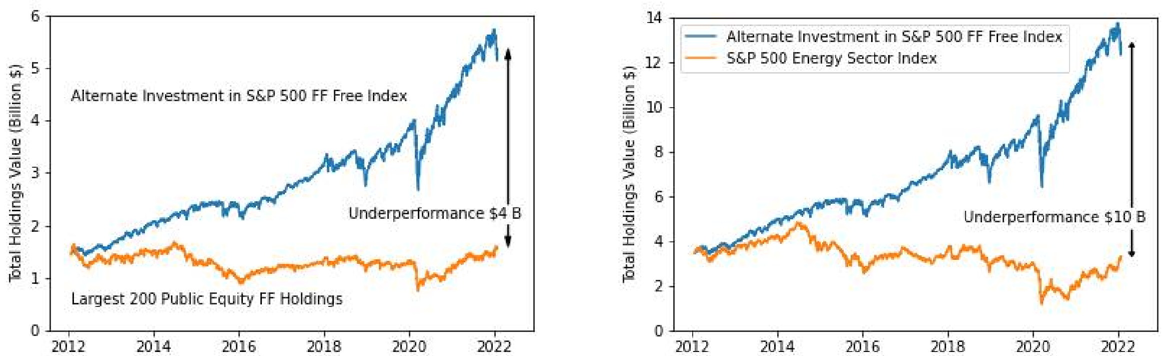
To the members of the House Committee on Emergency Management, General Government and Veterans.

Thank you for the opportunity to comment on HB 2601. My name is Ben Scandella, and I am a volunteer with Divest Oregon. I have been a member of PERS and SEIU for over 5 years. My expertise is in data analysis, honed while earning a PhD from MIT and working as the Groundwater Data Chief for the Oregon Water Resources Department. It was my privilege to contribute those skills to last April's Risky Business report by analyzing the historic underperformance of the Treasury's investments in fossil fuels. That work has convinced me to support HB 2601 because it protects my retirement from unnecessary risk and aligns our state's investments with our climate goals.

My analysis found that the Treasury's fossil fuel investments likely cost Oregonians an order of $4 billion to $10 billion, compared with investing in a fossil fuel free index fund over the preceding decade (see graphs below). If $4 billion to $10 billion was the cost of holding fossil fuel investments, why has the Treasury taken so long to let them go?



$4 billion to $10 billion is the range of values estimated by two different methods used in an effort to reflect the uncertainty in estimating the underperformance by fossil fuel investments. A lower estimation method considered a limited set of 200 *specific* fossil fuel public equities, while an upper estimation method included a broader set of three *categories* of fossil fuel related investments. The wide range between $4 billion and $10 billion reflects the exclusivity and inclusivity of the two methods, and the uncertainty introduced by the incomplete reporting by the Treasury. The magnitude of the historic underperformance would probably be lower if the same analysis was re re-run with more current data, and such work would be easier if the Treasury would publish their holdings in a spreadsheet document instead of a pdf table. I suspect that the underperformance would still be in the billions of dollars, and such a large opportunity cost reinforces the urgency of beginning to divest from these equities now.

Since the release of our Risky Business report, the Treasury released its own commissioned reports that reinforce the importance of divesting from fossil fuel equities. The detailed modeling study from February 2022 found that replacing the approximately $1 billion of the public equity portfolio that is invested in fossil fuel equities with a fund aligned with the Paris accords is expected to improve the performance of the portfolio, as long as the world transitions eventually to low-carbon energy sources. The magnitude of the relative annual performance increase was between 0.33% and 0.47% over a 10-year period, which corresponds to between $900 million and $1.2 billion. So, the Treasury has known for over a year that the likely opportunity cost of continuing to hold their public fossil fuel equities is about another billion dollars over the next decade.

How many more billions of dollars will the Treasury insist on costing Oregonians by continuing to hold these equities that have lost us money in the past, appear to be losing bets in the future, and certainly don't align with the goal of reducing carbon emissions?

The fact that the Treasury held this report confidential for nearly a year demonstrates the importance of imposing stricter transparency rules on OST.

Thank you for your support of HB 2601 as an important step towards respecting our financial and planetary future.

Sincerely,

Ben Scandella, PhD
Portland, Oregon