My name is Anne Perrault. I'm with the national public interest group Public Citizen. I'm testifying in support of HB 2601 on behalf of our 500,000 members and supporters, nearly 18,000 of whom are in Oregon.

Attention, in this bill, to the risks associated with investments in carbon-intensive assets, parallels the attention that US financial regulators are paying to such risks for institutions they supervise.

Banking regulators, for example, are concerned that financial institutions financing fossil assets are facing significant 'transition risks' - financial risks related to the necessary transition to renewable energy.

A 2022 study in Nature estimates that 60% of oil and gas reserves, and 90% of known coal reserves, **must remain unused to limit global warming to well below 2°C.** The International Energy Agency has also indicated that "from today, no investment in new fossil fuel supply projects" are possible for a net zero pathway.

Quickly evolving government policies, public demand, and technological shifts to renewable energy to contain global temperature rise are all increasing the likelihood that fossil assets will, indeed, become unusable - become 'stranded assets.' Policies such as the Inflation Reduction Act, for example, are rapidly heightening the transition to renewables - and, in the process, increasing this transition risk.

This risk is *not* currently reflected in the value of most companies that extract, distribute or rely heavily on fossil fuels. If - when - this risk is priced in, these companies will face a sudden drop in value. That is why institutional investors marshaling more than $40 trillion in assets under management have already committed to fossil fuel divestment in some form.

Those who have invested in these companies - including not only banks but also pension funds - will face serious losses. Another Nature study suggests that most losses related to 'stranded fossil assets' will be borne by individuals in wealthy countries through their pensions and invested savings.

Recognizing the stranded asset risks posed to financial institutions they supervise, bank regulators are now directing the largest institutions to identify and minimize these risks - and telling them to consider limits on loans facing these risks.

As banks better identify and respond to their climate risks, they will inevitably transition out of fossil assets. Similarly, as major asset managers and investors become more informed of risks they face they, too, will shift their investments.

Those moving last will lose. Fiduciaries have an obligation to recognize and act on this reality.