

February 16, 2023

House Committee on Emergency Management, General Government, and Veterans:

Thank you for the opportunity to provide written public testimony on HB 2601, the Treasury Investment and Climate Protection Act. I am writing in strong support of HB 2601 and urge the Oregon legislature to enact this essential public policy.

A key reason I chose Oregon as my post-retirement home was that state government had shown remarkably prescient leadership in recognizing and adopting meaningful public policies to address conservation and environmental problems – ranging from the bottle bill to land use planning. As a retired public employee from another state I was, however, deeply disturbed to learn of the many problems faced by Oregon’s PERS system.

While HB 2601 does not address the structural underfunding of the state’s retirement system, it will provide a critical roadblock to further deterioration by ensuring that the state Treasury reduces exposure to declining investment returns and stranded assets. As just one example of the poor fiduciary implications of investing public monies in the fossil fuel sector: Over the past ten years the S&P 500 fossil energy sector index has underperformed the market as a whole, as well as underperforming the S&P 500 fossil-free index.

Looking forward, investments in fossil fuels are likely to fare even worse. As a study by researchers at the MIT Joint Program on the Science and Policy of Global Change indicates, under any scenario (from strong global action to no global action), current trends away from fossil fuel use will mean that a significant portion of already-discovered fossil fuels will never be tapped. This is good news for the environment, but according to the researchers it means that trillions of dollars in fossil fuel “assets” will never go to market. Investing in predictably stranded assets is a much too-risky investment for public funds. As former New York State comptroller Tom Sanzillo recognizes: “Divestment is a defensive tool employed to protect investors from the loss of value—losses as certain as climate change’s global reach.”

Unfortunately, it seems that the Oregon Treasurer is unwilling to responsibly divest state funds from fossil fuels transparently and without specific legislative direction, as evidenced by his October 25, 2021 letter to then-legislative leaders. In that missive Treasurer Read identified three statutory changes needed before he will act on what is becoming increasingly clear – continued investment of public funds into the fossil fuel sector is a danger to both the Treasury’s fiduciary responsibilities and the climate in which we all live. I applaud the authors of HB 2601 for crafting this legislation to directly address the state Treasurer’s list of changes. HB 2601

- Directive to Divest from fossil fuels: includes a clear directive that the state Treasurer must divest public funds from fossil fuels; and provides clear guidelines for how determine which companies are disallowed such that the Treasury does not need any additional funding to implement this policy.
- Timeline: provides a reasonable timeline - immediately ending new investments and ramping down current investments in fossil fuels in alignment with the state’s climate reduction goals, passed by the legislature in 2021

- Statutory protection: by directing when and how to divest from fossil fuels, this legislation makes it clear that the state Treasurer's investment divestment decisions will be fulfilling statutory requirements (not divesting from fossil fuels will become a violation of statutory directive)

It is quite disturbing that after telling legislative leaders what is required to move toward divestment in fossil fuels, that state Treasurer Read has proposed an "alternative" to HB 2601 that would necessarily delay and perhaps completely obviate any move toward divestment of public funds in fossil fuels. The essence of Treasurer Read's alternative is to push the issue off into a longish "study" of issues that need no further study, with no path toward any kind of action. This makes legislative enactment of HB2601 with its clear financially- and environmentally-responsible divestment directives, and requirement that the state Treasurer be transparent and reduce investing public dollars through private funds all the more necessary.

HB 2601 will ensure that the state's retirement fund is not further degraded by bad investments and stranded assets in climate destroying fossil fuels.

VOTE YES on HB 2601.

Thank you –
Nikki Mandell
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