

PRIVATE EQUITY STAKEHOLDER PROJECT

February 2, 2022

Members of the House Committee on Revenue,

The Oregon Investment Council (OIC) has a long history of private equity fossil fuel investments – particularly with private equity asset managers such as Apollo Global Management, Blackstone Group, KKR & Co., Oaktree Capital, TPG Capital, and Warburg Pincus.ⁱ Private equity-backed fossil fuel assets are – by definition – private and exempted from most public disclosure rules. This means investors, such as the OIC, and the public do not have a full accounting of private equity’s fossil fuel holdings, let alone their environmental and community impacts.

In 2021, Private Equity Stakeholder Project (PESP) analyzed the energy holdings of ten large private equity buyout firms, including several that the OIC has long-standing relationships with. We found that these private equity firms, together, held 80 percent of their energy holdings in fossil fuel companies across the energy sector, including hundreds of companies engaged in exploration and production, pipelines and storage and export facilities.ⁱⁱ

For instance, the OIC is directly exposed to problematic fossil fuel investments through its \$400 million 2013 investment with Apollo Investment Fund VIII and its acquisition of Caelus Energy.ⁱⁱⁱ Two years after Apollo invested in Caelus Energy, the company announced that it discovered and had plans to develop a massive offshore oil field in Alaska’s Smith Bay.^{iv} The Center for Biological Diversity argued that drilling for oil in the area would push polar bears closer to extinction and further lock in the worst climate change scenarios predicted by scientists.^v But Caelus management called the oil discovery the largest in state history, estimating more than 2 billion recoverable barrels of oil. If estimates are accurate, the oilfield could produce more than 653 million tons of carbon dioxide equivalent when burned, which is equivalent to the annual emissions of nearly 200 coal-fired power plants.^{vi} Caelus reiterated its commitment to the Smith Bay discovery in 2019.^{vii}

PESP also found that although some private equity firms or their portfolio companies in the oil and gas industry have made statements or claim to have adopted internal policies around emissions reductions, the lack of clear regulatory requirements and public disclosure leads to subjective, sometimes misleading rhetoric and flimsy internal policies.^{viii} The opacity of the private equity industry and its substantial investments across the fossil fuel value chain confirms that the Treasury Transparency Bill (HB4115) will play an essential role in enabling the public to gain a more accurate accounting of all assets under management and the climate-related investment risk the Oregon Treasury faces. Although private equity firms may share some information on their holdings to investors like the OIC, the public has no visibility into these companies’ environmental impacts and risks.

Moreover, as publicly-traded oil companies such as Chevron, Shell, and ExxonMobil face growing pressure from shareholders^{ix} and courts^x to cut emissions, many are seeking to demonstrate progress by selling fossil fuel assets. However, private equity firms have repeatedly stepped up as buyers of those assets, negating progress on climate impacts,^{xi} and helping shift polluting assets subject to greater public scrutiny to a private arena that faces comparably less oversight.

As public institutional investors, such as the OIC, continue to play a significant role in propelling private equity’s fossil fuel expansion, there is growing need for stronger safeguards for the entire investment portfolio. We think that the Treasury Transparency Bill (HB4115) is a much need step in that direction.

Thank you.

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- ⁱ Oregon Investment Council, “Private Equity Portfolio,” June 30, 2021, <https://www.oregon.gov/treasury/invested-for-oregon/Documents/Invested-for-OR-Performance-and-Holdings/2021/OPERF-Private-Equity-Portfolio-Quarter-2-2021.pdf>
- ⁱⁱ Private Equity Stakeholder Project, “Private Equity Propels the Climate Crisis,” October 2021, https://pestakeholder.org/wp-content/uploads/2021/10/PESP_SpecialReport_ClimateCrisis_Oct2021_Final.pdf
- ⁱⁱⁱ Oregon Investment Council, “Private Equity Portfolio,” June 30, 2021, <https://www.oregon.gov/treasury/invested-for-oregon/Documents/Invested-for-OR-Performance-and-Holdings/2021/OPERF-Private-Equity-Portfolio-Quarter-2-2021.pdf>; Pitchbook, “Apollo Investment Fund VIII – Fund Investments”, Accessed January 10, 2022, <https://my.pitchbook.com/?f=13542-67F>; Apollo Global Management, “Q1 2014 Earnings Call – Edited Transcript,” May 8, 2014, <https://www.apollo.com/~media/Files/A/Apollo-V3/documents/events/2014/apo-transcript-2014-05-08t15-00.pdf>
- ^{iv} Apollo Global Management, “Caelus Energy Alaska and Apollo Global Management Announce Partnership and Acquisition of Pioneer Alaska,” Apollo Global Management Press Release, April 15, 2014, <https://www.apollo.com/media/press-releases/2014/04-15-2014-131259206>; Miyoko Sakashita, “Alaska Offshore Oil Discovery Could Further Imperil Polar Bears, Lock in Disastrous Climate Change Scenarios,” Center for Biological Diversity, October 6, 2016, https://www.biologicaldiversity.org/news/press_releases/2016/offshore-drilling-10-06-2016.html
- ^v Miyoko Sakashita, “Alaska Offshore Oil Discovery Could Further Imperil Polar Bears, Lock in Disastrous Climate Change Scenarios,” Center for Biological Diversity, October 6, 2016, https://www.biologicaldiversity.org/news/press_releases/2016/offshore-drilling-10-06-2016.html
- ^{vi} Miyoko Sakashita, “Alaska Offshore Oil Discovery Could Further Imperil Polar Bears, Lock in Disastrous Climate Change Scenarios,” Center for Biological Diversity, October 6, 2016, https://www.biologicaldiversity.org/news/press_releases/2016/offshore-drilling-10-06-2016.html
- ^{vii} Tim Bradner, “Caelus Energy exits Alaska as North Slope oil operator but other companies expand their stake,” *Mat-Su Valley Frontiersman*, July 31, 2019, https://www.frontiersman.com/news/caelus-energy-exits-alaska-as-north-slope-oil-operator-but-other-companies-expand-their-stake/article_6ff7d5c4-b41d-11e9-9549-07634069b635.html
- ^{viii} Private Equity Stakeholder Project, “Private Equity Propels the Climate Crisis,” October 2021, https://pestakeholder.org/wp-content/uploads/2021/10/PESP_SpecialReport_ClimateCrisis_Oct2021_Final.pdf
- ^{ix} Jennifer Hiller and Svea Herbst-Bayliss, “Exxon loses board seats to activist hedge fund in landmark climate vote,” *Reuters*, May 26, 2021.
- ^x Jeff Brady, “In A Landmark Case, A Dutch Court Orders Shell To Cut Its Carbon Emissions Faster,” *NPR*, May 26, 2021. <https://www.npr.org/2021/05/26/1000475878/in-landmark-case-dutch-court-orders-shell-to-cut-its-carbon-emissions-faster>
- ^{xi} Catherine Boudreau, “When companies go green, the planet doesn’t always win,” *POLITICO*, March 30, 2021, <https://www.politico.com/news/2021/03/30/companies-green-planet-doesnt-always-win-478460>