

March 19, 2025

Senate Committee on Finance and Revenue
Oregon State Legislature
900 Court St. NE, HR A
Salem, OR 97301

SB 681 Testimony – Private Equity Stakeholder Project

Dear Chair Meek, Vice-Chair McClane, and Members of the Committee,

The Private Equity Stakeholder Project (PESP) is a non-profit financial watchdog organization that seeks to bring transparency and accountability to the private equity industry for the benefit of impacted communities and investors.

We appreciate this opportunity to testify in support of SB 681. This legislation presents an important opportunity to incorporate sustainability into Oregon’s private markets investments, including as part of the Oregon Investment Council’s fiduciary duty to mitigate risks while pursuing returns for beneficiaries.

The climate crisis is accelerating and projections of economic damages are skyrocketing – yet capital markets are still lagging on an energy transition. Since 2021, the US alone experienced climate-related weather disasters costing over \$460 billion that caused over 1,800 deaths.¹ Climate change damages are projected to cost \$38 trillion a year by 2049, cutting nearly 20% of global income.²

The Oregon Public Employees Retirement System (OPERF) is a major investor in private markets, with \$35 billion of the pension system’s \$95 billion total fund invested in Private Equity and Real

¹ National Oceanic Atmospheric Administration, annual data from 2021-2023 and 2024 YTD January - Sept 10. <https://www.ncei.noaa.gov/access/billions/>.

² AP, “New study calculates climate changes’ economic bite will hit about \$38 trillion a year by 2049,” April 17, 2024, <https://apnews.com/article/climate-change-damage-economy-income-costly-3e21addee3fe328f38b771645e237ff9>.

Assets.³ As private markets have grown to nearly \$15 trillion, private equity, private infrastructure, and real assets firms have sunk tens of billions of dollars into energy – with the significant majority in fossil fuel assets.

Research by the Private Equity Climate Risks consortium reveals alarming new details about the extent of private equity investment and the environmental impacts. The October 2024 Private Equity Climate Risks Scorecard report revealed that just 21 private equity and private infrastructure firms are responsible for over 1.17 gigatons of annual emissions.⁴ This research provides valuable insights for institutional investors with private equity, private infrastructure or real assets allocations, and should be integrated into climate risk assessments, due diligence protocols, and sustainability policies.

OPERF’s portfolio has substantial exposure to carbon intensive assets, including investments with 11 of the private equity firms in the Climate Risks scorecard. The Oregon Treasury’s Pathway to Net Zero report analyzed the Fund’s emissions⁵, and found that private markets asset classes like Real Assets and Private Equity contribute disproportionately to OPERF’s overall emissions footprint. At the time of the study, Private Equity and Real Assets comprised 38 percent of the portfolio, but contributed over 45 percent of the emissions.⁶

The shift of substantial capital into private markets has meant a growing segment of the economy is “going dark” without the safeguards of disclosure or regulation. The lack of transparency in private equity impedes climate progress, with private companies lagging far behind in reporting emissions and climate commitments.⁷

It is therefore crucial that state pension systems implement policies that transition away from carbon-emitting investments in their portfolios including those facilitated by private fund managers.

³ As of Dec. 31, 2024 per the March 5, 2025 OPERF 2024 Review

<https://www.oregon.gov/treasury/invested-for-oregon/Documents/Invested-for-OR-470IC-Agenda-and-Minutes/2025/3-05-2025-Public-Book.pdf>

⁴ www.PEClimateRisks.org

⁵ Oregon Treasury, Pathway to Net Zero, February 2024

<https://www.oregon.gov/treasury/Documents/Site-Documentation/Landing-Page-Documents/Sustainable-Investing/OST-Net-Zero-Plan.pdf>

⁶ Oregon Treasury, Pathway to Net Zero, February 2024. The outsize footprint of Private Equity and Real Assets was true both when measured by emissions intensity and when measured by absolute emissions as of 12/31/23; see pages 16 (asset allocation) & 33 (baseline emissions)

<https://www.oregon.gov/treasury/Documents/Site-Documentation/Landing-Page-Documents/Sustainable-Investing/OST-Net-Zero-Plan.pdf>

⁷ *Climate Standards for Private Markets*, p. 2, Private Equity Stakeholder Project, Dec. 2024, pestakeholder.org/wp-content/uploads/2024/11/PESP_ClimateStandards_2024.pdf.

The logo for the Private Equity Stakeholder Project. It consists of three stacked blue rectangular boxes with white text. The top box contains the words "PRIVATE EQUITY", the middle box contains "STAKEHOLDER", and the bottom box contains "PROJECT". To the left of these boxes is a vertical grey bar.

PRIVATE EQUITY
STAKEHOLDER
PROJECT

By passing SB 681, Oregon can lead the way in mitigating climate risks to its pension system.

Thank you,

A handwritten signature in black ink that reads "Nichole Heil".

Nichole Heil

Nichole Heil
Senior Research and Campaign Coordinator
Private Equity Stakeholder Project