To the members of the House Committee on Emergency Management, General Government and Veterans

My name is Nancy Yuill and I am volunteer with Divest Oregon. I have reviewed the reports The Oregon State Treasury commissioned ORTEC finance to conduct, the first titled Climate Risk Assessment and the second titled Climate Risk scenario modeling. The reports clearly, and disturbingly, detail the significant financial risk faced by OPERF because of the investments in fossil fuels.

OST has had these two reports for over a year, so clearly they know that their investment portfolio faces significant financial risk due to climate change, yet they continue business as usual and continue to invest in the fossil fuel industry.

The bottom line of the two reports is that we must act fast to avoid massive loss in value in OPERF.

I will share with you three key findings and pose two questions for you to consider:
First, the modeling done by Ortec Finance analyzes what happens to the OPERF public equity funds that are invested in fossil fuels if the money remains in fossil fuels versus if it is reinvested in fossil free investments. In the most likely scenario, the loss in returns of staying in fossil fuels over a five-year period is 14.5%. Over the 10 year horizon, in the most likely scenario, the loss of not getting out of fossil fuels is 10% of the return on the public equity funds in fossil fuels. So basically, fossil fuel equities are losers in the next five and ten years. Why not get out of them now?

The second finding I want to share with you is about pace:
An interesting analysis Ortec did in the scenario report demonstrates the importance of moving fast. They ran scenarios for two hypothetical utilities, those that move gradually to low-carbon energy versus those that move quickly, their analysis shows that the market rewards those who move quickly and the company's valuation has minimal downside, whereas for the slow transition company, the market reflects the slow move to transition with significant loss of value for over forty years. Thus, another reason to move rapidly to get out of fossil fuel investments and into the fossil free energy sector.

Third, Ortec looked at the climate risk in the private equity and real estate holdings of OPERF, based on the industry sectors they invest in. They reported that even in the best climate transition scenario over 75% of the private equity faces concerning transition risk, meaning, exposure to loss of value. And, as we all know about private equity, it is an illiquid asset, so exiting takes time. For real estate, ORTEC found that 60% of holdings facing physical risk and 75% facing transition risk, the portfolio stands to lose value if OST does nothing. And, real estate faces the same illiquidity problem that private equity faces. ORTEC emphasizes the need to factor climate risk into the deal due diligence – I agree, and this amplifies the need for no new deals with fossil fuel investments in them.

And I will close with two questions to you.

Divest Oregon has researched the public pension funds that are peers to OPERF. The Boston College Center for Retirement Research compiles data on these funds each year. Divest Oregon used the data from the Center to rank OPERF and its peers based on returns over the past 5 years and the past 10 years. Oregon PERS ranks at the bottom of its 15 peers for returns for the past 5-year and 10-year period. Why would Treasurer Read sit in front of your committee and tell you they are ranked at the top of their peers, and why would he not tell you the names of his peers and cite his sources? Facts matter.

And secondly, if the very consultant OST hired to run climate risk scenarios point out to them that they stand to experience significant loss in returns over the next 5- and 10-year period because of their investments in the fossil fuel industry, why would OST not support a comprehensive plan to move out of fossil fuels? As committee members, you have to ask yourselves, why is OST fighting HB 2601? It does not add up.