

House Bill 2601

Sponsored by Representative PHAM K, Senator GOLDEN, Representative GAMBA; Representative DEXTER, Senators CAMPOS, DEMBROW, JAMA (Presession filed.)

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**.

Requires State Treasurer to exit from certain carbon-intensive investments, subject to fiduciary duties.

Requires State Treasurer to develop plan to protect state investments from risks related to climate change.

Requires State Treasurer to issue periodic reports on actual and planned progress towards completion of duties imposed under Act.

A BILL FOR AN ACT

1
2 Relating to investment funds.

3 Whereas the October 2021 Climate Scan Report commissioned by the State Treasurer showed
4 that the state's investments are at significant risk under current investment strategies; and

5 Whereas the State Treasurer is already prudently investing the Public University Fund under
6 a restriction against companies listed on the Carbon Underground 200 list; now, therefore,

7 **Be It Enacted by the People of the State of Oregon:**

8 **SECTION 1. Sections 2 to 8 of this 2023 Act are added to and made a part of ORS chapter**
9 **293.**

10 **SECTION 2. Sections 2 to 8 of this 2023 Act may be cited as the Treasury Investment and**
11 **Climate Protection Act of 2023.**

12 **SECTION 3. As used in sections 2 to 8 of this 2023 Act:**

13 (1) "Carbon-intensive investment" means an investment in an entity that is:

14 (a) Listed on the Carbon Underground 200 list, the Urgewald Global Coal Exit List, or the
15 Urgewald Global Oil and Gas Exit List; or

16 (b) A coal producer, an oil and gas producer or a provider of equipment, services, trans-
17 portation or storage related to oil and gas.

18 (2) "Carbon Underground 200 list" means the list of carbon reserve holders identified by
19 FFI Solutions.

20 (3) "Climate solutions" means entities that derive a majority of their revenue from cli-
21 mate mitigation, adaptation and resilience activities, including renewable energy, energy ef-
22 ficiency, nature-based solutions, including mitigation in the forest sector, and
23 climate-responsive social protection, pollution prevention and low-carbon buildings.

24 (4) "Coal producer" means an entity that derives at least 10 percent of annual revenue
25 from thermal coal production, that accounts for more than one percent of global production
26 of thermal coal or whose reported coal reserves contain more than 0.3 gigatons of potential
27 carbon dioxide emissions, or a parent or subsidiary of such an entity.

28 (5) "Investment funds" has the meaning given that term in ORS 293.701.

NOTE: Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted.
New sections are in **boldfaced** type.

1 (6) “Oil and gas producer” means any entity that derives at least 20 percent of annual
 2 revenue from oil or gas production, that accounts for more than one percent of global oil
 3 or gas production or whose reported combined oil and gas reserves contain more than 0.1
 4 gigatons of potential carbon dioxide emissions.

5 (7) “Oil or gas production” means exploration, extraction, drilling, production, refining,
 6 processing or distribution activities related to oil or gas.

7 (8) “Thermal coal production” means mining, transport, processing or exploration activ-
 8 ities related to thermal coal.

9 (9) “Urgewald Global Coal Exit List” means the list of coal industry participants identi-
 10 fied by the Urgewald organization.

11 (10) “Urgewald Global Oil and Gas Exit List” means the list of oil and gas industry par-
 12 ticipants identified by the Urgewald organization.

13 **SECTION 4.** (1) The duties imposed on the Oregon Investment Council and the State
 14 Treasurer by sections 2 to 8 of this 2023 Act are subject to the provisions of this section.

15 (2) The council and the State Treasurer shall carry out the duties imposed by sections 2
 16 to 8 of this 2023 Act without incurring material contractual penalty and in a reasonable and
 17 prudent manner by investment in acceptable institutions at comparable or better rates and
 18 returns in light of the risk and investment horizon appropriate for each investment fund.

19 (3) Nothing in sections 2 to 8 of this 2023 Act is intended to abrogate the fiduciary re-
 20 sponsibilities of the council and State Treasurer as described in ORS 293.721 and 293.726.

21 **SECTION 5.** (1) The State Treasurer shall ensure that no carbon-intensive investments
 22 are acquired for any investment fund.

23 (2) The State Treasurer may not execute or renew contracts that will result in, or are
 24 reasonably likely to result in, the acquisition of carbon-intensive investments for any in-
 25 vestment fund.

26 **SECTION 6.** (1) The State Treasurer, as soon as practicable and no later than six months
 27 from the effective date of this 2023 Act, shall exit from any publicly traded investment held
 28 in an investment fund in an entity listed on the Carbon Underground 200 list.

29 (2) The State Treasurer, as soon as practicable and no later than two years from the
 30 effective date of this 2023 Act, shall exit from any publicly traded investment held in an in-
 31 vestment fund in an entity listed on the Urgewald Global Coal Exit List or the Urgewald
 32 Global Oil and Gas Exit List.

33 (3) The State Treasurer, as soon as practicable and no later than January 1, 2035, shall
 34 exit from any carbon-intensive investment, whether or not publicly traded, held in an in-
 35 vestment fund. In carrying out their duties under this subsection, the State Treasurer shall
 36 prioritize exits from investments related to thermal coal, tar sands and natural gas derived
 37 from fracking.

38 **SECTION 7.** (1) No later than one year from the effective date of this 2023 Act, the State
 39 Treasurer, with the approval of the Oregon Investment Council, shall develop a plan to pro-
 40 tect investments held in investment funds from transitional and physical climate risks, in-
 41 cluding sea level rise, wildfires, flooding, drought, increased greenhouse gas emissions and
 42 energy transition impacts. In developing the plan, the State Treasurer shall consult with the
 43 council and shall solicit and consider public testimony given at public hearings.

44 (2) The plan must specifically identify:

45 (a) The impact of climate risks on every type of state investment;

1 (b) Specific steps to be taken to protect state investments from climate risk and to invest
2 in climate solutions and other opportunities arising from climate change; and

3 (c) An environmental justice framework that reduces climate impacts on frontline com-
4 munities throughout this state, including rural communities and communities of color, de-
5 veloped in consultation with the Environmental Justice Council in accordance with Senate
6 Concurrent Resolution 17 (2021).

7 (3) After the plan is completed, the State Treasurer shall report on the plan to the Leg-
8 islative Assembly in the manner provided by ORS 192.245 and make the plan publicly avail-
9 able.

10 (4) The State Treasurer shall update the plan annually and shall continually solicit and
11 consider public testimony given at public hearings regarding the plan.

12 (5) Public hearings and testimony related to the plan must be accessible to the public
13 both in person and remotely.

14 (6) The council shall develop and implement goals relating to increasing state invest-
15 ments in climate solutions.

16 **SECTION 8.** (1) On or before March 31, June 30, September 30 and December 31 of each
17 year, the State Treasurer shall publish a report on actual and planned progress toward
18 completion of the duties imposed by sections 2 to 8 of this 2023 Act.

19 (2) The Oregon Investment Council shall review each quarterly report at a public meeting
20 that is accessible to the public both in person and remotely.

21 (3) If a report required under subsection (1) of this section is not timely published, the
22 Secretary of State shall conduct audits as necessary to determine the information required
23 in the missed report and the reason for the missed deadline. The Secretary of State shall
24 make the results of such audits available to the public.

25 (4) The State Treasurer shall submit an annual report to the Legislative Assembly in the
26 manner provided by ORS 192.245 that compiles and summarizes the information in the last
27 four quarterly reports.

28 (5) The reports required under this section must include, at a minimum:

29 (a) A detailed description of all completed or planned exits from carbon-intensive invest-
30 ments, including reasoning and evidence supporting completed or planned actions;

31 (b) A detailed description of completed or planned investment exit reviews;

32 (c) A detailed description of how investment exits are planned to meet the deadlines es-
33 tablished by sections 2 to 8 of this 2023 Act;

34 (d) For all publicly traded or fixed investments held in investment funds:

35 (A) The name and subject of the investment and the identity of any managing investor;

36 (B) Acquisition dates; and

37 (C) One-, three-, five- and ten-year average returns; and

38 (e) For all private investments in which the State of Oregon is a limited partner or oth-
39 erwise, the following information, aggregated so as not to identify investments by firm or
40 fund:

41 (A) The name and subject of the investment;

42 (B) The vintage year;

43 (C) The actual or anticipated exit date;

44 (D) The cash commitment for each investment or fund;

45 (E) Cash called, by date and amount;

- 1 **(F) Cash distributed, by date and amount;**
 - 2 **(G) Annualized return since inception on cash called and cash distributed;**
 - 3 **(H) Fair value of residual (total and allocable to the State Treasurer's proportion), re-**
 - 4 **ported as annualized 10-year rolling average;**
 - 5 **(I) Annual fair value calculations provided to the State Treasurer by the general partner;**
 - 6 **(J) Comparison between residual fair value history and actual exit price, if applicable;**
 - 7 **(K) Redacted due diligence materials that are sufficient to enable the Legislative As-**
 - 8 **sembly and the public to understand the actual quality of due diligence performed by the**
 - 9 **council or the State Treasurer on the suitability of each investment; and**
 - 10 **(L) Investment contracts.**
 - 11 **(6) The council and the State Treasurer shall make publicly available, as they presently**
 - 12 **exist or are created or updated, their policies and procedures relating to governance, in-**
 - 13 **vestment and due diligence.**
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