Testimony to the Joint Oregon Senate and House Environment Committees

March 1, 2017

Kate Gordon, Founding Director, Risky Business Project

Good afternoon, Chair Dembrow, Chair Helm, and Committee members. Thank you very much for permitting me to testify today.

I am conscious of the fact that I am not a native Oregonian, especially because I truly believe that discussions about the impact of carbon pricing on a state's economy are profoundly local. However, I have spent the last fifteen years working at the intersection of clean energy and economic development, and the last four years working closely with businesses and investors both in and outside the clean energy arena, including here in Oregon. It is from that business and economic growth perspective that I appear here before you today.

I know that growing a successful business and growing a strong state economy have in common the need to capitalize on opportunities and realistically assess risks. Oregon's new proposed climate legislation for clean energy jobs offers the chance to do both: to better understand and prepare for climate risks, and to take on a leadership role in building a strong, sustainable low-carbon economy going forward.

As the founding director and a lead author of the Risky Business Project – a national initiative focused on quantifying the economic risks of climate change – I have worked with multiple companies and governments on how to best evaluate climate risk to their infrastructure and operations, and how to think clearly about the potential to make smarter and more sustainable investments going forward. That initiative is co-chaired by Mike Bloomberg, Hank Paulson, and Tom Steyer, and includes on its "Risk Committee" three former Secretaries of Treasury, two other former cabinet members, a former Senator, and four former CEOs of major multinational corporations. The group crosses political, geographic, and industry lines, and has been deeply engaged in the work to apply conventional business risk accounting to the issue of climate change. Our work looks at the US as a whole but also specific regions, and includes risk modeling down to the state, local, and even county level for key targeted industries including property, energy demand, and commodity agriculture.

I know from our modeling, combined with conversations with Oregon business leaders, that climate change poses clear risks to operations, facilities, supply chains, and markets in this state. These include the physical impacts of climate change—including ocean acidification's impact on the coastal economy, heat and smog reducing labor productivity, and increased risk of wildfires in forested areas, not to mention the much further-reaching impacts of sea level rise and extreme heat on Oregon businesses' supply chains outside the state.

But there is also a risk in inaction in the face of a changing policy and regulatory landscape on climate change. Right now, multiple jurisdictions including China, Canada, the European Union, and a number of U.S. states are actively putting plans in place, or updating existing plans, to price carbon and curb greenhouse gas emissions. Companies that I work with through the Risky

Business Project are paying attention to these policy changes, and starting to evaluate their investments and capital stock decisions accordingly. Investors, too, are beginning to evaluate companies partly based on their resilience in the face of physical climate risk, and their readiness for policies ranging from carbon pricing to renewable energy standards. Today, 71 of 79 industries in the U.S. economy are materially affected by climate risk, according to the Sustainability Accounting Standards Board—and these industries are paying attention.

These companies understand that where there is risk, there is also opportunity—particularly in investments in clean energy technology and smart, resilient infrastructure. When the private sector invests in clean energy and efficiency, deploys low-carbon technologies, and continues to innovate towards a clean energy future, the result is economic growth across industries and regions.

Oregon has already seen the positive impact of low-carbon investment. Building new sources of zero- and low-carbon energy; electrifying vehicles; and investing in making buildings, appliances, and manufacturing more energy efficient has saved Oregonians money and created thousands of jobs within the state. Since the first large wind farm was built, companies have invested more than $9.8 billion in renewable energy in Oregon, creating over 5,300 direct jobs and many thousands of jobs created indirectly.

But as the Risky Business Project Risk Committee noted in our most recent report, while businesses play a key role in reducing climate risk and helping to slow the march of climate change, " [T]he private sector, in turn, will take these actions at the necessary speed and scale *only* if they can do so on the back of a clear and consistent policy and regulatory framework that provides incentives for innovation and deployment of clean energy systems, and helps business adapt to those climate impacts that are inevitable due to past emissions."

Key to this policy framework is the need for a clear price on carbon to better internalize the true costs of carbon pollution, and to level the playing field for low-carbon technologies. Setting a carbon price encourages companies across sectors and industries to invest in cost-saving efficiency and local, clean power. These actions trim business costs and reduce vulnerability to energy price volatility as well as to larger climate risks, making these companies more competitive in the national and global marketplace.

How each state or jurisdiction decides to design and implement carbon pricing policy is a matter of local discussion and debate. My own personal bias is for a policy that provides for some public investment into areas where the government has traditionally played a supporting role to the market: for instance, into early-stage research and development on the critical low-carbon technologies of the future; into easing the transition to a carbon-regulated world for low-income communities, high-carbon but still important industries; or into training the workforce we will need to fill the high-quality, family-supporting jobs created by clean energy investments.

What I do know is that this is not a decision for another day. Right now, in board rooms and legislative offices across Oregon, decisions are being made about investments and business strategies that will affect not just the severity of climate impacts to the state, but also the overall security of the economy here and around the world. Companies are investing right now in physical infrastructure that will last decades. As the state government, you can take the long view and put a stable carbon price in place that allows these companies to make lower-risk, smarter investments into low-carbon technologies, facilities, and energy sources.

Now is the time to act by putting in place a strong, clear, and consistent climate policy framework that will allow Oregon to avoid some of the most extreme risks from climate change, but also to reap the rewards of leading the way toward more innovative, robust, and sustainable economic growth.

Thank you so much for your time today. I look forward to your questions.