

## **Yale's Carbon Specialist**

At the time of its most recent IRS tax filing, Yale had at least \$58.6 million invested with Merit Energy Company, "a private firm specializing in direct investments in oil and gas assets."<sup>1</sup> Merit "owns an interest in over 10,000 wells in 10 states throughout the United States."<sup>2</sup>

## **Endowment Specialist**

Merit enters into equity-based limited partnerships with people and organizations to raise money for its operations. 45% of its limited partners are university endowments, and another 22% are pension funds.<sup>3</sup> Merit has distributed \$9.6 billion to its partners over the years, and averaged 24.1% annual returns.<sup>4</sup>

## **More Carbon, Faster**

Like any oil company, Merit's goal is to extract as much carbon from the ground as quickly and profitably as possible. Currently pumping 67,000 equivalent barrels of oil per day out of 425 million equivalent barrels of proven reserves, the company boasts of "a long and successful track record of acquiring high quality properties, and focusing on every detail of daily operations to reduce costs, improve efficiency and increase production."<sup>5</sup>

## **Leading on Science, Funding Trump**

William K. Gayden, Chairman and CEO of Merit Energy Company founded the business in 1989. Mr. Gayden sits on the Board of the Carnegie Institution for Science. Carnegie funds "'exceptional' individuals so that they can explore the most intriguing scientific questions in an atmosphere of complete freedom."<sup>6</sup>

Carnegie scientists are leaders on climate change. Global Ecology Department Director Chris Field of Stanford University co-chaired Working Group II of the Intergovernmental Panel on Climate Change from 2008 to 2015. Carnegie's website features the IPCC as well as the Jasper Ridge Global Change Experiment in Northern California, which hosts studies on the effects of elevated temperature, elevated CO2 levels, increased precipitation and increased nitrogen on ecosystems.

In 1998, Yale Chief Investments Officer David Swensen, then a member of Carnegie's Finance Committee, recommended that the Board receive a presentation from Gayden and Merit "as a possible Carnegie investment."<sup>7</sup> Gayden's enthusiasm for astronomy led to a relationship that ended with Gayden joining the Carnegie Board.

Gayden, a Carnegie Institution for Science Board member and CEO of Merit Energy, contributed \$2,700 to the Presidential campaign of Donald Trump on October 10, 2016.<sup>8</sup> Well before announcing his candidacy, Donald Trump frequently called climate change a "hoax," repeating the description during his campaign.<sup>9</sup> In a major energy policy speech May 26, 2016, Trump promised to "rescind all job-destroying Obama executive actions including the Climate Action Plan" and "cancel the Paris Climate Agreement."<sup>10</sup>

The Carnegie Institution for Science endorsed the April 22, 2017 March for Science, the mission statement for which reads:

*People who value science have remained silent for far too long in the face of policies that ig-*

nore scientific evidence and endanger both human life and the future of our world. New policies threaten to further restrict scientists' ability to research and communicate their findings. We face a possible future where people not only ignore scientific evidence, but seek to eliminate it entirely. Staying silent is a luxury that we can no longer afford. We must stand together and support science.<sup>11</sup>

## Yale and Merit:

Yale has a longstanding relationship with Mr. Gayden and Merit Energy Company, having placed University resources in at least five Merit funds since 1996. In the 2009 update to his book *Pioneering Portfolio Management: An Unconventional Approach to Institutional Investment*, David Swensen wrote that "savvy investors" should invest in companies that hold oil reserves, and not just bet on future price fluctuations. He used Merit as his example, noting that Gayden "typically acquires low-risk oil and gas reserves" that produce high returns independent of fluctuations in oil prices. According to Swensen, "from 1990 to 2005, Merit produced returns of 19.3% per annum."<sup>12</sup> As noted above, Merit now claims to have exceeded even its robust 1990-2005 returns, claiming 24.1% per year.

As of June 30, 2015, Yale University owned 100% of MEP IX LP, whose assets are managed by Merit Energy Company. The investment was worth \$53.8 million.<sup>13</sup>

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1 <https://www.meritenergy.com/About>

2 <https://www.meritenergy.com/Operations/Overview>

3 <https://www.meritenergy.com/Limited-Partners>

4 <https://www.meritenergy.com/About>

5 <https://www.meritenergy.com/Operations/Overview>

6 <https://carnegiescience.edu/about/mission>

7 Carnegie Institution for Science, 2009-2010 Yearbook, page 19. <https://carnegiescience.edu/sites/carnegiescience.edu/files/yearbooks/YB09-10FINComborv3-17-11.pdf>

8 <http://www.opensecrets.org/donor-lookup/results?name=William+gayden>

9 <http://www.politifact.com/truth-o-meter/statements/2016/jun/03/hillary-clinton/yes-donald-trump-did-call-climate-change-chinese-h/>

10 <https://www.donaldjtrump.com/press-releases/an-america-first-energy-plan>

11 <https://www.marchforscience.com/mission/>

12 David Swensen, *Pioneering Portfolio Management: An Unconventional Approach to Institutional Investing*, Simon and Schuster, 2009, pages

13 Yale University, IRS form 990, Schedule R. Fiscal Year Ending 6/30/2015.

