

# HB2200 -1 OPPOSITION

**Chair Tran, Vice-Chairs Grayber and Lewis,**

My name is Ed Diehl, and I am the State Representative for House District 17, covering East Salem through the Majestic Santiam Canyon. I am here today to strongly urge a NO vote on House Bill 2200 and the -1 Amendment.

On January 28th, I testified in opposition to the base bill, expressing concerns that it prioritizes climate-related investment strategies over fiduciary responsibility, potentially compromising fund performance and increasing taxpayer liability. The -1 Amendment is a complete rewrite of that bill. While it removes language regarding the Treasury's goal to achieve net zero carbon emissions within the fund by 2050, it still suffers from the same fundamental flaw—**it creates a priority conflict**. This amendment directs the Treasury to consider one risk above all others: reducing the carbon intensity of the fund by giving preferential treatment to investments that lower greenhouse gas emissions.

## Priority Conflict in the -1 Amendment

The -1 Amendment explicitly directs the Treasury to prioritize net zero investments. The bill states that a "rapidly changing climate calls for investment solutions that are likely to encourage a transition to a net-zero future" and that "urgency justifies taking **every possible action** in the fund portfolio to reduce investment risks associated with a rapidly changing climate."

The problem with this strategy is that it does not necessarily align with the fiduciary interest of beneficiaries, whose priority is to maximize returns. It is also not in the best interest of taxpayers, who will bear the burden if the fund underperforms. As Allan Emkin, a senior advisor to the Oregon Investment Council for 40 years, stated during the March 5th Oregon Investment Council meeting regarding climate change: "It's A risk, not THE risk."

## Divesting from Carbon Will Not Improve the Climate

A key assumption behind this bill is that divesting PERS from carbon investments will positively impact the climate. Some have even suggested that achieving net zero in PERS investments will help reduce wildfires. **There is no evidence to support this claim.**

Quoting Allan Emkin again from the March 5th meeting:

- "Decarbonization of your portfolio is not decarbonization in the air. And in fact, they're not linked at all."
- "If the goal is having a better, cleaner environment, that may have nothing to do with how you deal with certain types of investments."

## Clean Energy Investments Are Struggling

Currently, clean energy is a poor investment. Just last week, a green energy hedge fund manager told *Bloomberg News* that "the whole sector—solar, wind, hydrogen, fuel cells, anything clean—is dead for now."

This does not mean clean energy will always be a bad investment, but it does mean that prioritizing clean energy investments at this time may not be the best approach for managing returns. As I shared in my prior testimony, historical data supports this conclusion, so this isn't something new.

Even members of the Oregon Investment Council recognize this. During the March 5th meeting, one council member stated that "a shift in portfolio strategy right now wouldn't be congruent with the council's fiduciary responsibility."

## Beneficiaries Are Not Asking for This

Some claim that beneficiaries are calling for this bill and that the Treasury is not adequately considering the risk of climate change. However, the Treasury's own survey contradicts this assertion.

According to a February 2024 report to the Oregon Investment Council, results from a 2023 survey of active and retired PERS members showed that **89%** want the funds managed to "generate the highest return on investments" or "manage risks to deliver sustainable returns."

## Lack of Accountability for the OIC and Treasurer

One of the most concerning aspects of this bill, however, is the immunity clause. The amendment states that the Oregon Investment Council, the State Treasurer, and employees, shall be indemnified and held harmless from all claims and damages as a result of this bill.

This bill directs the Treasury to prioritize green energy investments. And, if the strategy fails, the OIC and Treasurer won't be held liable for the results. This tells us a couple of

things. 1 – the Investment Council is not at all confident that “going green” is in the best interest of the fund, and 2 – they are bringing this bill to provide them cover. **House Bill 2200 is politicizing our Public Pension investments.**

## The OIC's Job Is to Manage All Risks

Pension risk management is about balancing multiple risks. This bill attempts to dictate how the Investment Council evaluates risks, which is completely inappropriate. The Legislature should not interfere with the Council’s responsibility to ensure the fund's financial stability. Prioritizing one risk over others sets a **dangerous precedent**. It could politicize the fund even further, undermining the Council's ability to act in the best financial interest of beneficiaries and taxpayers.

## Conclusion

In closing, Oregonians deserve full commitment to fiduciary standards in managing PERS. These standards align with the overwhelming preference of beneficiaries and taxpayers, which is **to generate the highest return on investments**.

I urge you not to politicize our public pension system. I strongly urge a NO vote on House Bill 2200 and the -1 Amendment.

Thank you for your time and consideration.