

Statement for the Record

February 16, 2023 Hearing of the Committee on Emergency Management, General Government, and Veterans.

Good afternoon Chairwoman Grayber, Vice-Chairs Lewis and Tran, and Members of the Committee. Thank you for the opportunity to speak regarding House Bill 2601 – the Treasury Investment and Climate Protection Act. My name is Riddhi Mehta-Neugebauer, and I am with the Private Equity Stakeholder Project, a nonprofit watchdog organization focused on the private equity industry.

Private equity firms invested over \$1 trillion in the energy sector since 2010.ⁱ The lion's share of these investments have been in oil, gas, and coal – and in many cases, polluting assets that public companies have exited. Private equity's inherent lack of transparency obscures the risk these investments pose to investors, such as the Oregon Treasury, legislators, beneficiaries, and the public more broadly.ⁱⁱ

This is why your support of HB2601 is so important. The largest share of the Treasury's portfolio, nearly 27%, is invested in private equity – representing over \$24 billion.ⁱⁱⁱ Yet, as governments seek to decrease greenhouse gas emissions and transition to a clean energy economy, the Treasury continues to increase its exposure to illiquid private equity-backed fossil fuels, with at least \$400 million invested in new oil and gas assets, as announced just last month.^{iv} These are long-term investments that contradict the International Energy Agency's 2021 call for an immediate end to new investments in oil, gas, and coal, if we are to meet our 2050 net-zero goals.^v

Moreover, the Treasury has a history of investing with private equity buyout firms, such as NGP, Brookfield, Oaktree Capital, and KKR that have harmful records of investing in polluting assets and inadequately executing climate transition plans,^{vi} thereby subjecting Oregon's retirees to increased risks for negative valuations and financial losses as we work towards a more climate-friendly energy future.^{vii}

HB2601 helps reduce these fiduciary risks for the Treasury and encourages greater accountability for private equity actors that are failing to adequately address financial and climate transition risks. I encourage this Committee to support HB2601. Thank you.

ⁱ Alyssa Giachino and Riddhi Mehta-Neugebauer, “Private Equity Propels The Climate Crisis” (Private Equity Stakeholder Project, October 2021), https://pestakeholder.org/wp-content/uploads/2021/10/PESP_SpecialReport_ClimateCrisis_Oct2021_Final.pdf.

ⁱⁱ Dawn Lim and David Brooke, “The Boom in Private Markets Has Transformed Finance. Here’s How,” *Bloomberg*, June 14, 2022, <https://www.bloomberg.com/news/articles/2022-06-14/how-the-boom-in-private-markets-has-changed-finance-quicktake>.

ⁱⁱⁱ Oregon State Treasury, “Oregon Public Employees Retirement Fund” (Oregon State Treasury, December 31, 2022), <https://www.oregon.gov/treasury/invested-for-oregon/Documents/Invested-for-OR-Performance-and-Holdings/2022/2022Q4-OPERF-Fund-Fact-Sheet.pdf>.

^{iv} In January 2023, Oregon Investment Council (OIC) meeting, Rex Kim, the Chief Investment Officer of the Oregon Investment Council noted that the OIC had approved \$150 million to Encap Flatrock Midstream Fund V with a \$50 million sidecar, and \$200 million to Warwick Partners V (the total of these investments is \$400 million). See this source: Oregon Investment Council, *Oregon Investment Council January 2023 Meeting Recording*, 2023, Minute 2:00-3:45, <https://www.oregon.gov/treasury/invested-for-oregon/Documents/Invested-for-OR-47OIC-Agenda-and-Minutes/Audio/2023/OIC-20230125-Audio-only.mp3>; Warwick’s predecessor fund to Fund V - the one OIC invested in -- was clearly an oil and gas fund. See this source: Warwick Investment Group, “Warwick Investment Group Announces Final Close for Fourth Energy Fund,” March 11, 2021, <https://www.prnewswire.com/news-releases/warwick-investment-group-announces-final-close-for-fourth-energy-fund-301245951.html>; And Warwick’s founder and CEO has made multiple media appearances highlighting the value of investing in oil and gas. See this source: Warwick Investment Group, “Warwick Investment Group Media Appearances,” *Warwick Investment Group* (blog), February 13, 2023, <https://warwickinvestmentgroup.com/media/>; Encap Flatrock’s Fund V is clearly an oil and gas energy fund, see this source: Luis Garcia, “EnCap Flatrock Seeks \$3 Billion for Energy Infrastructure Fund,” *Wall Street Journal*, August 8, 2022, <https://www.wsj.com/articles/encap-flatrock-seeks-3-billion-for-energy-infrastructure-fund-11659952800>.

^v International Energy Agency, “Net Zero by 2050: A Roadmap for the Global Energy Sector,” International Energy Agency, May 2021, <https://www.iea.org/reports/net-zero-by-2050>.

^{vi} Americans for Financial Reform Education Fund and Private Equity Stakeholder Project, “Private Equity Climate Risks Scorecard,” September 2022, <http://bit.ly/PEClimateRisksReport>; Oregon State Treasury, “OPERS Private Equity Portfolio” (Oregon State Treasury, September 30, 2022), <https://www.oregon.gov/treasury/invested-for-oregon/Documents/Invested-for-OR-Performance-and-Holdings/2022/FOIA-Q3-2022-OPERF.pdf>; Oregon State Treasury, “OPERS Alternatives Portfolio” (Oregon State Treasury, September 30, 2022), <https://www.oregon.gov/treasury/invested-for-oregon/Documents/Invested-for-OR-Performance-and-Holdings/2022/OPERF-Alternatives-Portfolio-Quarter-3-2022.pdf>.

^{vii} Carbon Tracker Initiative, “Carlyle’s Upstream Investments & The Energy Transition: The Private Equity Firm Has Invested in Companies Unlikely to Be Economically Viable in a Low-Carbon World,” December 2022, https://6000718.fs1.hubspotusercontent-na1.net/hubfs/6000718/CTI_Report_CarlylesUpstream_EnergyInvestments_Dec2022.pdf?__hstc=236760222.cccba7015c760794d0ef5de91f4fcbef.1663106888943.1673381394038.1673455118712.29&__hssc=&hsCtaTracking=d4b1f3e5-a3a8-496b-8c70-7aba91133ab8%7C9bcdf7d-cb41-4238-9481-2fc84ab80f86; Carbon Tracker Initiative, “Stranded Assets,” Carbon Tracker Initiative, August 23, 2017, <https://carbontracker.org/terms/stranded-assets/>.