrimination (Goffman, 1963: pp. 49-50).

Later on, the scope of stigmatization in the literature expanded from individuals to organizations when researchers started to study situations when attributes of a company or industry were assessed by stakeholders, deemed illegitimate and led to social disapproval. In a first stage, authors explored the phenomenon without providing it with a common term. “*Spoiled image [...] leading to broad-based condemnation*” (Hudson, 2008: p.252), or “*threats to legitimacy*” (O’Donovan 2002: p. 346, Patten 1992: p. 475) are notable examples of that.

The literature on organizational stigma as such was completed when Devers, Dewett, Mischina and Belsito published a research article on the “*general theory of organizational stigma*”. In it, they provide an exhaustive review of the phenomenon: they define it, put it into perspective, and highlight its specificities from individual stigma (Devers *et al*, 2009: pp. 154-171). After looking up scientific articles on the topic of organizational stigma, one can find that Devers *et al*'s definition is very often cited and re-used. It is arguable that Devers *et al* provided a converging definition of organizational stigmas that became a general reference for further research. This is why their definition will form the basis of what will be understood as organizational stigma in this thesis.

b) Organizational stigma: Devers *et al*'s definition

According to the authors, organizational stigma is defined as “*a label, that evokes a collective stakeholder group-specific perception that an organization possesses a fundamental, deep-seated flaw that de-individuates and discredits the organization*” (Devers *et al*, 2009: p. 155). Breaking down this long definition helps grasping a full understanding of the authors' intentions;

“*A label...*”

When an organization is stigmatized, it is said to be “*labelled*”. This organisational label has a strong signalling effect, as they enable stakeholders to associate the labelled organization to a broader category of similar firms (Devers *et al*, 2009: p.157).

“*...that evokes a collective stakeholder group-specific perception...*”

According to the authors, the stigma emerges in the eyes of the organization's stakeholders. It is a perception that forms the basis of labels. Moreover, the authors note that this perception can only lead to a label if it is accepted and shared in a group of stakeholders, which suggests a certain homogeneity of the group's values (Devers *et al*, 2009: p. 157).

“... that an organization...”

As the name suggests, organisational stigma pertains to an organisation, and not to an individual (in this included employees). The authors advance that organizational stigmas are different than individual stigmas as they differ in terms of stigmatizing conditions, removability and pervasiveness (Devers *et al*, 2009: pp. 158-159).

“... possesses a fundamental, deep seated flaw...”

A stigma represents a negative social evaluation, or perception. The stigmatized organization is said to be flawed on a fundamental level. What is considered a flaw depends on the set of values put at risk. These in turn depend on the group of stakeholders mentioned in the above (Devers *et al*, 2009: p.157).

“... that de-individuates...”

The label allows stakeholders to attach the stigmatized organisation to a category. According to the authors, this means that stigmatization does not make the organisation stand out, but rather blend in a broader group of organisations. As such, the organization loses its specificity in the eyes of its stakeholders. This is what Devers *et al* call “*de-individuation*” (Devers *et al*, 2009: p.157).

“... and discredits the organization.”

This part of the definition treats of consequences. According to the authors, a stigma discredits the organization, as stakeholders “*disidentify*” with it, and “*actively impose harmful social and economic sanctions*” on it (Devers *et al*, 2009: p.157).

c) Simplifying Devers *et al*'s definition of organizational stigma

The above definition is Devers *et al*'s take on organizational stigma. The authors defined it and put efforts into differentiating it from other concepts such as legitimacy or

reputation. Therefore, the definition is long and detailed. When applied to a particular situation, all parts of the definition might not be as relevant. As the present thesis will treat of the movement of fossil fuel divestment, the understanding of what an organisational stigma is will be based on four important aspects of the definition.

Two aspects initially in the authors' definition have been dropped on the grounds of redundancy. First, the fact that we are talking about an organization is reflected in the name "organizational stigma". Moreover, as the divestment movement relates to the fossil fuel industry, individual stigmas are completely irrelevant. Second, the collective group-specific perceptions are reflected in the negative label. What remains is the following simplified version: "*a label, linked with negative social perception which de-individualizes the organization and eventually discredits it*". This shorter definition neatly shows the nature of the stigma (a label), its quality (negative) as well as exposes what it does (de-individualizes, discredits).

The de-individualizing and discrediting features are two important parts of the definition as they expose when the stigma truly starts. De-individualization goes beyond an outrageous event as the core of the company is being categorized as bad and disable the company to stand out in the eyes of stakeholders. In turn, the company loses credits, which defines the first visible impact of a stigma. Without these characteristics, a company cannot be said stigmatized. This will be interesting to test on the fossil fuel industry.

1.2.2 Are sin industries a good example of organizational stigma?

In an effort to illustrate this simplified definition, the example of *sin* companies will be used. The following will assess if these companies are stigmatized and therefore eligible as an example of organizations attached with a stigma.

In particular, alcohol, gambling and tobacco seem to have received a lot of attention from researchers of *sin* companies (Novak and Bilinski, 2018: pp. 169-184). What is considered *sin* companies evolves overtime (Hong and Kacperczyk, 2009: p.18) and across cultures (Fauver

& McDonald, 2014: pp. 173-174). In general, alcohol, gambling and tobacco compose a good portion of what is generally meant by *sin* industries.

Following the definition above, testing whether *sin* companies are stigmatized comes down to test whether they are (1) bearing a label, (2) linked with negative social perception (3) which de-individuates the organization and eventually (4) discredits them. The following will argue that these conditions are indeed met.

First of all, the term “sin” implies a strong label that has been placed on the industry. Second, all these companies promote behaviours deemed as socially sub-optimal¹ when excessively adhered to (Fauver & McDonald, 2014: p. 173). This is considered as misconduct in the stakeholders’ eyes, hence the negative term “sin”. Third, sin companies are being de-individuated as investors, auditors and even employees categorize them to automatically avoid, demand higher fees or higher compensation respectively (Salaber, 2009: p.2; Leventis *et al*, 2013: pp. 163-164; Novak & Bilinski, 2018: pp. 169-184). These behaviours also make the case of a loss of credits as the companies’ vital partners either ditch them or impose tougher relationships. All conditions of the definition seem to be met; sin companies arguably illustrate organizational stigma neatly.

Now, it is true that some find the misconduct of sin industries appealing. It is the case for the “vice fund”, which is a fund that only invests in vice stocks (i.e. sin stocks) and is thought to outperform conventional or SRI² funds in crisis periods (Nofsinger & Varma, 2014: pp. 187,188). It could therefore be argued that these industries are in fact not discredited nor de-individuated as certain investors find them individually appealing for the very reason that they are taking part in immoral behaviours. With that being said, it has been found that these funds are a minority compared to responsible investments, as investors are either eager or pressured to act according to social values (Durand *et al*, 2013: pp. 170-171). Furthermore, it is not to be forgotten that a stigma is based on group-specific values. In this case, group-specific values are the ones of the broader society, investors of the vice fund merely represent another group and

¹ Of course, this depends on cultural values: tobacco is not negatively perceived in Saudi Arabia for instance. But the country in turns does not include tobacco in its definition of sin industries (Fauver & McDonald, 2014: p. 176). The argument therefore holds for local definitions of “sin” companies.

² Socially Responsible Investments

arguably a smaller one. Therefore, in all generality, it can be said that the discrediting and de-individuating feature of sin industries still hold.

This section aimed at unveiling the concept of organizational stigma. After defining the phenomenon and illustrating it with the example of sin industries, we have a better understanding of what being stigmatized truly means. In the following part, a situational analysis will be performed to assess whether the fossil fuel industry is stigmatized or not, following the divestment movement.

This concludes the first part of the present thesis. In it, the concepts of fossil fuel divestment as a campaign as well as organisational stigmatization were unveiled and explained. These two concepts articulate around the research question of this thesis. Indeed, the campaign of fossil fuel divestment aims at stigmatizing the fossil fuel industry in order to dismantle its political power and influence it to take corrective actions. Stigmatization means that an organization (or in this case, an industry) is bearing a label linked with negative social perceptions which de-individuates the organization (in this case, fossil fuel companies) and eventually discredits it. In the second part of the thesis, it will be assessed whether stigmatization is indeed an appropriate means towards the campaign's goals. In a second phase, it will determine if there is indeed a stigma on the fossil fuel industry, following divestment. In short, it will undertake a situational analysis.

Part 2 - Situational Analysis

As indicated, this second part will aim at understanding the current situation of the fossil fuel industry. Through divestment, the fossil free campaign wishes to stigmatize fossil fuel companies to fulfil a dual objective: diminish the industry's political power and influence it to switch to greener business models. Above all, individuals active in the divestment campaign do so to combat global warming.

Analysing the situation means assessing whether a stigma on the industry is indeed present. But first of all, it would be interesting to check whether the reasoning of the campaign makes sense. The following will attempt to do both. It will first assess whether stigmatization is a valid means towards the campaign's goal, both theoretically and in practice. Then, it will question the presence of a stigma on the industry.

Section 2.1 - Does stigmatization support the goals of the campaign?

Stigmatizing an industry is interesting if it bears the expected consequences. In the present case, fossil free campaigners wish to use divestment to fight rising temperatures and climate change. Specifically, stigmatization is advanced as a means to diminish the political power of the industry, as well as pressure it into adopting greener practices. The following will assess whether stigmatization makes sense given these expectations. First, on a theoretical basis, and second, based on current evidences in the industry.

2.1.1 Does stigmatization support the campaign's goals theoretically?

There are two questions to be answered in this sub-section, based on the campaign's goals. First of all, does it make sense to target the fossil fuel industry for climate action? Is it greatly responsible for the rising temperatures? Second, do the consequences of stigmatization align with the motives of the campaign? These will be discussed in the following.

a) Is the fossil fuel industry responsible for global warming?

It is no more questionable that fossil fuels account in the science of global warming (Letcher, 2019, pp. 3-15). However, to which extent is it responsible for it? The process of global warming can be simplified as follows: the warming of the planet is led by greenhouse gas emissions, these gases get trapped in the atmosphere and block sun rays from exiting it, hence leading to the surface of the earth getting warmer (Guggenheim & Gore, 2006). There are a variety of different greenhouse gases that participate in different ways in global warming. The question therefore remains as to understanding which part is played by the combustion of fossil fuels which the fossil fuel industry enables.

In their research published in the magazine “Climatic change”, Ekwurzel *et al* provide an answer to this question. They trace carbon dioxide and methane emissions back to their emitters, taking into account ninety major fossil fuel companies. They find that these companies account for no less than 57% of the rise in atmospheric CO₂, and between 42% and 50% of the rise in global mean surface temperatures, in other words, global warming (Ekwurzel *et al*, 2017: pp. 579-590). Therefore, targeting the fossil fuel industry means targeting close to 50% of the problem of global warming, which is considerable. In this sense, the divestment movement is aiming at the major actors of global warming.

b) Do the consequences of stigmatization align with the motives of the campaign?

Two more specific campaign goals were highlighted in the above: diminishing the political power of the industry and influencing it to switch to greener business models. Can stigmatization lead to these outcomes? Looking into the consequences (impacts) of organizational stigmatization, the following will attempt to answer this question.

When stigmatized, an organization suffers from a loss of legitimacy (O’Donovan, 2002: pp. 344-371). The reason behind this can be deducted in a relatively straightforward manner. Indeed, illegitimate behaviours are what initiate the stigma. As it spreads to darken perceptions of the organization as a whole, the stigma will take with it this lack of legitimate actions and

generalize it to the point where the organizations' identity will be tainted with it. As a result, the organization will lose its company-wide legitimacy in the eye of the public.

A loss of legitimacy is a vague concept that needs to be clarified in order to understand whether it can support the concrete goals of the divestment campaign. Legitimacy is defined as “*a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions*” (Suchman, 1995: p. 574).

What this definition highlights, is that organizational legitimacy can be obtained by an audience when the latter believes that the organization's behaviours are aligned with their own sets of values and norms (Suchman, 1995: p. 574). Values and norms can be regulative¹, normative² or cognitive³ (Zimmerman & Zeitz, 2002: p.418). This highlights that following legal requirements is not enough to be considered legitimate. Interestingly enough, chances are the fossil fuel industry is acting within its normative boundaries. This does not, however, mean that their activities are deemed legitimate.

What does a loss of legitimacy mean for the firm and what could campaigners expect if the fossil fuel industry was to lose its legitimacy? According to the literature, the loss of legitimacy will impact the organization in the following areas; inability to manoeuvre, severing of external ties, disruption of critical resource flow and the tainting of organizational reputation (Hamilton, 2006: pp. 333-336). This was illustrated by the case of Arthur Andersen following the Enron scandal⁴. The auditing firm experienced a serious loss of legitimacy; the company's reputation sank, their defensive claims were rejected by a sceptical audience (inability to manoeuvre), they lost most of their prestigious clients (severed external ties) and experienced a disruption in their human resource flow (disruption of resources) (Hamilton, 2006: pp. 345-349). This eventually led to the company's collapse in 2002 (Morrison & Wilhelm, 2004: p.1683).

¹ Refers to the laws and regulations in place

² Refers to the norms and values held by the audience

³ Refers to the roles and rules of action that govern the social system

⁴ In 2001, the energy firm Enron engaged in illegal practices and pressured its auditor Arthur Andersen to hide these from legal bodies by shredding reports. Both firms experienced fatal consequences when the case went public.

In a nutshell, it can be said that the firm that loses legitimacy loses its social license to operate, as it is unable to keep functioning “business as usual” in a situation where its claims are rejected, where its vital partners cut ties and where resources are harder to get. Arguably, such an organization would not be able to influence parties as it used to and would have to fundamentally change its activities (or at least how they are perceived) to survive. As a matter of fact, this is exactly what the divestment movement is aiming for. Therefore, stigmatization is indeed a valid means towards the campaign goals, as it is followed by a loss of legitimacy.

This success story however has its side effects as the loss of legitimacy also induces a serious reputational crisis (Hamilton 2006: p. 334). Indeed, once deemed as illegitimate, a firm can no longer hold its good reputation. The loss of reputation also has its own adverse repercussions on the firm. Defined as “*a signal of quality and behaviour*” (Devers *et al*, 2009: p.156), reputation is said to be a very fragile asset as it “*takes time to create, cannot be bought and is easily damaged*” (Scott & Walsham, 2005: p. 312). Losing one’s good reputation means losing all the goodwill it normally carried: financial benefits (premium pricing and lower cost of labour and capital); relationship benefits (loyalty of customers and higher latitude in decision making); and risk management benefits (goodwill buffer) (Bebbington *et al*, 2008: p.340).

In conclusion, theory supports the validity of stigmatization as a way to bring about the fossil fuel divestment campaign’s goals. As stigmatization implies a loss of legitimacy, the targeted fossil fuel companies would lose their social license to operate, which will automatically undermine their political power and force them into altering their business models in order to survive. Side effects include, however, the deterioration of the companies’ reputation which entails financial downturns, severed partnerships and heightened risks. The question now is whether the current evidences support the presence of a hurt legitimacy and/or reputation. The following paragraphs will address this query.

2.1.2 Does stigmatization support the campaign’s goals practically?

The above has unveiled the theoretical validity of stigmatization as a means to fulfil the goals of the fossil fuel divestment campaign. In practice, things might go differently. This is

why the following will study whether the different impacts mentioned in 2.1.1 are indeed felt by the industry. Using stock market and divestment data, the following will analyse the evolution of the movement and the general health of the industry simultaneously and determine whether a link between the two can be perceived. If the movement is fulfilling its goals, one could expect to observe a negative correlation between divestment and the industry's health. Chronologically, this sub-section will set the methodology, develop the results and draw a conclusion.

a) Methodology

The following analysis aims at determining the orientation of the relationship between divestment from fossil fuels and the general health of the industry. Given the adverse impact areas following stigmatization, it would be expected that as divestment grows, the health of the industry deteriorates, which would be translated in a negative correlation. In order to test this, the methodology of the analysis needs to be set around different dimensions.

First, the time span analysed will be from 2013 to 2018. As the movement emerged in 2011, this time horizon is sufficient to observe an evolution. Data points will be collected once a year, at year-end.

Second, numerical variables need to be specified for both divestment and the general health of the companies. For the divestment movement, two measures will be used: the number of institutions involved (i.e. the sum of individual commitments to divest) and the volume of assets divested, in USD. Both of these measures are found in the report on divestment published by Arabella Advisors in 2018. When it comes to the targeted companies and their general health, the yearly average stock price in USD will be used. Indeed, although there is no reported measure that assess the legitimacy or reputation of a firm, the direct consequences of these are reflected in the firm's stock price (see app.1 for full reflection). The companies selected for this analysis are based on the FFI¹ list of publicly traded companies found in appendix 2. The 20

¹ Fossil Free Indexes

most important¹ oil & gas and the 20 most important coal companies in the list will be analysed for the sake of this analysis. Stock prices are retrieved from Yahoo! Finance (online).

Third and last, the method used to compile results will be two-fold: graphical and numerical. The evolution of the variables will be plotted in graphs, and the correlations will be computed.

b) Results and observations

Table 1 summarizes the findings. As the fossil fuel industry commonly differentiates oil & gas from coal, and that these sub-industry's stock prices have different scales, it was chosen to not compile them. Each has been plotted against the two measures of divestment: number of commitments and amount divested. Detailed data tables can be found in appendix 3. The following will assess the results graphically and numerically.

Graphically, the evolution of the industry's average stock price seems to be similar in the oil & gas and coal sub-industries. This is confirmed by the particularly high correlation between the two: 0,834 (see table 2 for full correlation table). The industry's stock price is diminishing between 2013 and 2015, experiences an inflexion in 2015² and then rises between 2015 and 2018 to grossly re-join their initial levels.

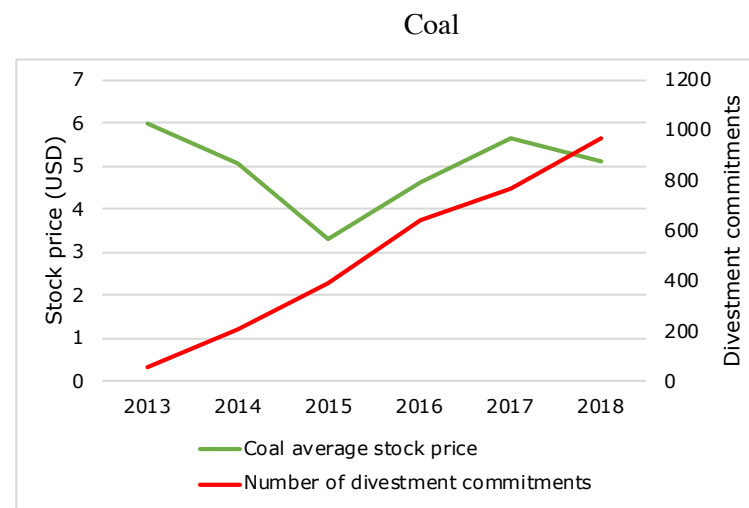
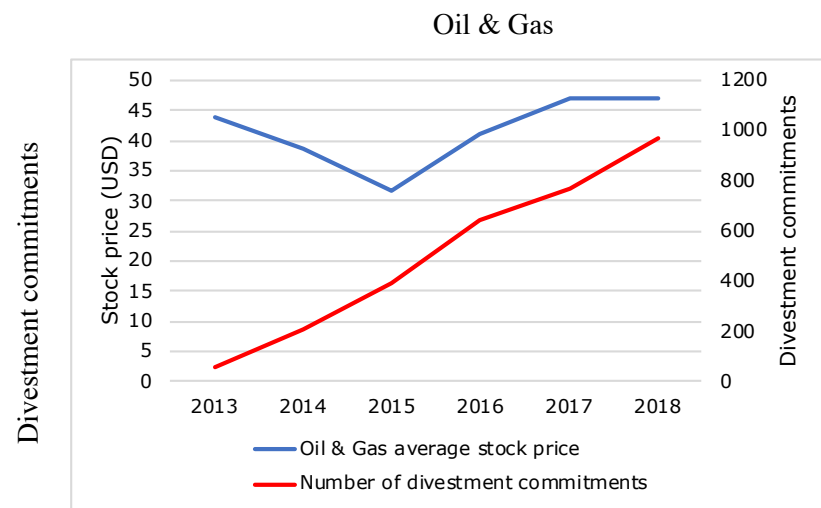
The divestment measures follow a different pattern and experience a constant raise from 2013 to 2018. Precisely, the number of commitments rose from 55 to 970. Total amount of divestments started off at 342 billion USD in 2013 to reach 6,24 trillion USD in 2018. Respectively, these amount to 1664% and 1725% increase over the time period.

As the evolution of divestment differs in patterns from this of the industry's average stock price (stable increase vs visible inflexion), graphical observations do not support the hypothesis of a negative relationship between the industry's stock prices and the growth of the divestment movement.

¹ Based on reserves held, measured in CO₂ emissions potential

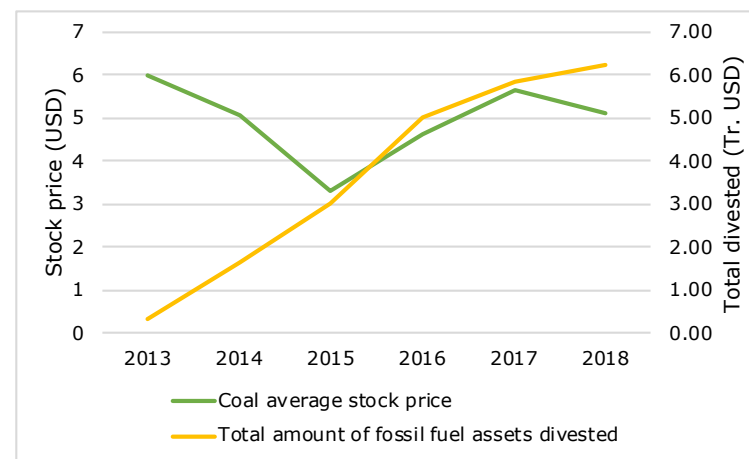
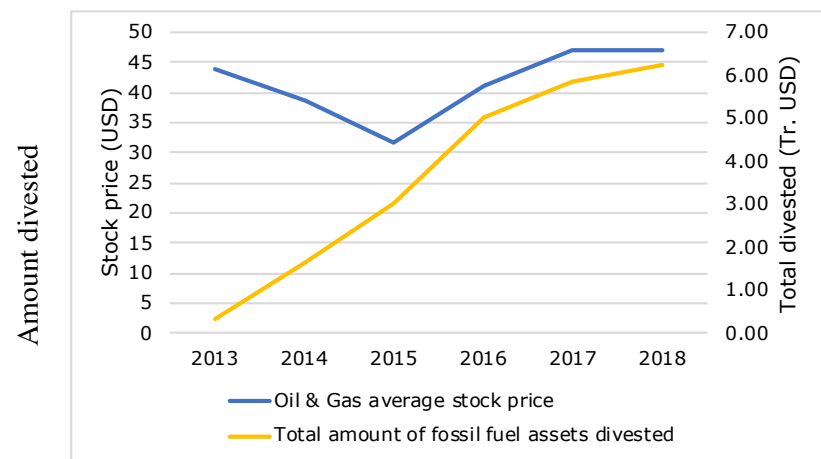
² Arguably due to the fall in transaction activity that year, which was triggered by “*geopolitical instability (...), the economic outlook for China, and concerns (...) about global energy demand*” (EY, 2015).

Table 1: Evolution of fossil fuels stock prices and divestment movement



Correl. = 0,476482607

Correl. = -0,075101829



Correl. = 0,427924181

Correl. = -0,111393087

Sources: Arabella Advisors (2018: p. 5), Yahoo! Finance (2019)

Numerically, these observations hold as well. Table 2 provides the correlations between all variables analysed.

Table 2 – Correlation table

	Stock prices		Divestment	
	Oil & Gas	Coal	Commitments	Amount
Oil & Gas	1	-	-	-
Coal	0,83386429	1	-	-
Commitments	0,47648261	-0,0751018	1	-
Amount	0,42792418	-0,1113931	0,98691303	1

Source: calculated on Excel, based on data from Yahoo! Finance (2019), Arabella Advisors (2018)

A correlation is a statistical measure comprised between -1 and 1 which provides insights on the strength of a linear relationship between two data sets. In the case of fossil fuel divestment, the correlation between the stock prices of the industry (which reflect the general health of the industry therefore is a relevant measure of the impact of a stigma¹) and the divestment movement would be expected to be negative, which would indicate that both phenomena are evolving in opposite trends. Indeed, as the divestment movement strengthens (increase), the general health of the fossil fuel industry should deteriorate (decrease), and vice-versa.

The table of correlation displays different results for the oil & gas and coal sub-industries. The evolution of oil & gas average stock price is slightly to moderately positively correlated with the divestment measures: + 0,476 and + 0,428 respectively for the number of commitments and the total amount divested. Coal, on the other hand, displays low, yet negative correlations with the divestment measures: -0,075 and -0,111 respectively for the number of commitments and the total amount divested. The positive correlations for oil & gas provide reasonable doubt of the presence of impact following a stigma on the industry. The negative correlations for coal are arguably too low to be considerate, yet highlight that coal evolves in a different manner than oil & gas.

¹ See appendix 1 for full reflection

c) Conclusion

The lack of negative correlation between the industry's average stock prices and the growth of divestment provides reasonable doubt that fossil fuel companies suffer from legitimacy losses due to the campaign. Indeed, both the graphical and numerical results differ from what could be expected after stigmatization. If divestment causes stigmatization, and that stigmatization causes legitimacy losses, which are reflected in stock prices (see app. 1), one could expect to see a downturn in stock market performance as the movement of divestment gains in volume. However, both graphical and numerical analyses suggest that this is not the case: patterns differ, and correlations are either moderately positive or insignificant.

The analysis provides sufficient doubt that the consequences of campaign-led stigmatization on the fossil fuel industry are realized. In other words, the results do not suggest the industry has lost or is losing its legitimacy, which hinders the campaign's goals.

This section aimed at determining whether stigmatization was supporting the fossil free movement's goals. The reasoning seemed valid on theoretical grounds: targeting the fossil fuel industry made sense in a fight against global warming as the industry was identified as highly responsible for it. Furthermore, the loss of legitimacy following stigmatization is supporting the campaigner's goals as it supposedly would diminish the industry's political power and pressure it into taking corrective actions towards a greener energy business. But, this does not seem to hold in practice. Indeed, as the divestment movement gains in volume, the stock market performance of the industry, in which the loss of legitimacy is reflected, is not decreasing but remains rather stable. This suggests that divestment might not have adversely influenced the industry so far. These results are underwhelming for the campaign and provides reasonable doubt that the fossil fuel industry is indeed stigmatized. Indeed, it might be the simple lack of stigma following the movement that blocks the expected consequences to be realized. The following will delve on this question.

Section 2.2 - Is there a stigma on the fossil fuel industry?

The section 2.1 validated the theoretical soundness of stigmatization as a means to fulfil the fossil fuel divestment campaign's goals but showed that the industry was not visibly experiencing the required impacts. This might be a sign that stigmatization is in fact not happening, which will constitute the focus of this section.

It will uncover the process through which a stigma can emerge and spread to then test whether it has been the case. To do so, it will be divided into two sub-sections; the first will uncover the process of stigmatization in its generality, and the second will attempt to apply it to the movement of fossil fuel divestment. In fine, this section should answer the following: "Is there a stigma on the fossil fuel industry?".

2.2.1 How does a stigma emerge and spread?

The following will shed light on how stigmatization happens, both theoretically and practically. To do so, it will first determine the steps involved, building on Devers *et al*'s researches on organizational stigma. Then, it will look at what enables to move from one step to the other to complete the process of stigmatization. Knowing this will help to identify the needed analysis to test the existence of a stigma on the fossil fuel industry.

a) What are the steps involved?

Devers *et al* (2009) identify two main steps in the stigmatization process: individual labelling and collective labelling. The individual labelling is the initial catalyst of the stigma and involves one or a small group of stakeholders who perceives that the organization has been busy engaging in illegitimate practices (Devers *et al*, 2009: p. 160). The second step of the process is the collective labelling; the way a common perception emerges in a broader population. On top of deeming the organization as fundamentally bad, the collective audience will also vilify any claim that publicly supports the organization (Devers *et al*, 2009: p.162). Cialdini and Trost do not attribute this phenomenon to the legal system. Even if some legal actions are taken following stigmatization, the sanctions on the targeted organizations initially come from the social system and individual interactions (Cialdini & Trost, 1998: pp. 151-192).

Figure 1: The stigmatization process: a two-step approach



Source: Devers et al, 2009: p. 162

In the individual labelling step, actors that come into play are the individuals whose personal values are incongruent with the organization. In the collective labelling step, a homogeneous group of such individuals (“*the critical mass*” (Devers et al, 2009: p. 162)) joins personal sentiments to become a group-wide perception of value incongruence¹. The arrow in the illustration above represents the process by which these scattered individual perceptions become one. Without this process, we cannot speak of a stigma. Therefore, it is important to unveil what are the means that enable this connection to take place.

b) What are the concrete means enabling collective labelling?

Given that an organization can only be considered stigmatized when the second step of the process is completed, the question remains as to what means enable an individual value incongruence to become collectively embraced. As this is a matter of social relationships and inter-personal interactions, part of the answer to this question can be found in the sociological literature. In fact, the media were recognized by many authors in the field as the “*connective tissue*” (Gunther & Mughan, 2000: p. 1) for the population to communicate their efforts to inform, but also influence (Couldry, 2012, pp. 1-33).

The media are not usually the ones initiating the stigma but rather, enablers of it. Indeed, even though their use of narratives can to some extent shape perceptions of an audience (Zavalyova et al, 2016a: pp. 347-356), these tainted perceptions are rarely the sole product of journalists’ opinions. As Denis McQuail puts it “*The power of the press is not an intrinsic property of the*

¹ Defined as “*the idea of a misfit between personal and organizational values*” (Naus et al, 2007: p. 198)

media, but largely the outcome of forces at work in the society that are mediated by way of the media” (McQuail, 2013: p.19). What this means is that what is relayed by the media is most of the time the product of society, the media generally do not have the power to shape perceptions. It is the media’s high diffusing power through their multiple and specialized channels that enables a stigma to spread across a relevant population (Zavyalova *et al*, 2016a: pp. 351-353; Durand & Vergne, 2014: pp. 1205-1223). As such, media are arguably the most powerful vessel of diffusion, as they enable individual labelling (step 1) to turn into collective labelling (step 2). The following will delve into their particular role in the process of stigmatization.

Figure 2: The role of the media in the stigmatization process



Source: Devers *et al*, 2009: p. 162

Media can be categorized into traditional (TV, Newspaper, radio) and emergent (social media, forums,...). When it comes to traditional media, a few examples of stigma spreads can be attributed to the newspapers and television as they made the diffusion to a larger audience possible. For instance, the tobacco industry became stigmatized thanks to newspapers in the 1950s. Specifically, it is an article titled “Cancer by the Carton” in the American general interest magazine *Reader’s Digest* that triggered collective concerns in the population and lately led to the tobacco industry stigma (Hong & Kacperczyk, 2009: p.18). Similarly, the stigma on men bathhouses¹ was linked to the rising global awareness of the HIV viruses and the consequent attempts to limit its spread (Hudson & Okhuysen, 2009: p. 135). This social wake-up call and its impact on the homo- and bi-sexual populations can be attributed to a government funded television announcement on how to prevent the spread (Dejong *et al*, 2010: pp. 249:263).

¹ Defined as “commercial venues that provide physical and social space for customers to engage in sex with other customers” (Hudson & Okhuysen, 2009: p.135)

In more recent literature, the Internet has been identified as a major enabler in the communication world as it created a network of networks, linking all media and facilitating instant information sharing. Indeed, the information of the murder of John Fitzgerald Kennedy in 1963 took almost two weeks to cross the Atlantic Ocean and reach Europe. Such delay is more than obsolete today, with Internet-enabled technologies and platforms that make news diffuse at high speed and directed towards appropriate audiences (Couldry, 2012: p.24).

In particular, social media have been identified as particularly useful to share stories and empower its users. The high penetration rate of social media and connected devices have managed to provide users with dynamic new media, and many are using them to share information with a wide variety of audiences across the globe (Wright & Hinson, 2009: pp. 1-2). Most social media users are passive (Romero *et al*, 2011), but they are nonetheless consuming a lot of information (Bolton *et al*, 2013: p.248). As such, social media represent an important vessel for diffusion of perceptions, which is of high interest in the present discussion. In fact, in her research in 2010, Aula reports social media incidents that led to organizational reputation harm. Companies such as United Airlines, H&M or even a local Finnish car-dealer were targeted on social medias like Youtube or Twitter. In all cases, the scandal spilled from the platform where it originated to other media, sometimes involving TV and the newspapers (Aula, 2010: p.43). This highlights how powerful social media are in empowering their users to denounce unethical behaviours and vilifying organizations.

To cut a long story short, the media play an important role in enabling a stigma to spread, as stakeholders leverage on it to diffuse the vilification of their targets and also plan campaigns against them. Arguably, the recent rise of social media and the way they redefined the extent to which individuals interact, can provide momentum to the spread of a stigma. Medias have the power to turn individual perceptions of value incongruence into a collective label, which will become the stigma.

When it comes to fossil fuel divestment, the growth of the movement tends to indicate that the label is indeed present, at least on the individual level (step 1). But have these perceptions been able to spread to a collective label (step 2), therefore stigmatizing the industry? As media enable

this spread, analysing them will allow to understand whether the collective labelling step has taken place on the fossil fuel industry or not.

2.2.2 Are there evidences of the emergence of a stigma on the fossil fuel industry?

The above discussion has unveiled that it was the power of the media that enabled the process of the stigmatization to be complete. Without the media, the collective labelling step cannot take place, therefore the stigma cannot form. Social media was advanced as particularly interesting in this sense, as they represent a huge opportunity for the quick spread of an idea. To find out whether the industry of fossil fuels is stigmatized or not is to assess whether the process of stigmatization has been completed. Since it can only be the case if the media have been relaying the divestment campaign's ideas, assessing the appearance of the divestment movement in the media is assessing whether the stigma exists. Therefore, the following will analyse the media's place in the campaign and will complete the situational analysis by determining whether a stigma is indeed present on the fossil fuel industry.

To do so, it will analyse the presence of the stigma on traditional media first, and then on internet-based social media.

a) Fossil fuel divestment and the traditional media

Fossil fuel divestment has been present on traditional media, but not especially all of them. As evidences of the movement lack in the radio or television¹, the newspapers seem to be keen to spread the word on fossil fuel divestment. Indeed, the campaign received support from journals such as The Guardian, who partnered up with 350.org in March 2015 to launch a campaign called "Keep it in the Ground", calling important foundations to divest their shares in fossil fuel companies (Hopke & Hestres, 2017: p.3). This campaign quickly grew and received the award of "campaign of the year" by the Press Gazette's British Journalism within its first anniversary (GRI, 2015). Academics argue that the Guardian's campaign has set a framework for campaigners that has been used since (Hopke & Hestres, 2017: pp. 29-30).

¹ Conclusion from my personal query

Newspapers might, however, not be enough for the stigma to emerge. Indeed, the reach of newspapers and other traditional media has arguably gone down in the past years, replaced to some extent by social media. The social media question is therefore critical in this thesis and will be addressed in the following.

b) Fossil fuel divestment and the social media

The extent to which social media enables an idea, or a campaign to spread was the core of Dan Zarella's research. One of his publications pertains directly to the present discussion as it explores what are the factors enabling the spread of an idea on social media. Applying his findings on fossil fuel divestment is what the analysis below aims to do. It will determine whether a buzz on fossil fuel divestment can be noticed on social media, which would suggest that the label on the industry is present.

Zarella's take on the process of how an idea spreads through social media takes the form of a hierarchy of three stages. First, exposure is needed for someone to spread an idea. In other terms, the idea must reach the people that are likely to share it. Second, the idea, whether it happens to come in the form of a status, an article or a post, needs to draw the attention of the person. This will permit to acknowledge and process the information. Last, the person must feel the motivation to share the idea. The author represents these steps Exposure – Attention – Motivation in a funnel (see app. 4), as only a portion of the people concerned by one step will move on to the next. Therefore, not all recipients (exposure) of the idea will take the time to acknowledge it (attention), and only a portion of the people who read it will find interest (motivation) in sharing it (Zarella, 2011, pp. 23-28).

When it comes to fossil fuel divestment, although the movement is said by its advocates to be growing thanks to the social media factor¹, it seems to me that the word-of-mouth hasn't been directly encouraged by these networks. To this regard, it is the very first step "exposure" that would be flawed in the context of divestment. Without sufficient exposure, the chances of a buzz happening on social media are very low (Zarella, 2011, p. 25). To test this hypothesis, a

¹ Activist Hannah Jones once used social media as a comeback when her university administrator refused to consider divestment: "*If you're a college administrator, you should probably fear folks who know how to use Youtube, Twitter and Facebook better than you do*" (McKibben, 2013).

comparative analysis can be done with other successful campaign-like movements on social media.

Two good examples of successful environmental campaigns that have sprouted recently on social media are the fight against plastic pollution, and the one against fast fashion. Evidences of these movements are sprouting as influencers (web stars) are increasingly asking followers to ditch plastic straws and go thrift shopping. These movements shed light on the environmental risks of both plastic pollution and fast fashion. Therefore, these two movements can serve as a benchmark for the following discussion.

Testing whether people are exposed to the fossil free campaign on social media can be done through different methods. In the following, hashtags will be analysed, as they have been increasingly used on social media in campaign contexts: authors studying the phenomenon talk about “*hashtag activism*” (Yang, 2016: p. 13). The hashtags recorded will be the ones most descriptive of each movement: *#divestfossilfuels*, *#stopplasticpollution* and *#stopfastfashion*. Three major social media will be considered in this analysis: Facebook, Instagram and Twitter. Data will be collected over a week (between June 20th and June 27th included), thanks to two online softwares: Tweetbinder.com and Brand24.com. The count of hashtags over this period will constitute the base of comparison: the larger the number of hashtags, the more likely social media users will be exposed to the campaign.

As the campaigns against plastic pollution and fast fashion represent two important cases of hashtag activism, one could expect the count of hashtags related to fossil fuel divestment to draw near these of the two other campaigns, if it was as successful. Table 3 displays the results.

Table 3: Environmental campaigns hashtag counts on Facebook, Instagram and Twitter, between June 20th 2019 and June 27th 2019

Campaign	Hashtag	Facebook	Instagram	Twitter
Plastic pollution	<i>#stopplasticpollution</i>	32	1214	>500
Fast fashion	<i>#stopfastfashion</i>	4	296	6
Fossil fuel divestment	<i>#divestfossilfuels</i>	0	2	12

Sources: *Tweetbinder.com*, *Brand24.com*

The results support the initial hypothesis. Indeed, for two of the social media analysed, the hashtag count relating to fossil fuel divestment is smaller than the ones on fast fashion and plastic pollution. Overall, plastic pollution is the hashtag receiving the most visibility on social media, all categories considered. Fast fashion finds its popularity below this of plastic pollution on Instagram and Facebook, and below this of fossil fuel divestment on Twitter. Comparatively, fossil fuel divestment is the least shared movement on Facebook and Instagram, with no new mention on Facebook over the week analysed. On Instagram, the number of mentions equals 0,16% this of plastic pollution and 0,67% this of fast fashion. The campaign finds more successful than fast fashion on Twitter but is still very short from approaching plastic pollution's success. This points that the spread of fossil fuel divestment on social media is not breaking the ceiling in comparison to other successful environmental movements. The same analysis including more hashtags relating to fossil fuel divestment was undertaken and led to the same conclusions (see app. 5).

As the number of new hashtags reflect the digital exposure of users to a campaign, and that the count of hashtags of fossil fuel divestment over a particular week is much lower than this of other successful campaigns, it seems that social media users face a limited exposure to the fossil fuel divestment campaign on social media. According to Zarella's funnel, this greatly impairs the possibility of the hashtag to spread.

In conclusion, the above analysis has highlighted that the means by which the stigma on the fossil fuel industry is supposed to develop seem sub-optimal. Indeed, the media are the enablers of stigmas to emerge and spread, as it allows individual perceptions (step 1) to merge into a collective perception (step 2). In short, they are a necessity for stigmas to happen.

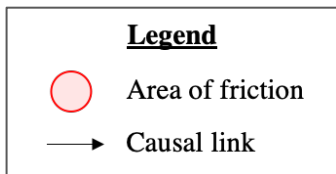
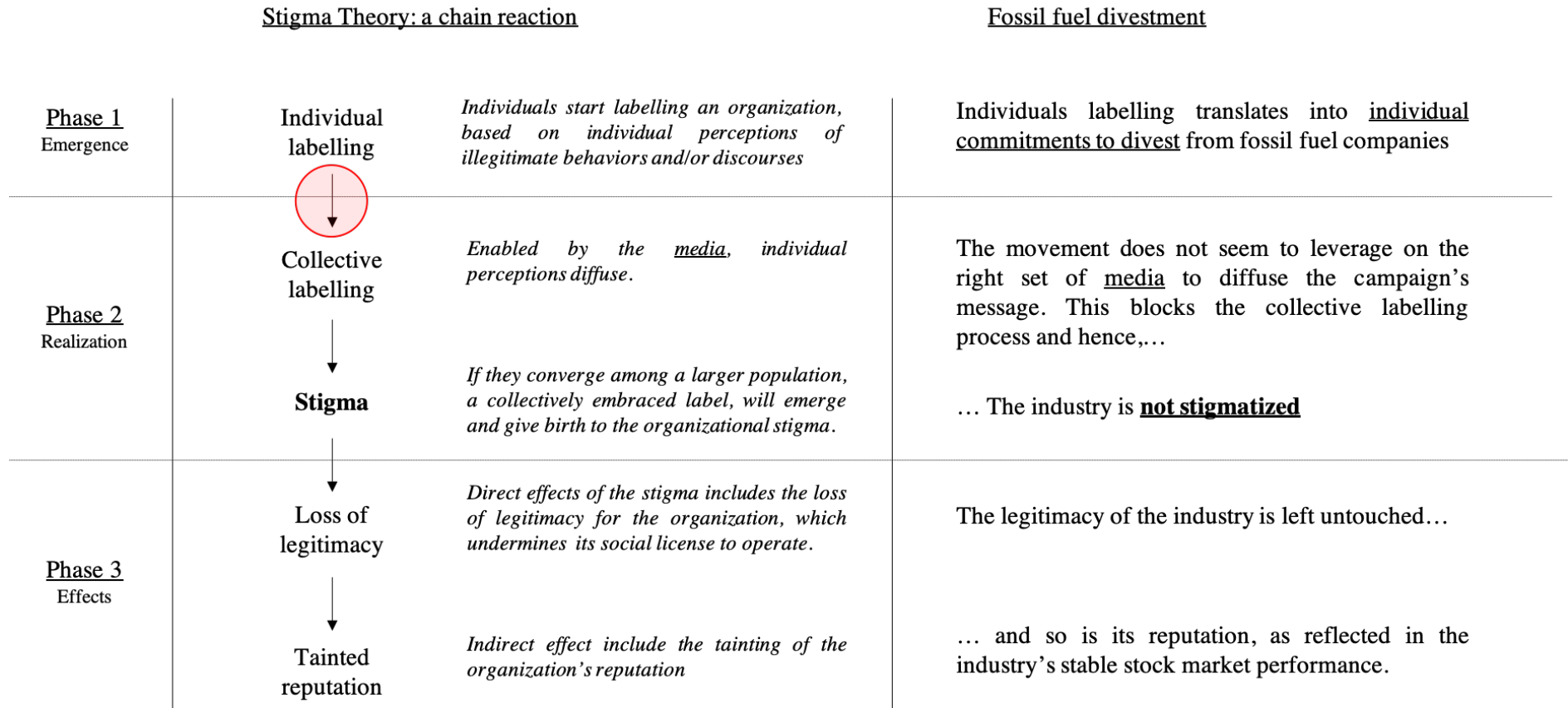
However, fossil fuel divestment, despite receiving important support from newspapers, has not (yet) spread on social media, which are arguably a critical component of the media.

This finding, along with the lack of visible stigmatization impact on the fossil fuel industry as exposed in 2.1 lead to thinking that, as of now, there is no supporting evidence for the presence of a stigma. The diagram in figure 3 synthesizes the situation exposed in this part. The findings are structured following the theoretical phases of organizational stigmatization, and the area of friction highlighted.

This concludes the situational analysis, and with it, the second part of this thesis. Although stigmatization is a valid means towards the campaign's goals, the movement has not been able to stigmatize the fossil fuel industry yet. This was first perceived by the lack of visible impact on the average fossil fuel stock prices and then confirmed by the absence of social media buzz on the campaign. The process of stigmatization has not been completed as the first step, individual labelling, has yet to evolve into the second, collective labelling.

The fossil fuel industry is, as of now, not stigmatized. In the following, we will first explore the reason why as well as what this lack of stigma implies for the campaign. In a second phase, we will discuss the morality of the campaign: no matter its (in)efficiency, is divesting from fossil fuels a moral act?

Figure 3: Situational Analysis: synthesis



Part 3 - Explorational Analysis

The situational analysis undertaken in part two has dug into the effectiveness of the campaign in stigmatizing the fossil fuel industry and has come to an underwhelming conclusion: the fossil fuel industry does not bear a stigma as of now. The lack of stigma resides in the inability of the movement to diffuse individual perceptions and merge them into a collective one. As stigmatization was proven theoretically valid for the achievement of the campaign's goals, the lack of stigma on the fossil fuel industry is undesirable from a campaigner's standpoint.

This verdict, however, doesn't have to mean that stigmatization will never happen, nor does it confer (im-)morality to the act of divestment. The thesis' research question is the following: "Climate action and organisational stigma: is divesting from fossil fuels desirable?". Two themes are in fact implied in this query: efficiency and morality. Indeed, should divesting be absolutely inefficient, morally inclined investors would still be considering it on the grounds of ethics. Similarly, even if divestment was not ethically acceptable, some campaigners would still praise it based on the ability of the movement to pressure the industry. Therefore, examining these two aspects will enable to provide a thoughtful answer to the research question.

We have seen that the movement was – as of today – ineffective in stigmatizing the industry: divestment does not seem to confer a stigma on fossil fuel companies. The following will assess the efficiency of the movement by first exploring the possibility of a stigma to emerge in the future, as well as what the lack of stigma would imply on the movement as a whole. Next, it will delve into a morality discussion to unveil whether the act of divestment follows a moral code. In fine, these discussions should provide an answer to the present thesis' research question.

Section 3.1 - Can we expect a stigma to emerge on fossil fuels?

As announced, the first section of the explorational analysis will reside in the causes that disable the stigma on fossil fuel companies as a means to unveil the likelihood of the future emergence of a stigma. It was found that the process of stigmatization was not completed as individual perceptions did not diffuse into a collective one, but to who can this shortfall be attributed?

Two groups of actors are involved in the process of stigmatization: the ones who stigmatize, and the ones who are stigmatized. In the case of fossil fuel divestment, the ones who stigmatize are the campaigners, while the stigmatized is the fossil fuel industry. One could expect these two groups to influence the process in opposite ways: the stigmatizers¹ aim at reinforcing stigmatization while the stigmatized would wish to obstruct it. Going back to our case, this would mean that the lack of stigma on the fossil fuel industry is either due to a shortfall on the campaigners' side, or to counter-productive behaviours stemming from the industry. The following will explore both possibilities.

At the end of this section, the causes of the lack of stigma will be unveiled, and the possibility of a future emergence of a stigma derived. As such, it will determine whether divestment from fossil fuels will ever be effective as a stigmatizing campaign.

3.1.1 Are campaigners resilient enough?

The first group of actors analysed will be this of the campaigners. These are the individuals and organizations who are actively advocating for divestment from fossil fuels. The following will assess the consistence of the stigmatizing group by first unveiling what are the theoretical requirements for them to be effective, to then test these on the case of the fossil free campaign.

¹ i.e.: the ones who stigmatize

a) Theoretical requirements of an effective stigmatizing group

There are three main requirements to form an effective stigmatizing group that can be distinguished in the literature: homogeneity, identification levels and relative importance. The following will develop them and assess their relevance in the context of divestment.

As developed, a stigma is said to emerge when individual perceptions of value incongruence diffuse into a collective one. Devers *et al* specify that this diffusion will depend on the macro-culture homogeneity. In other words, the likelihood of the label to be commonly accepted and embraced, based on the group's homogeneity in value sets. When this condition is met, the stigma can be collectively embraced by an important group of stakeholders (Devers *et al*, 2009: p. 162). This highlights that only a homogenous group (i.e. in values) of stakeholders can perpetuate stigmas. This seems very plausible, especially in the context of a campaign as the efforts, discourses and lines of attacks need to be homogeneous among all campaigners. Otherwise, the message would be incrementally attenuated as in a Chinese whispers' game.

The literature also states that the extent to which the stakeholder group identifies with the targeted organization will define its propensity to stigmatize. More precisely, a study by Zavyalova *et al* on how stakeholders react to negative events in American universities has highlighted that organizations will be hit harder when stakeholders do not identify with the organizations. The level of identification of stakeholders to a particular organization is defined as "*the cognitive and emotional connection, or perceived oneness, that stakeholders feel with an organization*" (Zavyalova *et al*, 2016b: p.254). The plausibility of this finding might be questioned. Indeed, the feeling of outrage can be reinforced as individuals discover the misconduct of an organization, they felt a strong connection with. With that being said, in the case of fossil fuel divestment, the feeling of identification between campaigners and fossil fuel companies is rather limited. Indeed, the business models of fossil fuel companies allow little direct communication with individuals as these organizations work a lot on a B2B¹ level. As fossil fuels find their way into day-to-day products (e.g. gasoline, plastics), and that supply chains are ever changing, end-users can hardly pinpoint the source of fossil fuels (Weinar, 2016, p. xix). Therefore, it is unlikely that individuals would identify with this industry. The question

¹ Business-to-business

of identification is interesting in a general discussion on organizational stigma, but this aspect will not be regarded in our context.

Lastly, a group of stakeholders, even homogeneous, can only strive in developing the stigma when its importance overcomes the one of other supporting stakeholder groups. Therefore, the extent to which an organization is stigmatized will partly depend on the competition between these opposing groups (Hudson, 2008: pp. 252-266). Hatch and Schultz name these categories “*sympathetic audiences*” and “*antagonistic audiences*” respectively (Hatch & Schultz, 2004: p.231). Indeed, if campaigners are opposed to an important supporter of the fossil fuel industry, this might undermine their potency, therefore ability to stigmatize fossil fuel companies.

In a nutshell, an effective stigmatizing group will display the following characteristics; a homogenous (i.e. in value sets) group of stakeholders, with a low identification level with the targeted organization and that is important enough to compete with the supporters of said organization. The following will shed light on the two relevant dimensions for the campaign: homogeneity and relative importance.

b) Analysis of the fossil free campaigners

The following discussion will pertain to the fossil free campaigners and their potency to stigmatize, based on the two relevant theoretical requirements specified in the above: homogeneity and relative importance. Precisely, it will first determine whether campaigners are aligned on the main values guiding the movement. Second, if they are salient enough to be considered by the organizations and outweigh its supporters.

The first requirement is homogeneity. In the case of fossil fuel divestment, homogeneity refers to whether all campaigner groups assert the same type of discourses and protect the same sets of values. The way the campaign evolved overtime allows to think that homogeneity was a concern quickly cared for by the initiators of the campaign. Bill McKibben is a leading figure in the divestment movement and often considered the father of fossil fuel divestment. The author, who was referred to as “*probably America’s leading environmentalist*” (Shivani, 2010),

founded 350.org in the midst of the campaign. The international, non-governmental organization is very often cited as a reference for the movement all over the globe. Their website provides a direct link to a list of fossil fuel companies to divest from as well as a real-time account of the amounts divested over the globe. It also publishes frequent articles on divestment and offers guidelines for divestor wannabees (350.org, 2019). By doing so, the organization set a framework early in the campaign which allowed groups campaigners to be homogeneous in discourses and tactics. The Guardian's campaign "Keep it in the ground" previously mentioned was in fact developed in partnership with 350.org (GRI, 2015), which illustrates how the organization has been able to not only position itself as the leading group of the campaign, but also enforce a certain level of homogeneity across different campaigner groups. Therefore, it can be said that homogeneity in our case is not a problem, as it is in fact strongly cared for by the important actors of the campaign.

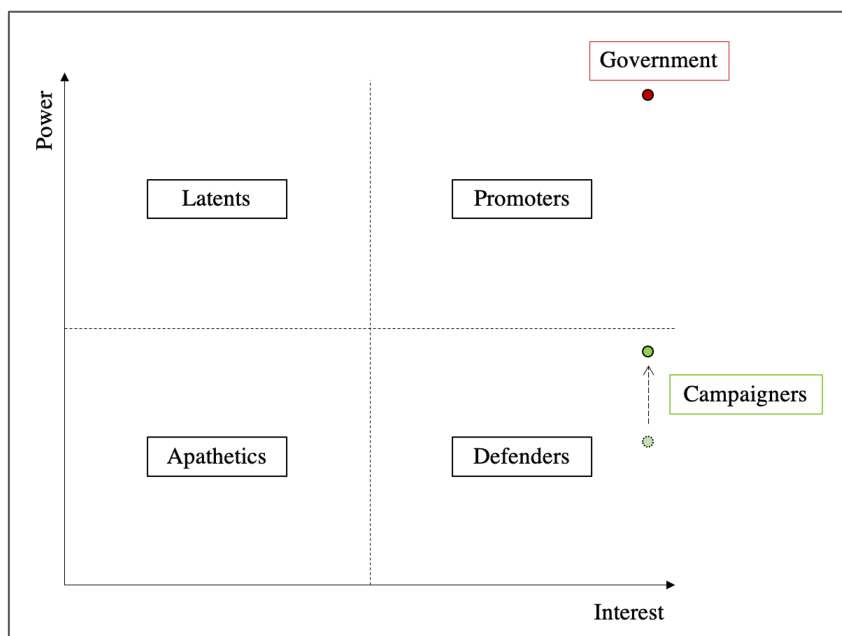
The second requirement is relative importance. Defining whether the importance of campaigners is high enough to outweigh the supporters, calls for some extent of stakeholder mapping. Indeed, stakeholder mapping (see app. 6) helps visualize the relative salience of an organization's stakeholders, based on their levels of power and interest (Johnson *et al*, 2005: p.156). More specifically, this theory argues that stakeholders with high power and interest are the most important stakeholders on the map and have to be managed closely by the organization (Johnson *et al*, 2005: p. 156). By positioning the campaigners and the supporters of the fossil fuel industry on one stakeholder map, the following will help visualize the relative importance of campaigners.

The most important supporter of the industry is the government. Indeed, the government is easily placed in the higher right quadrant on the stakeholder map as it combines high power and high interest. Consequently, the industry has been busy managing the government closely. To this end, it has chosen to install a strong lobby. Indeed, what is known about the fossil fuel industry is that it has established one of, if not the strongest lobby influencing governmental decisions to their favour (Oreskes & Conway, 2010: pp. 169-215). As reported by the OECD, it is policies such as subsidies allowed by governments to the fossil fuel industry that allows fossil fuel companies to continue their activities and increase their emissions while hindering emerging mitigation initiatives (OECD, 2015). It is arguable that the government constitute the

most salient stakeholder of the industry, from the companies' standpoints. Consequently, any group of stakeholders that lacks similar power and interest will not be taken as seriously by the industry and will therefore not be considered a main threat.

As a matter of fact, the position of campaigners on the map is more balanced. As developed in the first and second part of this thesis, they show a great interest in seeing fossil fuel corporations lose their influence and take corrective measures. However, it is on the power side that things get tricky. The campaigners' impact on the industry is intuitively not regarded as important as this of the government by the industry. Even if some fossil fuel companies are starting to acknowledge the campaigners' message, (it was the case for Shell for instance¹), we have already shown the lack of adverse impacts on the industry. If campaigners have gained in power in the recent years, they do not come close to this of the government. Campaigners lack power (as of now), and therefore are stuck in the bottom right quadrant of the map. According to stakeholder theory, the industry should therefore "only" keep the campaigners informed (Johnson *et al*, 2005: p.156). Campaigners and the government are placed on the map in figure 4.

Figure 4: Stakeholder map of the fossil fuel industry: government vs fossil free campaigners



¹ Shell cited the movement as a risk factor in its 2017 annual report: "Some groups are pressuring certain investors to divest their investments in fossil fuel companies. If this were to continue, it could have a material adverse effect on the price of our securities and our ability to access equity capital markets" (Shell, 2018).

Based on the stakeholder map, the relative position of campaigners as compared to the government provides sufficient reason to believe that in the eye of the industry, campaigners are not an important enough group to outweigh the salience of the government. This is due to the lack of power on the one hand, but also to the strongly established lobby of the industry on the other, which emphasizes the role of the government. In turn, this lobby turned the governments into supporters of the industry.

To cut a long story short, campaigners, albeit being homogenous, lack the power to outweigh the government's supporting influence on the industry. This shortfall of importance can be partly attributed to the strong lobby the industry established. The following will shed light on the industry of fossil fuels to assess the extent to which they might be responsible for the lack of stigma.

3.1.2 Is the industry actively countering the stigma?

The second actor able to influence the stigmatization process is the industry. In this case, it would be expected that the industry of fossil fuels would attempt to counter the establishment of a stigma to protect themselves from the adverse consequences the stigma would have. The following will test the responsibility of the industry in the lack of stigma by first, naming the different strategies available to them and then, observing which are being adopted by the actors.

a) What are the industry's potential reactions?

In his study aimed at testing legitimacy theory, O'Donovan (2002) explores the different responses of firms when threats to legitimacy occur. Based on what has been built in the preceding sections, these responses are arguably valid for stigma threats, as the latter implies a loss of legitimacy. These will therefore be explored and classified in the following discussion. They will then be used as a framework to identify some kind of trend in the fossil fuel industry-wide reactions.

O'Donovan summarizes the different responses as *Avoid*, *Alter*, *Shape* and *Conform* (O'Donovan, 2002: p. 348). *Avoid* implies that the firm does not want to enter the public debate on the event, and rather than facing the public outrage, engages in secrecy and a “do-nothing” approach to gain time (idem: p.348). *Alter* is a proactive response and refers to the way the firm attempts to adjust the social values through public statements on its very own interpretation of the problem. By displaying its view of the story, it is able to influence or guide the social perception to its benefits (idem: p.348). By *shape*, O'Donovan refers to the actions of shaping the audience perceptions of the organization, by for instance reiterating past environmental and social accomplishments, or publicly indicating that the organization hasn't breached any legislation (idem: p.348). Finally, *conform* is defined by the way an organization will adhere to the social expectations and take actions to right their wrongs (idem: p.348).

These four categories were extended by Hudson in 2008. After exploring the different levels of reaction from organizations that experience core stigmas, the author structured them into three categories: strategic, structural and network-level (Hudson, 2008: p. 259). These partly join O'Donovan's classification. *Strategic* responses sub-specify into specialist, hiding and challenging strategies (idem: pp. 259-261). Specialising implies the opposite of diversification; in order to thrive, a stigmatized firm will specialize by exiting a few markets and carefully picking the ones it remains in (idem: p.259). Hiding implies limiting awareness of the audience through discrete location or targeted communication (e.g. targeted ads) (idem: p.260). Together, hiding and specializing are perfect examples of what O'Donovan called *Avoid* strategies. Challenging is the opposite of hiding as it leads the firm to publicly claim the legitimacy of its activities, which joins *Alter* strategies (idem: p.260-261). *Structural* responses involve limiting the size of the stigmatized company, similarly to specializing strategies (idem: p.261). Last, the *network-effect* level response finds its focus on limiting the transfer of stigma to the firm's vital partners through impression management techniques and careful selection of partners (idem: p.261-262). The network-level response comes to complete O'Donovan classification and creates its own category which we will call *prevention*.

When it comes to the means used, both authors identify CSR disclosure (reports) as a major response tool to stigma. Interestingly, others find that the general ambition of these reports is

to distract attention rather than ride the corrective action wave (Grougiou *et al*, 2016: p. 911). CSR reports can therefore be comprehended as part of a shaping strategy and will be attentively questioned in the following. Table 4 summarizes the different types of reactions a stigmatized firm can display.

Table 4 – Summary of corporate reactions following a stigma

Classification	Definition	Examples
Avoid	Avoids the public debate by engaging in a “no-do” and secrecy approach to the threat	Specializing: lowering complexities and dependence on capital Hiding: limit awareness of the audience through discrete location and targeted communications
Alter	Alters the audience’s <u>values</u> by entering the debate and unfolding details in an attempt to educate the public.	Challenging: publicly claiming legitimacy of activities under rational argumentation
Shape	Shapes the audiences’ <u>perceptions</u> on the firm by the re-iteration and publications of past good/ ethical performance of the firm	CSR disclosures: when they distract attention and lessen the effects of stigmatization by the publication of standalone reports
Prevent	Prevents the spread of the stigma on vital partners	Impression management: Careful selection: the selection of immune and/or already stigmatized partners
Conform	Conforms to the audience’s values and acts toward righting past wrong-doing	Re-arrangement of activities: close unacceptable business lines and/or open legitimate ones

Sources: O’Donovan, 2002: pp. 344-371; Hudson, 2008: pp. 256-266; Grougiou et al, 2016: pp. 905-914

From the campaigner’s standpoint, it seems that *conform* is the only acceptable response from the fossil fuel industry. Indeed, taking corrective actions is what the fossil fuel divestment movement aims for, as exposed in part 1 and 2. All other reactions are sub-optimal. In particular, shaping perceptions and altering values are especially counter-productive and would hinder the emergence of a stigma if adopted.

b) How does the industry react in practice?

The following discussion will assess the extent to which the fossil fuel industry is responsible for the lack of stigma. In other words, it will determine whether the industry has been busy engaging in counter-productive behaviours to slow down the stigmatization process.

Out of all possible strategies exposed in the above, the only acceptable option from a campaigner's standpoint is *conforming* to social expectations, which includes admitting one's disservice and engaging in taking corrective measures (O'Donovan, 2002: p. 348). All other reactions are at best not productive (i.e. *avoiding* the crisis) and at worst counter-productive (*altering* social values or *shaping* perceptions). These last two options will, if embraced by the industry, hinder the emergence of the stigma, as they influence individual perceptions (step 1) and disable a collective perception (step 2) to take place. With the help of case studies, the following will attempt to define a trend in the industry's responses.

To this end, the five biggest oil & gas and the five biggest coal companies as ranked by the FFI's classification (in app. 2), will constitute the analysed population: Gazprom, Rosneft, PetroChina, ExxonMobil and BP for oil & gas, and Coal India, Shaanxi Coal Industry, Adani Enterprise, China Shenhua Energy and Inner Mongolia Yitai Coal for coal. Annual reports, press releases and other public documentations will be used to unveil each firm's reaction and classify it following table 4.

First in the oil & gas section, Gazprom is a Russian company and the country's largest explorers and exporters of gas (Gazprom, 2019a). None of Gazprom's 2018 report relates to the divestment movement, be it their annual report, financial statements or even sustainability report. They do not include reputation or social perceptions into their risk factors (Gazprom, 2019b). The firm's response to reputation threats are also not appearing in common internet searches. On 350.org, Gazprom is only cited as a company worth divesting from (Fossil Free, n.d.). Therefore, it seems Gazprom is embracing the *avoidance* strategy, as they do not take part into the debate and remain unbothered by the press.

In the same country, Rosneft is Russia's leader in oil. Their activities include the exploration, production and refinement of petroleum, which they export all over the globe (Rosneft, 2019a). Rosneft does not mention any risk factors related to divestment or reputation in its annual reports (Rosneft, 2019b). However, the company's website includes a section on the UN's Sustainable Development Goals and how they participate in reaching them. Particularly, they write a section on climate action, where they inform on their focus on limiting the firm's greenhouse gas emissions by developing new products and improving the energy efficiency of their activities (Rosneft, 2019c). The company's efforts towards publicly taking corrective measures would support a somewhat *conforming* behaviour. With that being said, and considering the strong connection of Rosneft with BP (BP, 2019b) who has been busy in greenwashing its communication (as we will see), the motives and nature of the reaction of the firm is relatively unsure.

The third largest publicly listed oil & gas company is PetroChina: the largest oil and gas producer and distributor in China. PetroChina is one of the largest oil companies in the world and as such, has a pivotal role in China's economy (PetroChina, 2015). As a matter of fact, PetroChina has been the target of another divestment movement destined towards firms doing business in Sudan in 2007¹. Back then, there was little evidence of a reaction from the firm, which is similar to the current situation. Indeed, PetroChina's annual report from 2018 does not reflect on fossil fuel divestment or reputation risks (PetroChina, 2018). The official website proposes a link to an environmental report, but when trying to access it, the link seems broken and an error message appears. The firm's history with divestment movements as well as its current inability to disclose the environmental perspectives of its business make for an *avoidance* case; the firm does not wish to participate in the debate.

Next on our list is the infamous ExxonMobil, the largest American publicly listed oil & gas company. Their business activities entail the extracting, refining and marketing of petroleum and other fossil fuels (ExxonMobil, 2018). The company has been known in part for launching "*campaigns of confusion*" around the real impact of climate change as well as engaging in active lobbying to curb potential adverse effects public knowledge could have on their business

¹ After the country of Sudan allowed and supported the Darfur genocide, human rights militants used divestment to punish companies partnering up with the Sudanese government (Stempel, 2007).

(Oreskes, 2015). In 2005, it was documented that the company had spent over 8 million USD in an effort to challenge the scientific evidences of climate change (Oreskes & Conway, 2010: p. 246). Nowadays, the company includes a sustainability section to its website where it exposes its actions towards greener energies (ExxonMobil, 2019). However, their communications have been identified as greenwashing by the scientific community (Plec, 2012: pp. 479-476). The company retaliated on their misleading campaign recently, as they were heard by the European Parliament for their confusing communications. Instead of being transparent on the issue, ExxonMobil preferred to attack the scientific proofs of their wrong-doing, advancing a faulty peer review process (Supran, 2019). This points that ExxonMobil is following a two-sided behaviour when responding to the activists' threats: they *shape* perceptions on one hand, through the use of greenwashing communications, and *alter* social values on the other by funding doubts on the exactitude of global warming and its origins.

Last in the oil & gas sub-industry is BP, formerly British Petroleum. BP is a global energy company specialized in oil and operating over 78 countries (BP, 2019c). In their 2018 annual report, BP included a sustainability section where the company's three-dimensional strategy was disclosed: reducing emissions of the existing operations, improving the products through innovations and creating low carbon businesses by extending the renewables portfolio (BP, 2018d). The company is also publicly engaged in the low carbon energy transition and provides annual reviews on the World Energy (BP, 2019a). Based on that, it might seem that BP is conforming to social expectations. Sadly, the facts tell another story. Investments in renewables from the company represent only 3% of its business, and 2017 was the firm's most successful oil exploration year since 2004 (Farand, 2019). BP has been greening its communications since the 2010 oil spill incident in the Gulf of Mexico. However, greening the communications was apparently all it was. Arguably, the effectiveness of BP's greenwashing and its apparent empathy towards activists (e.g. CEO Bob Dudley was present in Davos' climate change discussion (DiChristopher, 2019)) made its wrong doing less visible than this of ExxonMobil. Nonetheless, their responses are of similar nature, as BP makes use of both altering and shaping strategies.

Moving on to coal companies, the biggest publicly listed company is Coal India, the world's largest coal producer (Coal India, 2019). The company discloses a CSR and

Environmental tab on their official website, which displays the company's wish to be greener (CSR Vision, n.d.). However, no tangible action seems to follow the online discourse. In 2013, the company published a report on their vision for coal. In it, they admit the risks environmental policies might have on their business and placed environmental concerns as one of their key threats. Acknowledging the problem was backed up by actions which are also listed in the report. These included using regulatory leverage to enact favourable bills on coal, investing in the promotion of coal consumption and covering more land for coal mining. Overall, these actions aimed at making coal competitive again as a means to hedge against its uncertain future (Coal India, 2013). Coal India admits that climate change exists and is partly impacted by its activities, yet aims at *altering* the values of the population as to make coal look reasonable again.

Shaanxi Coal Industry is a large company situated in the province of Shaanxi, Republic of China. It is present in the energy and chemical business and centres its activities around coal, from exploration to utilisation (Shaanxi Coal & Chemical, n.d.). The firm's official website observes a tab on corporate responsibility. The words "*We love nature, cherish the resources*" can be found next to Shaanxi Coal Industry's discourse on the transition to a low carbon economy (Shaanxi Coal & Chemical, n.d.). In their last CSR report (2014), Shaanxi acknowledged society's expectations for the firm to fulfil its corporate responsibility. As a response, they vowed to improve the carbon efficiency of their activities and developing cleaner energies (Shaanxi Coal & Chemical, 2014). As it turns out, emissions of the company have risen over the past years, which led to the government taking drastic measures to limit coal activities in the region (Reuters, 2018). What did change, however, is the capacity of the firm to improve air quality in this Chinese region, which was praised by many (Liu, 2018). In a nutshell, Shaanxi Coal Industry managed to *shape* perceptions of the company's activities by focusing on one area of social concern and draw attention away from the bigger problem.

Third is Adani Enterprise, a multinational Indian coal conglomerates, which mines, manages, transports and transforms coal into (Adani Enterprises, 2018). Similarly to other industry players, Adani praises itself to be a company that supports society through the supply of energy which improves quality of life, while being a pivotal agent for the energy transition and the fight against climate change (Adani Enterprises, 2018). In their annual reports of 2014, the

company highlighted the increasing demand for energy and the lack of capacity of the business to fulfil this demand (Adani Enterprises, 2014). To cope with the lack of reserves, the firm decided to launch a mining project in Australia in 2015, which was not welcomed by activists (March, 2015). In fact, a whole campaign named “*Stop Adani*”, supported by 350.org, quickly developed in Australia to resist and stop the mining project (StopAdani, n.d.). Today, the company is still pushing for the project to launch and presented it as a major job generator for the territory of Queensland (Cox, 2019). Even when directly facing social pressure, the company did not bow but attempted to *shape* the public’s perceptions of the firm.

China Shenhua Energy is China’s largest coal company and derives profits from the production and sale of coal and electricity, as well as the management of railway to and from major coal production sites (China Shenhua Energy, 2013a). The firm’s annual report of 2018 includes perspectives linked to climate change and advances the progress made, mainly revolving around improved carbon emissions monitoring (China Shenhua Energy, 2018). Moreover, their environmental section on the official website discloses the company’s efforts to build greener mines and improve the eco-friendliness of their power plants (China Shenhua Energy, 2013b). In 2016, the company vowed to transform its business lines. By 2025, the company would derive a minimum of 20% of its profits from renewables, and 20% from other non-fossil sources by 2030 (Wang, 2016). The firm’s promises seem to hold; new coal projects are launched at an ultra-low emission standard, renewable projects are on the rise and the company has taken a leading role in the hydrogen sector, a zero-emission fuel (Zhihua, 2019). The firm is seemingly embracing a *conforming* approach by taking the necessary measures to shift its energy mix.

Last, Inner Mongolia Yitai Coal (*aka* Yitai) is the Chinese corporation that manages reserves over the territory of Ordos, in Inner Mongolia. Activities revolve around the extraction and chemistry of coal (Yitai, 2015a). As opposed to the majority of cases in the above, Yitai does not directly make environmental statements in its vision nor mission. They do, however, have a webpage on “*Safety and Environmental care*” on their official website (Yitai, 2015b). The content is legal friendly: the company states that its environmental efforts are aligned with regulations and certifications on the following dimensions; clean production, green mining, tree planting and carbon reduction (Yitai, 2015b). There is little evidence proving that the company does more than what is expected by law. External resources do not confer too much attention

towards the company, which remains therefore unpressured by the media. Everything tends to point that Yitai is *avoiding* the public debate and successfully so.

In conclusion, the 10 case studies proposed in the above unveiled the responses of major fossil fuel companies to social and environmental pressure. The findings are summarized in table 5. The aim of this discussion was to explore whether a trend of responses across the industry would explain the lack of stigma exposed in part 2.

Table 5 – Fossil fuel companies’ response to social expectations

Company	Type	Response
Gazprom	Oil & gas	<u>Avoid</u> the crisis
Rosneft	Oil & gas	<u>Conform</u> to expectations (?)
PetroChina	Oil & gas	<u>Avoid</u> the crisis
ExxonMobil	Oil & gas	<u>Shape</u> perceptions + <u>Alter</u> values
BP	Oil & gas	<u>Shape</u> perceptions + <u>Alter</u> values
Coal India	Coal	<u>Alter</u> values
Shaanxi Coal Industry	Coal	<u>Shape</u> perceptions
Adani Enterprises	Coal	<u>Shape</u> perceptions
China Shenhua	Coal	<u>Conforming</u> to expectations
Inner Mongolia Yitai	Coal	<u>Avoid</u> the crisis

The findings do not support the hypothesis that fossil fuel companies are in fact conforming to expectations and taking corrective measures. Two companies out of the sample seem conform: China Shenhua, who has been found proactive in the energy transition, and Rosneft, who strives to decrease its activities’ emissions¹. On top of being underwhelming for the campaign, this supports the lead that the fossil fuel industry is actively behaving against the stigma.

Indeed, it seems the trend in the industry’s responses follows the counter-productive path: half the sample (5 companies) are found to engage in altering behaviours, shaping behaviours, or both. They do so through an array of methods, the most popular being greenwashing (i.e.

¹ Rosneft’s strong relationship with BP along with the lack of documentation on the firm pose substantial doubt that the corporation is conforming. The benefit of the doubt was however granted in this situation

“disinformation that is disseminated by an organization to present an environmentally responsible public image” (Sun & Zhang, 2019: p. 1489)), campaigns of confusion or deflection of the public’s attention. As for the two remaining companies, the priority is to avoid the debate.

What this shows is that the fossil fuel industry is hindering the emergence of the stigma, by acting against it. This trend seems to generalize internationally and across sectors (coal vs oil & gas). Evidently, shaping perceptions and altering values is a cultural characteristic of the industry.

In short, the responsibility for the lack of stigma on the fossil fuel industry can be attributed to the industry itself. First, the strong lobby they established impairs the relative importance of campaigners as a stakeholder group, and therefore their potency to stigmatize. Second, their reactions are generally aimed at curbing the stigmatization process through the shaping of perceptions and the alterations of social values. Altogether, these behaviours complicate individual perceptions which can no longer diffuse and merge into a collective one, which would result in a stigma. In short, the industry is to blame for the lack of stigma.

3.1.3 Can we expect a stigma to emerge in the near to medium future?

Part 2 exposed that the fossil fuel divestment movement had, as of now not been able to impose a stigma on the fossil fuel industry. The above discussion unfolded the reason behind this and came to the conclusion that the industry was responsible as it first undermined the campaigners’ relative power through the establishment of a strong lobby, and also engaged in counter responses disabling any collective labelling to happen. The following will briefly discuss the possibility of the stigma to emerge in the near-to-medium future.

The emergence of a stigma would mean that what has been disabling it so far is no longer valid. Precisely, that the fossil fuel lobby had dismantled, and that the industry is no longer countering the stigmatization process. To me, this seems unlikely for two main reasons.

First, it sounds implausible that the industry would bow, knowing the consequences a stigma would have on their business. Without sufficient pressure to do so, they would not find interest to right their wrong alone.

Second, what we are talking about are long-standing practices of this industry. Indeed, evidences of a lobby can be traced back to 1989 (Levy & Rothenberg, 1999: p.5). As for the industry's responses, the counterproductive trend seems to hold across sectors and countries. What I mean here, is that these practices seem to be part of the industrial culture. Overcoming this seems hopeless, at least in the short term, since these behaviours have been around for so long, and now part of what is expected from this industry.

In short, I believe overcoming what is disabling the stigma is less than manageable on the short term. The industry of fossil fuels is responsible for the lack of stigma. I argue that this is anchored in the industrial culture, which makes it a high barrier to overcome, given the continuity of these practices across time, sectors and geography.

This section aimed at answering the following: can we expect a stigma to emerge on the fossil fuel industry? It first explored the causes behind the lack of stigma and conferred the responsibility to the industry itself. Through its lobbying activities and its consciously counterproductive responses, the fossil fuel industry manages to disable the emergence of a collective perception, and therefore a stigma. Then, a discussion revealed the apparent low likelihood of a stigma to emerge in the short term.

In short, stigmatizing the industry of fossil fuel through divestment is not only not happening, it also seems unlikely to happen in the future. Stigmatization might work for the campaign goals theoretically, but divesting doesn't seem to carry the stigmatization process. Fossil fuel divestment therefore appears ineffective in stigmatizing the industry. Before we delve into the moral responsibility to divest or not, the following section will explore what the lack of stigma implies for the campaign's general efficiency.

Section 3.2 - What does the lack of stigma imply for the campaign's efficiency?

Building on what has been developed in the above, this section will aim at understanding what are the implications of a lack of stigma for the general efficiency of the fossil fuel divestment movement. The campaign exists to take action against global warming. One of the pillars to reach the campaign goals was stigmatization: stigmatizing the fossil fuel industry indeed made sense as theoretically, it would dismantle its social license to operate. Thus, the lack of stigma is bad news for the campaign. But is it critical to stigmatize the industry? Or can the divestment campaign be efficient without it?

Covering these questions will determine the extent to which the findings above are significant. Indeed, if the movement cannot be efficient without the stigma, the fact that there is no stigma is highly significant for the campaign as a whole. To test this, this section will bring to light the interesting aspect of organizational stigmatization: the diffusion of the stigma to other similar firms. It will then draw the implications this lack of diffusion will have on the campaign. In fine, this section will determine whether the campaign of fossil fuel divestment can be efficient without the stigma.

3.2.1 *How would a stigma be efficient for the campaign?*

We know there is no stigma on the fossil fuel industry. Understanding what this means for the fossil fuel divestment movement calls for understanding how the stigma would indeed have been of interest for the campaign.

In fact, it is its diffusion potential that makes the stigma compelling. Diffusion is what happens when an organization that is not directly targeted by the stigma becomes stigmatized due to it belonging to a stigmatized industry. In other words, when the stigma on a targeted company spreads to other similar companies. In the literature, this phenomenon is called the “*spillover effect*” (Jia & Zhang, 2016: p. 2661) or the “*courtesy stigma*” (Devers *et al*, 2009: p. 165).

This phenomenon was the focus of a study led by Jia and Zhang where they defined it as a crisis spillover: “*firms most similar to the deviant organizations also suffer for the sins of those deviant organizations*” (Jia & Zhang, 2016: p. 2649). Their findings are the following; organizations producing similar products as the deviant firm or organizations that are politically

connected are at higher risk of a crisis spillover. The reasons behind that is that it is easy for audiences to categorize on the basis of production or to make the shortcut from political presence to corruption (Jia & Zhang, 2016: pp. 2650-2653). The 1989 Alaskan oil spill is a perfect illustration of a crisis spillover; in March of that year, an Exxon tanker had an incident at sea and spilled 40 million litres of crude oil in the Alaskan gulf. The incident received important public outrage but also led to other oil companies being at the mercy of an endangered reputation. Big innocent oil companies especially were impacted by the scandal (Patten, 1992: pp. 471-475).

The diffusion phenomenon is easy to grasp if we go back to the definition of organizational stigmatization. Indeed, as per Devers *et al*'s research, a stigma is a de-individuating feature, in the sense that the stigmatized organization is being categorized into a group of similarly "bad" companies (Devers *et al*, 2009: p. 157). As they put it:

This categorization leads those stakeholders to stereotype the organization, such that it is defined in terms of the attributes of this category, rather than as a unique entity.

(Devers et al, 2009: p.157)

As categories arguably enable individuals to structure the world, consciously or not (Edwards, 1991: p. 515), they have the tendency to add similar firms to the category to safeguard their structured reality, and in the case of stigmatization, their values and belief systems (Devers *et al*, 2009: p.157). This is what diffusion is: the stigma creates a category, in which individuals start adding similar firms, therefore labelling and stigmatizing them at the same time.

As the fossil fuel divestment movement is not effective in stigmatizing the industry, it misses out on the diffusion potential provided by stigmatization. Therefore, no matter the movement's other impact areas (we can suppose stigmatization is not the only one), their efficiency will be limited to the companies directly targeted by divestment.

3.2.2 *Can the campaign be efficient without the stigma?*

As highlighted in the above, the lack of stigma means the lack of diffusion to other similar firms. The following will uncover which are the companies directly targeted by the fossil fuel divestment campaign, to then derive what this means for the campaign's efficiency as a program for climate action.

a) Which are the companies directly targeted by fossil fuel divestment?

The direct targets of fossil fuel divestment are reported by the leading organization 350.org, previously mentioned. The organization redirects campaigners to a list of companies worth divesting from (Fossil Free, n.d.). This list is in fact developed by the Fossil Fuel Index group (FFI). Annually, the group publishes the *200 Carbon Underground* list. In it, they report the 100 biggest oil and gas and the 100 biggest coal publicly traded companies, ranked by reserves held (FFI, 2018). As it has been discussed, 350.org's guidance is widely adopted by campaigners in fossil fuel divestment. Therefore, this list is the basis on which interested investors based their divestment decisions and constitute the group of companies directly targeted by the movement.

As fossil fuel divestment is only an option for investors, the list published by FFI is a list of publicly traded companies. That is, companies that can be invested in through the purchase of stocks. Among the big names in the list, one can recognize ExxonMobil, BP or Shell for instance (see full list in app. 2). The list is therefore limited by the boundaries of the investment sphere, and leaves out all state-owned fossil fuel companies, such as Saudi Aramco: the world's largest oil company which is fully under the management of the Saudi Arabian state (Partington, 2019).

Knowing this, it seems the fossil fuel divestment campaign can only be efficient if publicly traded companies represent a large portion of emission potential. In other words, if these companies hold the most of the world's fossil fuel reserves. Indeed, as the campaign aims at curbing global warming, and that it cannot rely on diffusion, it needs to target and address the right companies to have a meaningful impact, i.e. be efficient.

b) What does this imply for the campaign's efficiency?

In their study in 2016, Oreskes and Heede report that publicly traded fossil fuel companies only represent 7,1% of oil, 6,6% of gas and 4,8% of coal reserves in the world. They advance that in order to reach the 2°C target set by the Paris Agreement, state owned reserves have to be brought under control and that investor action alone would not bring about considerable results (Heede & Oreskes, 2016: pp. 12-20).

These results seem to close the argument. Indeed, the direct targets of divestment represent only a marginal portion (<10%) of global fossil fuel reserves, and therefore, of carbon emission potential. This makes the fossil fuel divestment movement a rather inefficient climate action campaign. The lack of stigmatization potential leads to the inability of the effects of the campaign to diffuse to state-owned companies, who hold most of the world fossil fuel reserves. Therefore, any impact of the campaign will be limited in reach.

This lack of diffusion can be contested by the apparent wave of states who took part in fossil fuel divestment recently. Notably, the cases of Denmark, Ireland and Norway – albeit the latter's ambiguous situation as both a producer and consumer – are receiving important coverage from the media. Evidences of divestment or abandon of fossil fuel projects have been spotted in each country's governmental decisions. Discussing these cases will, however, show the real motivations behind these decisions, which are most of the time, not due to social pressure from the divestment movement.

c) Denmark, Ireland and Norway's decisions to divest: a sign of diffusion?

Chronologically, Denmark was the first out of the three cases to show actions towards divestment when it allowed one of its major oil and gas companies to ditch fossil fuels in 2017. Formerly Danish Oil and Natural Gas (DONG), the unlisted fossil fuel company was rebranded "Ørsted" after the management initiated a company-wide shift from fossil fuels to renewable energies. Actions included the divestment from all upstream oil and gas producers and the total abandon of coal by 2023 (Climate Action, 2017). In an interview with Columbia University, Jakob Askou Bøss, the head of strategy and communication at Ørsted advanced the support from the Danish government as a key success factor in the shift: "*The fact that the ownership*

was concentrated with the Danish state (...) was an important supportive factor for the strategic transformation” (Bøss, 2019). So far, it seemed that the Danish government was indeed embracing the divestment movement. But, in its sustainability report from the same year, Ørsted published a statement from the CEO Henrik Poulsen which indicates the two main motives behind the shift: climate action and economic considerations. Indeed, part of the decision laid on the fact that new offshore wind installations were becoming cheaper than black energy (Ørsted, 2017). We see in this case a strong participation from the government and a dual motive, including climate action. However, no direct link with the movement on fossil fuel divestment or the blaming of fossil fuel companies is documented.

The second case on our list are the commitments of Ireland to divest 300 million euros worth of fossil fuel stocks. This decision emerged as a bill was passed by the Irish Parliament in July 2018 which required the country’s sovereign wealth fund to sell off fossil fuel holdings (Hook, 2018). The Republic of Ireland thus became the world’s first country to sell off investments in fossil fuels and is planning to complete the process within only 5 years (Carrington, 2018). More precisely, the bill requires the Ireland Strategic Investment Fund (ISIF) to divest all direct investment held in fossil fuel companies and to refrain from making any similar investment in the future (Chestney, 2018). The reported motives of Ireland are three-fold. First, improving the status of the country as a leader in sustainability. Second, the fight against climate change and global warming was also advanced. Thomas Pringle, who introduced the bill stated, *“The movement is highlighting the need to stop investing in the expansion of a global industry which must be brought into managed decline if catastrophic climate change is to be averted”* (Carrington, 2018). Third and last, Ireland’s decision to divest was also a moral statement. Members of the parliament believed that this decision was sending a clear message that *“the Irish public and the international community are ready to think and act beyond narrow short term vested interests”* (Carrington, 2018). By using such discourse, the Irish leaders seem to directly embrace the global divestment movement.

The last and most recent case is the one starring the Norwegian government, and its sovereign wealth funds’ decision to phase out fossil fuels in 2019. Norway’s Government Pension Fund Global (GPF) had been set in place in the 1990s, short after the country discovered the oil potential of the North Sea and decided to phase oil revenues in the national

economy (Norges Bank, 2019). Over the years, the fund reached a value worth a trillion USD, becoming the world's largest sovereign wealth fund (Davies, 2019). In March 2019, the fund communicated the press on its strategy shift to dump investments linked to fossil fuels, accounting to 13 billion USD in stocks. The shift will target all oil and gas companies that do not include renewables in their mix, and coal companies that base 30% or more of their revenues on thermal coal (Holter & Sleire, 2019). Although receiving a lot of attention from the media, this initiative remains underwhelming for divestment experts. Indeed, following the guidelines above, the fund will retain most of its oil and gas investments, such as stocks in Exxon, Shell or BP (Rapier, 2019). The motives advanced by the fund were purely of economic relevance. Even though the divestment decision was perceived as highly symbolical, the discourse of the fund managers remained on one level. Norway's finance minister Siv Jensen puts it nicely: *“The objective is to reduce the vulnerability of our common wealth to a permanent oil price decline”* (Davies, 2019). The reason underlying Norway's decision remains officially purely financial and does not point fingers at the fossil fuel industry, nor divest based on sustainability factors.

What these three cases show is that although it seems that governments are sensing a wakeup call when it comes to fossil fuel investments, all decisions aimed at divesting or abandoning fossil fuel projects are not always supported by the same motives. Only one of the three cases related to the fossil free campaign directly. Indeed, when Ireland was pointing fingers at the industry, and divesting from fossil fuel companies based on sustainability and moral motives, Norway acted solely based on economic rationales, and although Denmark used climate action as their main argument, not much was disclosed on the moral responsibility (or irresponsibility) of the industry. In short, these three cases, albeit being widely shared by the press, do not make for a strong case of diffusion. This reinforces the fact that the lack of stigmatization potential in the divestment movement makes it rather inefficient as a climate action campaign.

3.2.3 Can we say that fossil fuel divestment is an efficient campaign?

Bringing all discussions together, we can say that the divestment movement can be regarded as not desirable – from an efficiency perspective. As the campaign has not been – and

is not likely to become – able to stigmatize the fossil fuel industry, it lacks on the diffusion benefits of the stigma and is therefore rather inefficient. The following will wrap-up the findings before the next section takes interest in assessing the morality of the divestment action.

The theory seemed to support the efficiency of the campaign as a climate action procedure. Indeed, targeting the fossil fuel industry amounts to targeting the most important actor responsible for global warming. Hence, adversely impacting and pressuring it into righting its wrongs, amounts to tackling global warming (and therefore, climate change¹) at its source. However, this theoretical efficiency is conditioned by the ability of the campaign to stigmatize the fossil fuel industry. Indeed, stigmatization leads to categorization and the diffusion of negative social perceptions to similar firms. Since the fossil fuel companies targeted by divestment account for less than 10% of the world's fossil fuel reserves, an impact on these alone would be marginal for the general fight against global warming.

As a matter of fact, it seems that evidences of the stigma lack. Actually, the loss of legitimacy and reputation that come with an organizational stigma could be expected to be reflected in the evolution of the industry's stock prices, but it does not seem to be the case. A stigma forms when individual perceptions of value incongruence merge into a collective one. It was argued that the collective labelling was not taking place, and that the fossil fuel industry itself could be held responsible for it. Through the strong and active fossil fuel lobby, the industry manages to undermine the relative power of the campaigners and shapes governmental decisions to its benefits, therefore protecting its legitimacy. Also, the industry tends to put efforts into shaping the perceptions of the audience or altering their values. These hinder the potential of individual perceptions to merge into a collective one, therefore disable the stigma. Since these activities appear to be contained in the perennial and internationally embraced culture of the industry, the barriers to a stigma emerging in the near future seem quite high.

The lack of stigma and the low prospect of its future emergence therefore undermines the campaign's efficiency. If it was to successfully impact the targeted fossil fuel companies by

¹ Climate change includes global warming and other climatic consequences of the combustion of fossil fuels, like sea-level rises and the melting of ice mass (NASA, 2019).

other means than stigmatization, these effects would have little repercussions on climate, as the big actors in the industry are in fact not publicly listed. Therefore, the factual side of the research question “Is fossil fuel divestment desirable?” is a negative one. The lack of corporate stigma highly limits the efficiency of the campaign as a climate action operation. The following will delve into the moral side of the question. In particular, it will evaluate the validity of the moral statements inspiring the campaign and derive the morality of the divestment movement as a whole.

Section 3.3 - Is it still morally desirable to divest from fossil fuels?

The discussion in the above treated of the effectiveness of the divestment movement in stigmatizing the fossil fuel industry, as well as the inefficiency problem it implied for the campaign as a whole. The conclusion was underwhelming: the campaign does not seem to succeed in stigmatizing the industry, which leads to its generalized low efficiency. However, the moral premises of the movement were never questioned. This section will have a look at these and attempt to answer the following: “Do investors have the moral obligation to divest from fossil fuels?” This question is asked no matter the efficiency of the movement in stigmatizing the industry. It relates to the moral obligations of investors, as individuals possessing conscience and freedom of will. Answering this question will bring the second piece of answer to the global research question, by exploring it on a more philosophical level.

To do so, it will be structured around three parts. The first will reveal and break down the moral reasoning supporting fossil fuel divestment and assess its logical validity. The second will determine to what extent this reasoning – even if valid – is sound, or solid. Lastly, the third part will explore what can be considered the opposite of fossil fuel divestment – stakeholder activism. It will aim at determining which of the two holds more moral value, which will put divestment into perspective.

At the end of this section, we will have a better understanding of the morality of the fossil fuel divestment movement, as it will be assessed and put into perspective.

3.3.1 Is the moral argument supporting fossil fuel divestment valid?

The following will delve into what is comforting fossil fuel divestment campaigners to promote divestment as a moral action. To do so, it will reveal what is the campaign’s moral argument, and break it down into its premises to assess its logical validity. An argument is said valid if, when all the premises are true, the conclusion follows. Validity, however does not automatically mean that the reasoning is sound (premises might be false), but it is a pre-requisite. Therefore, this section will assess the validity of the argument, while the next will delve into its soundness.

a) Bill McKibben's moral argument for fossil fuel divestment

Bill McKibben strongly advocates for divestment, as exposed in the above. He is sometimes considered the father of the campaign and it is his moral argument that will be analysed in the following:

If it is wrong to wreck the planet, then it is wrong to profit from that wreckage.

McKibben, n.d [cited in Lytton, 2013]

This statement is aimed at making divestment from fossil fuels a moral obligation for investors. Indeed, the use of the word “wrong” suggests that McKibben is making a moral point. Albeit being seemingly straightforward, the argument actually seems to be the result of a deep reasoning. Indeed, this statement indirectly insinuates that the fossil fuel is wrecking the planet and that investing in their activities is profiting from their wrong-doing. Therefore, morally inclined investors ought to divest. More precisely, one can distinguish no less than three distinct deductive schemes building towards the conclusion. These are broken down into premises and conclusions in table 6.

Table 6: Bill McKibben's moral argument broken down

<u>Deduction 1</u>	<u>Deduction 2</u>	<u>Deduction 3</u>
<p><i>Premises</i></p> <p>P1 : Wrecking the planet is morally wrong</p> <p>P2 : The fossil fuel industry's activities contribute to wrecking the planet</p>	<p><i>Premises</i></p> <p>C1 : The fossil fuel industry's activities are morally wrong</p> <p>P3 : Investing in a company means profiting from its activities</p>	<p><i>Premises</i></p> <p>C2 : Investing in fossil fuels means profiting from morally wrong activities</p> <p>P4 : Profiting from morally wrong activities is morally unacceptable</p>
<p><i>Conclusion</i></p> <p>C1 : The fossil fuel industry's activities are morally wrong</p>	<p><i>Conclusion</i></p> <p>C2 : Investing in fossil fuels means profiting from morally wrong activities</p>	<p><i>Conclusion</i></p> <p>C3 : Investing in fossil fuels is morally unacceptable</p>

Product of own reflection

b) Validity of Bill McKibben's argument

Bill McKibben's moral argument for fossil fuel divestment is built on three consecutive deductive schemes. The validity of each will be assessed in the following.

The first step of the argument is arguing that the fossil fuel industry's activities are morally wrong. To reach this first conclusion, McKibben implies that if wrecking the planet is wrong (P1), and that the fossil fuel industry's activities contribute to wrecking the planet (P2), then it must be that the fossil fuel industry's activities are morally wrong. This first deduction seems perfectly valid: if P1 and P2 are true, then C1 is also true.

The same can be said of the second step of the argument. Indeed, if the fossil fuel industry's activities are morally wrong (C1), and that investing in a company means profiting from its activities (P3), then it must mean that investing in fossil fuels is profiting from morally wrong activities (C2).

Similarly, the last deduction of the argument is also valid. If investing from fossil fuels means profiting from morally wrong activities (C2), and that profiting from morally wrong activities is not morally acceptable (P4), then the final conclusion (C3) "investing in fossil fuels is morally unacceptable" can only be true, which would support the moral obligation of investors to divest and no longer invest in fossil fuels.

Therefore, the argument supporting fossil fuel divestment, as rooted in Bill McKibben's statement is logically valid: if all the premises the author advances are true, then the conclusion of investments in fossil fuels being morally wrong must hold. The next discussion will pertain to the soundness of the argument; it will check whether the premises are true or not.

3.3.2 Is the moral argument supporting fossil fuel divestment sound?

As exposed in the above, the moral argument of fossil fuel divestment is based on a valid reasoning: if all premises are true, the conclusion holds and investments in fossil fuels are morally wrong. But are all these premises indeed true? If this is the case, then divestment would agreeably constitute a moral act. The following will actually refute one of the premises, on the

grounds that investment is wrongly interpreted. It will explore how so, what it implies on the morality of the campaign as well as the practical reasons leading to this common misinterpretation.

a) Are the premises true?

As introduced, I tend to refute McKibben's argument by contradicting its third premise (P3): "Investing in a company means profiting from its activities". This premise reduces the investor's role to passive profit anticipation, and therefore denies his moral obligation to act as a partial owner of the firm(s) invested in. On this basis, I will argue that divesting from fossil fuels is not more a moral obligation than cutting one's ties with friends who engaged in criminal behaviours.

Before analysing P3, it is interesting to state that its preceding premises are true. Indeed, P2 was proven in the above sections when it was stated that the fossil fuel industry accounted for close to 50% of rising temperatures. Therefore, it was proven that the industry's activities were, in McKibben's terms, "*wrecking the planet*" (McKibben, n.d. [cited in Lytton, 2013]). Furthermore, I also believe that P1, which points the act of wrecking the planet as morally wrong is true. Indeed, this generation of investors aims at tackling a big – if not the biggest – problem of this century: global warming. To me, the motive holds moral value as it aims at stopping an environmental and social crisis at the cost of probable profit, therefore putting others (in this case, next generations) above self. By opposition, wrecking the planet is to act out of selfishness, and therefore arguably immoral.

The next premise, however, does not seem to be true to me, or at least much incomplete. I tend to refute McKibben's argument on the ground that it undermines the role of investors and misunderstands its implications. The premise states that "Investing in a company means profiting from its activities", but the moral obligation of investors entails much more to me. By definition, an investor is a person that has bought a share of a company (i.e. the action of investing). And a share of the company is what it literally is: by buying the share, the investor obtains a right to a portion of the company. What this means is that an investor is in fact the owner of a part of the company it has invested in. Practically, this ownership provides the investor with voting rights on the main decisions of the firm. By extension, it can be said that

publicly listed companies are owned and advised by its investors. In the broad reality of the stock market, investors are in fact passive: they buy shares based on a multitude of factors such as expected returns and global situation of a company and hope to obtain financial returns. It is overtime that the owner status of investors has faded out, arguably due to the proliferation of intermediaries between an individual and its investments, as well as the increasing speed at which shares are traded on the stock market (Davis *et al*, 2016, pp. 26, 119). To me, buying a share in a company is a statement that the person believes in the company's long-term success and wishes to be a part of it. Therefore, acting passively is immoral, as the true role of an investor entails guidance and actual personal investment. By reducing the status of investors as profit awaiting individuals, Bill McKibben denies the co-ownership investments entail.

b) The implications of ownership

The above highlighted the ownership essence that comes from holding a share of a company. As stated by Boatright (2004):

(...) shareholders provide more than capital. By settling for a claim on residual revenues, they assume the role of risk bearer, and with control goes the role of decision maker. Both of these roles – risk bearer and decision maker – are services that are needed by a firm for production. That is, in addition to securing financing, a firm must obtain the services of individuals who are willing to assume the risk of an enterprise and to make decisions. Although these roles are separable in the sense that they could be filled by different groups, equity capital providers generally assume the other two roles, in part because decision making rights enable shareholders to secure their claim on a firm's residual revenues.

Boatright, 2004, p. 10

In this statement, Boatright emphasizes that ownership of a share comes along with a decision-making role. The last discussion has provided moral duty to act as owners. In Boatright's sense this means taking part in the decision-making process of companies through voting rights.

There are two implications to this co-ownership responsibility entailed by investment decisions. The first is that divesting implies past immoral behaviour from the investor's side. Indeed, investors have a moral obligation to apply monitoring and guidance efforts onto the companies they invest in, as exposed in the above. However, divesting is only possible when the individual has indeed an investment in the said company. If the individual had been playing its owner role correctly in the past, then the company wouldn't have been able to thrive in its wrong-doing under the investor's watch. Take the following example which relates to the divestment situation: You have one good friend that you have known for a while. He or she has been engaged in some kind of criminal behaviour repeatedly, long before you even met. This behaviour you cannot stand behind but decide to do nothing about, as your friendship provides you with laughter and fun activities. One day, the friend gets caught for his or her crimes and goes on trial. You suddenly decide to cut all ties with the person and do not wish to talk to him/her ever again. This illustration seems immoral on two levels: first, why would you become friends with someone who flouts your cherished values in the first place? Second, why not trying to talk him/her out of engaging in criminal behaviours during your friendship, yet decide they are unacceptable once gone public? The case of divestment is comparable to this situation. Investors who could have influenced the path of actions of fossil fuel companies did not do so nor condemn their wrong behaviours until pressured by the divestment campaign. Thus, divesting sends a signal that investors are abandoning their investment, and with it, the problem as well as their moral responsibility to act as owners. It seems as if they are leaving the "mess" their passiveness has contributed to make happen.

The second implication is that no matter what happened in the past, divesting is not the moral solution to enact the investor's wish to protect the planet. Take back the criminal friend example: when your friend went on trial, instead of cutting all ties with him, you decide to open the discussion and attempt to influence his/her further actions. Using your leverage as a close friend, you will have the power to make your friend listen, potentially conform to the law, and more importantly, stop overriding the values you hold dear. Of course, this takes energy and time, but remaining friends while supporting to turn his or her life around is bigger than you and above all, congruent with your values and morals. In fine, this is what friends ought to do. Again, this relates to the divestment context. Investors facing the crisis should not give up on their fossil fuel investment but rather take a stand and exit their passive mode. When "*actions*

[are] *taken by shareholders with the explicit intention of influencing corporations' policies and practices*" (Goranova & Ryan, 2014, p. 1232), we talk about shareholder activism. This concept will be studied in the subsequent sub-section.

It might however be questioned to what extent can owning a share in a company induce the supremacy of the owner. Gosseries (2012) develops that the link between the two is not as causal as one could think; he undermines the rhetorical strength of the argument aimed at justifying supremacy of the shareholder through ownership on logical and operational levels (Gosseries, 2012: pp. 2-16). It seems therefore that the ownership premise on which the above implications are based might not be true. Indeed, the above tends to confuse ownership and supremacy, but it is agreeably supremacy of the shareholders that is addressed. Since the causality is not certain between ownership and supremacy, the premise of ownership that leads to the implications developed in the above might not be true, therefore undermining the conclusion of divestment being immoral. Building on that, the following will explore the limits to supremacy and assess whether they can justify divestment as a moral act or not.

c) What are the barriers to legitimacy, and can they justify divestment?

Two practical barriers to shareholder supremacy naturally pop to mind: the distance between the individual investor and the company, as well as the potency of one shareholder to influence decisions.

By distance, what is meant is that the majority of individual investors are not directly managing where their money gets invested in. Indeed, institutions such as investment and pensions funds complete this task for them by gathering expertise on the stock market and applying it to pick companies to invest in. Agreeably, this supports the passiveness of investors as they trust the fund managers to fulfil their fiduciary duty and act in their clients' best interests. Sometimes, best interests are narrowed down by funds to profits, and this is where value incongruence can emerge and spread. With that being said, passiveness remains an individual's choice according to me. No matter the hurdle or the distance between one and its investments, morally conscious investors must put the required time and effort into understanding where their money goes into

and how their voting rights are being casted. In short, I argue that laziness cannot justify passiveness.

Furthermore, it might be argued that, even if active, an investor's individual share in a company might not be important enough as to push decisions towards his or her preferred outcome. This represents the second main barrier to enact an investor's supremacy. Under these considerations, the lack of potency would make divestment the only viable option for a morally conscious investor. However, I find this argument weak for two reasons. On one hand, the role of active investors must start before investing in a company. In his effort to assess the firm before the purchase of shares, an active investor (or the intermediary fund manager) would have noticed the value incongruence between his own beliefs and the firm's externalities. This holds true knowing that the fossil fuel industry has not changed its business model abruptly, and neither have the public perceptions which, if anything, slowly evolved overtime. On the other hand, divestment does not come from an individual wake-up call but from the pressure of the campaign. In these circumstances, there is reason to believe that the investor was in fact passive all along.

These barriers to shareholder supremacy exist and pose doubt on the ability of shareholders to influence a company's decisions. With that being said, it seems that they do not offer enough justification to morally support the decision of divestment in the case of the fossil free campaign. In short, even if the causal link between ownership and supremacy is uncertain, the barriers to supremacy do not justify divestment from fossil fuels and therefore fail to invalidate the moral duty of investors to act as owners.

In conclusion, I would say that the moral basis on which fossil fuel divestment stands is not as stable as one could believe. Although valid, the moral argumentation advocating for fossil fuel divestment is in fact not sound. This is due to the common misconception of what investing entails. Investment comes, I believe, with a moral obligation to act as true co-owners of the firm invested in. If this condition is not fulfilled, investment is merely summarized as a game of luck, where profits are the only driving forces. When this is the case, divesting from fossil fuels is indeed moral. However, I argue that the source of the harm can be traced back to fossil fuel investors not acting as true owners and not taking advantage of their advising and

voting power. Changing this might require breaking up with legacy behavioural schemes of investors and re-educating them to be active and take care of where their money goes and how it is used by the targeted firm(s). In other words, this calls for some extent of shareholder activism, but do investors have the moral obligation to be active? This is what the following will explore.

3.3.3 Do shareholders have the moral obligation to be active?

The above discussion treated of the morality of the divestment movement. Divesting from fossil fuels was found immoral on the basis that the duty of the investor as an owner was undermined by the argumentation proposed in the campaign. The lack of involvement was at the base of the immorality exposed in the above. Taking the counterpart of this, the following will explore the moral duty of investors to be active. Active shareholders are engaged in influencing the organizations invested in (Goranova & Ryan, 2014: p1232). Therefore, they can be seen as the opposite of divestment. Using Hussain's terminology, divestment and shareholder activism can be referred to as "*boycott*" and "*buycott*" actions respectively (Hussain, 2012: p. 113).

a) What is shareholder activism? What does it entail?

Although it seems that the literature is ambiguous when attempting to define shareholder activism, the definition of Goranova and Ryan remains a reference for many: "*actions taken by shareholders with the explicit intention of influencing corporations' policies and practices*" (Goranova & Ryan, 2014: p. 1232).

In practice, this influence can be inflicted by shareholders through different methods, given the shareholder has "*accumulated enough ownership*" (Stowell, 2018: p. 291) to be considered. In particular, shareholder activists can influence the firm by writing a letter, meeting with the management or falling back on public campaigns to trigger social pressure on the company (Danis, 2019: p. 2). Gillan & Starks give a more precise view of the first option by citing proposals as a means to enact shareholder activism. The authors give the impression that proposals are the most common form of shareholder activism: shareholders submit issues (or proposals) that will be voted on during a general meeting (Gillan & Starks, 2000: p. 276).

Precise motives of these proposals differ across context, but as a general rule, shareholder activists aim at improving the performance of poorly performing firms, be it financially or socially (Gillan & Starks, 2000: p. 276).

In the context of climate action, some investment funds have specialized in shareholder activism to pressure fossil fuel companies into altering their business models and engage in greener energy solutions. It is the case of Arjuna Capital, who has an important stake in ExxonMobil and frequently submits proposals to the management (Goldenberg, 2014). Therefore, when it comes to fossil fuel companies, shareholder activism aims at massively investing in the firms to influence their path. As such, it can be understood as the opposite of divestment. The following will not treat of the practical fit of shareholder activism as a climate action campaign, but rather will define the conditions under which shareholder activism can be deemed as moral. In a second phase, it will apply it to the fossil fuel case.

b) Under which conditions can shareholder activism be morally acceptable?

The subsequent discussion will touch upon the conditions that shareholder activism needs to fulfil to be considered moral. To do so, it will delve on literature on the topics of shareholder and consumer activism.

Indeed, we can argue that shareholder activism is a form of consumer activism, as both leverage on ownership to bring about beneficial outcomes. Hussain provides a review of such phenomenon (which he calls “*Social Change Ethical Consumerism (SCEC)*” (Hussain, 2012: p. 112)). The author explores the moral dangers of SCEC and derives the conditions under which such consumer activism is legitimate. Precisely, he denounces consumer activism when the latter is driven by self-interest, which can hinder others’ individual liberties and turn the social decision making into chaos (Hussain, 2012: p. 124). He therefore conditions the morality of consumer activism on its aim: only when consumers are acting out of common interests (i.e. one that makes society as a whole better off), can SCEC be deemed moral.

When applied to shareholder activism, I argue that the same condition holds. It indeed seems illegitimate for a shareholder to put pressure on a company to serve its own benefits such as

higher dividends. Similarly to what Hussain develops, if a shareholder was to maximize his/her own benefits through activism, it would be at the expense of others. Some shareholders might not want to raise dividends at all costs but would rather see the company act in an ethical manner. When shareholders act for self-interests, it diminishes the power of other shareholders. Furthermore, I would argue that the simple fact that shareholders might be wrong (i.e. the goals they pursue through shareholder activism is unethical) makes self-interested activism automatically immoral, as it considers one's goals as the pure truth over others.

Despite the ethical problem attached to self-interested activism, this form is still happening today. In fact, Apple was the target of activism and pressured by Carl Icahn – one of his major shareholders – into raising dividends (Danis, 2019: p. 1). Therefore, activists are not always acting out of common interest, which means we need to be careful about motives when assessing the morality of a particular shareholder activism activity.

Condition 1:

The activists' motives are driven by common, societal interests

Albeit the motive of activism being agreeably important, I believe that beyond the need to foster a common goal, there is also a limit to shareholder activism that cannot be morally crossed without involving ethical issues. Particularly, the limit is one of methods. The following will shed light on which method of activism can be deemed as moral, by going back to the very essence of shareholder activism: agency theory.

Agency theory states that problems can occur when an agent (here, manager) acts in manners that are not congruent with the interests of the principal (here, shareowner) (Kopp, 2019). By the monitoring and influencing efforts it entails, shareholder activism seems to be an interesting way to resolve agency problems. With that being said, we have seen in the above that there were different methods used by activists, and some of them are more transparent to the companies targeted than others. Transparency is the source of any agency problem resolution. Indeed, one could argue that information asymmetry on the global reality of the business and the market might have shareholders thinking that the agent is not acting in their best interests, even though they might be simply constrained by other factors. Therefore, activism pressure to

solve agency problems in a context where the shareholders has not been opening a dialogue with the firm seems to me unfair and illegitimate.

Thus, the only permissible means for an investor to put pressure on the firm is one that opens the dialogue and administer pressure in a transparent way with regards to the targeted firm. The implication of this second condition puts a limit on what forms of shareholder activism are indeed morally permissible. Gillan & Starks develop the way by which investors can open the dialogue and exercise pressure in a transparent manner with the firm: the submission of proposals that can be presented in general assemblies and voted on (Gillan & Starks, 2000: p. 275-305). To me, this method represents a moral act – at least in a first stage -as it includes the targeted firm in the debate and gives it the chance to explain and justify its wrongdoing and/or poor performance.

Condition 2:

Activism pressure is administered in a transparent way with regards to the firm

Together, these conditions define the moral boundaries within which shareholder activists ought to exercise pressure on targeted companies. If it can be proven that shareholder activism in fossil fuel companies as a climate action movement is following these conditions, it will be deemed as moral, and therefore represent a more permissible measure than its logical counterpart of divestment. This is what the following will attempt to assess.

c) Is shareholder activism moral in the context of fossil fuels?

Shareholder activism for the case of climate action would represent the action of investing in fossil fuel companies (see app. 2) and actively pressuring them into switching to greener business models and stop engaging into political lobbying. As such, it would be the perfect counter-part of fossil fuel divestment. The motives and goals are similar, but the methods are opposite. The following will regard the moral justification of such a movement based on the conditions developed in the above, with the help of the illustration of Arjuna Capital.

Arjuna Capital is an investment fund specialized in sustainable and impact investing. Five main themes build the fund's spectrum of shareholder activism: gender pay equity, carbon asset risk, net neutrality, fugitive methane emissions and distributed energy (Arjuna Capital, 2019a). Specifically, the fund has been busy pressuring big oil companies into taking "*greater action to address climate change risk, and a tangible shift in the corporate culture behind the companies' intransigence*" (Arjuna Capital, 2019b). They have been particularly engaged with ExxonMobil and Chevron to this end (Arjuna Capital, 2019a). Arjuna Capital represents a good example of shareholder activism for climate action. Assessing whether activism is moral is checking if the morality conditions in the above are indeed met. Building on the example of Arjuna Capital, this is what the following will attempt to find out.

The first condition is about the motives. By acting as they do, do climate action activists protect their own self-interests, or the *common good*? Agreeably, the engagement of shareholders in this case is geared towards the greater society, aiming at tackling climate change, a global problem which could have global consequences. In Arjuna Capital's own words: "*Big Oils need to shrink. (...) Society can't burn all the carbon reserves we already have on tap without catastrophic climate disruption. So why waste investor capital looking for more?*" (Arjuna Capital, 2019a). Through this statement, the fund clearly states the motive of shareholder engagement: stop climate disruption. This motive is much greater than the fund itself and serves society as a whole rather than shareholder value alone. The first condition is therefore met.

The second condition is one of methods. In this case, Arjuna Capital will serve as a reference rather than an illustration; is Arjuna Capital's take on shareholder activism transparent with regards to fossil fuel companies? Are they opening the dialogue with the targeted corporations? Arguably, it can be stated that yes. Indeed, the fund exercises pressure on the firms through proposals which are then exposed and voted during general assemblies. One of the first victory of the fund against ExxonMobil took place in 2014 when the company agreed to file a public report on how carbon asset risks will affect their business model, accordingly to a proposal filed by the fund (Goldenberg, 2014). In may 2017, the scenario repeated when Arjuna Capital convinced a majority of shareholders and therefore the oil giant to disclose a report assessing carbon asset risk (Sciammacco, 2017). In both cases, the fund exposed its concerns and suggestions to the firm before the assembly and engaged in a debate with Exxon. Although

these examples expose a visible success from the fund's side, it was not always the case as Exxon has and is still pushing back on many of Arjuna Capital's proposals. However, the way Arjuna Capital operates and how this portrays shareholder activism for climate change holds moral value as it does not act behind the back of the companies and engage in a dialogue with them.

In a nutshell, it seems that shareholder activism is moral, but only under two conditions: the motive must serve society as a whole as opposed to self-interests, and the methods used must be transparent with the targeted firm. As illustrated by Arjuna Capital's shareholder engagement strategy, climate action through shareholder activism can be deemed moral, given it opens the dialogue with the fossil fuel companies.

To conclude, divestment from fossil fuels, beyond displaying limited efficiency, is also relatively immoral as it denies the moral duty of ownership. In opposition, the act of actively investing in fossil fuels for the same goals holds more value as it embraces the ownership nature of investments and engages in a discussion with corporations to pressure them into conforming to social expectations. Thus, this section revealed that divestment from fossil fuels was not morally sound but has touched upon a seemingly more legitimate alternative that could satisfy morally inclined investors: shareholder activism. Of course, the efficiency matters of this new lead were not questioned. Arguably, some arguments developed in other sections could also pertain to shareholder activism and denies its global efficiency as a climate action pillar. With that being said, the purpose of this section was of normative essence. Therefore, the alternative of shareholder activism can only be deemed desirable on the moral level, based on the above. In short, this section tends to revoke "*boycotts*¹" and advocates for "*buycotts*²".

This more philosophical section comes to complement the factual discussion which preceded. Together, they managed to unveil the extent to which one can consider divestment as desirable.

¹ See Hussain, 2012: p. 113

² idem

Conclusion

Divestment from fossil fuels, as it has been developed throughout this thesis seems undesirable from two distinct standpoints: factually and normatively.

The theoretical grounds behind the campaign's wish to stigmatize the fossil fuel industry are strong: not only does the industry account for close to 50% of global warming, stigmatizing it will dismantle its social license to operate and pressure it into engaging in greener activities, thus supporting the global energy transition. However, it was found that the effectiveness of the campaign in stigmatizing the industry was, at best, underwhelming.

A stigma emerges when individual perceptions merge into a collectively embraced one. Fossil fuel companies have not yet been stigmatized "thanks to" their efforts in preventing the second step of the process. Indeed, by shaping the perceptions of the audience or altering its values, fossil fuel companies were actively engaged in stopping individual perceptions to blend and turn into a collective one. Greenwashing, campaigns of diffusion and the establishment of a strong lobby are all examples of actions taken by the industry to prevent stigmatization, which they have done effectively. Since these are long-lasting traits of the industrial culture, the emergence of a stigma seems to face great barriers, which highly reduces its likelihood.

The implication of a lack of stigma on the campaign is in turn critical for its general efficiency. As a stigma involves categorization, it enables individuals to spread the negative perception to similar firms. This diffusion aspect is specific to stigmatization and would have been significant for the movement, who can only directly target publicly-listed companies who manage less than 10% of the global fossil fuels reserves. The lack of stigma therefore limits other effects of the campaign to the publicly-listed companies, which correspond to a minority of CO₂ potential. Without stigmatization, the movement can be deemed as inefficient.

On top of not being desirable on the factual perspective, fossil fuel divestment poses important moral issues. By divesting, investors deny their moral duty of acting as co-owners of the firm. The co-ownership entailed in investments provides power to shareholders in influencing the companies. This influence can and should be used to guide the management towards better

results and corporate citizenship. Divesting sends a signal that the shareholder is leaving the turmoil he has indirectly encouraged to happen, therefore forsake his moral duty. Divestment seems therefore both inefficient and unethical.

With that being said, what remains from the discussion is that the intention of tackling global warming through methods geared towards the fossil fuel industry both made rational sense and held moral value. The fact that divestment was not an efficient nor ethical means towards that end is one thing but reducing the campaigner's efforts to nothing would be counter-productive and wrong. Instead, it would make more sense to look into how morally inclined investors could have more stigmatizing potential under sound moral premises.

A potential area of research would be for investors to embrace shareholder activism. As developed, shareholder activism for climate action is a more moral way to influence fossil fuel corporations, given activists do so in a transparent manner. The question of how this would bring a stigma on the industry has yet to be unveiled.

The verdict is in; fossil fuel divestment for climate action seems undesirable. Rather than leaving it to that, I tend to think that these findings are an opportunity to review the movement and uncover what kind of investing decisions would be more adequate in the fight against global warming. As the legend of the hummingbird proposes, doing things the wrong way is not great, but doing nothing is definitely the worst.

“As the hummingbird's efforts do not weaken, other animals start mocking him. When the bird comes back to the lake to carry yet one more drop, a sea-gull yells at him:

- *What do you think you are doing? You are too small; your beak is not large enough. You will not be able to put out the flames one drop after the other! Your efforts make no difference!*
- *Could be. But at least I'm doing my part.”*

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