Legislative Fiscal Office
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Prepared by: Haylee Morse-Miller
Reviewed by: Walt Campbell, John Borden
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Bill Title: Relating to the removal of thermal coal from the State Treasury investment portfolio.

Government Unit(s) Affected: State Treasurer, Public Employees Retirement System

Summary of Fiscal Impact

Costs related to the measure are anticipated to be minimal for the State Treasurer, and there is no fiscal impact for the Public Employees Retirement System - see explanatory analysis.

Measure Description

This measure directs the Oregon Investment Council and the Oregon State Treasurer (OST) to attempt to ensure that moneys in the Oregon Public Employees Retirement Fund (OPERF) are not invested in thermal coal companies or any fund that includes these companies. Divestment is to be accomplished without monetary loss to the funds, with investments in companies generating returns that are comparable to the returns generated by companies subject to divestment. The Council and OST are to make reasonable efforts to investigate all companies in which OST has invested or may invest OPERF moneys, to determine if these companies are thermal coal companies. OST may retain an investment in a thermal coal company if the company demonstrates it is transitioning to clean energy on a reasonable timeline, as determined by the Council by rule; OST is to monitor these types of companies to ensure they are on track to meet emissions reduction targets.

Fiscal Analysis

This measure is anticipated to have minimal fiscal impact for OST. OST has been on a path to better understand climate risks and opportunities as they relate to managing their investment portfolio since 2015 when the agency set a goal of doubling renewable energy holdings by 2020. In 2021, with the help of outside consultants, OST underwent a comprehensive study of portfolio using propriety models for climate analysis. In February 2024, OST released A Pathway to Net Zero Plan which includes multiple recommendations, one of which is a timeline to review the transition readiness of carbon intensive investments, prioritizing such industries as tar sands and thermal coal. To perform this work, OST has reprioritized existing staff and used external consultants, which is paid for with Other Funds derived from investment management fees.

The work required in Section 1 of HB 4083 has been completed by OST as a part of the Net Zero plan. Section 5 of the measure states that Section 3 (2) to (5) and Section 4 apply only if the Legislative Assembly appropriates sufficient moneys to OST for administration of these sections; other than moneys in OPERF or funds derived under ORS 293.718. OPERF moneys may not be used to pay these administrative costs. Section 3 (2) to (5) and Section 4 relate to withdrawal of moneys from OPERF investments in thermal coal companies, research on such companies, and reporting to the Legislature. OST's current work on the Net Zero plan does make use of investment management fee funds. The current Net Zero plan includes reporting that would meet the requirements of Section 4 and includes specific engagement activities that cover Section 3 (2) to (5). If there are changes to the Net Zero plan, OST anticipates that existing staff including those currently focused on corporate engagement could cover the work required by HB 4083. However, should additional costs related to divestment from thermal coal under these sections are identified, OST would need to request General Fund from the Legislature for these costs.

This measure is anticipated to have no fiscal impact for the Public Employees Retirement System as management of investments is overseen by OST.

Relevant Dates
The measure takes effect on January 1, 2025.

OST is to report to the Legislative Assembly on actions taken in relation to this act by January 15 of each year, until no Public Employees Retirement Fund moneys are invested in thermal coal companies.