Submitter: Christopher Abbruzzese

On Behalf Of:

Committee: House Committee On Emergency Management, General Government, and Veterans

Measure: HB4083

According to Treasurer Read’s Net Zero report, the Intergovernmental Panel on Climate Change has said that the coal industry could face stranded asset risk within 6 years. In December, the International Energy Agency said it believes coal is in structural decline (that is, not likely to recover), driven by sustained expansion of clean energy technologies. An increasing number of financial institutions, and public pension funds such as NYCERS, CalPERS and CalSTRS, are exiting coal to avoid holding stranded assets.

As Representative Pham mentioned in 2015, the California Public Employee Retirement System (CalPERS) divested from thermal coal. The legislation (CA SB 185) prohibits CalPERS from investing in public equity or debt securities of publicly-traded companies that generate 50% or more of their revenue from the mining of thermal coal. Per the legislative mandate, they regularly report on the impact this divestment has on the total fund. This is to ensure that CalPERS’ standards for fiduciary care are upheld when divesting. Wilshire Associates, CalPERS’ consultants, using the most recent results presented in October 2022, estimated the cumulative positive impact to the fund due to divesting from thermal coal to be $598 million as of FY 2022.

Meanwhile, over the past 3 years, the Oregon State Treasury (OST), moving in the opposite direction, held investments between at least $700 million to $1 billion in thermal coal-related stocks, bonds and private investment funds. Since its 2018 inception, an index that tracks publicly-traded thermal coal companies has underperformed the S&P500 by nearly 60 percentage points. Coal is the single biggest loser in the global energy transition; before any more losses occur the Oregon legislature needs to request that the Treasury join other forward-looking fiduciaries and divest from this risky financial investment as soon as possible.