OPERF Net Zero 2025 Report: What Can We Learn?

Published by Divest Oregon

February 18, 2026

Following through on previous Treasurer Tobias Read's commitment to Net Zero, the passage of the COAL Act and, more recently, the Climate Resilience Investment Act (CRIA) State Treasurer Elizabeth Steiner and staff recently published the "2025 Progress Report: Tracking Net Zero and Climate Positive Investment Strategies" (referred to as "the report").

To its credit, the Oregon Public Retirees State Pension Plan (OPERF) is one of the few state pension funds that has committed to reducing the emissions from its portfolio to net zero in response to the climate crisis.

In her cover letter and public outreach for the report, Treasurer Steiner has emphasized three major "results of this strategy."

- A 50% drop in the "emissions intensity" in OPERF
- A doubling of "climate-positive" investments as of June 2025
- A steady decline in fossil fuel Private Market holdings since January 2023

This analysis looks at each of these "major results" along with the engagement and reducing climate risks sections of the Report.

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Recommendations for Future Reporting by OST

- **Emissions Reporting**
    - Since any single metric is limited in what it reveals about portfolio exposure to carbon risks, provide a dashboard of multiple metrics as recommended by PCAF, the Institutional Investor Group on Climate Change, and other leading climate finance organizations. To track OPERF's progress to Net Zero, include the portfolio's financed emissions and other real-world decarbonization efforts as key metrics.
    - Report the recommended Data Quality Score for PCAF calculations to reflect the use of actual vs modeled data and the reliability of the emissions data being used. Sequential scores can show progress as each report fills data gaps and improves accuracy.
    - Incorporate Scope 3 emissions data into the body of the report instead of in the Appendix.
    - Report timelines and goals for percentage of reduction of emissions, including interim targets..
    - For private market investment estimates or modeling, provide more de-identified information and context to support inclusion or exclusion of the data.
    - Summarize conclusions drawn from OST analysis of the data and how they will guide Net Zero strategy going forward.

- **Climate Positive Investments**:
    - Discuss strategies for attaining a higher percentage of climate positive investments.
    - Define what Treasury considers a climate-positive holding and provide a de-identified compendium that catalogs and describes them more systematically than random case studies.

- **Fossil Fuel Private Investments**:
    - Describe OPERF's amounts of fossil fuel private investments by reporting numbers of investments and commitments to those investments, in addition to reported market value. This will allow understanding the extent to which investment reductions may arise solely from declines in market value and not from exits.
    - Make efforts and report on Treasury's leverage as a limited partner to push for credible transition plans from private market investments that

derive >20% revenue from carbon-intensive fossil fuel activities. If revenue amounts are not obtainable, Treasury can use existing analogous measures to determine which fossil-heavy investments qualify for special engagement.

- **Just Transition**: Report on progress towards including workers' and human rights in investment strategies, capital allocation decisions, corporate engagement, and policy advocacy.
- **COAL Act:** Provide information on the progress each coal company has made in its transition process and when OST expects them to have the transition completed.
- **Physical and System-Level Climate Risk:** Describe steps taken and planned to reduce longer term risks of market-wide depressed investment values from climate change.
- **Engagement**: List successful results in proxy voting and company engagement on substantial matters.
- **Next Steps:** Summarize conclusions drawn from OST analysis of progress to date and how they will guide the CRIA strategy going forward.

Understanding Portfolio Emissions

Top Level Findings:

- The Report highlights one metric of OPERF's carbon footprint, carbon-to-revenue **"emission intensity,"** a metric that is highly sensitive to company revenue fluctuations. While the overall data shows the fund reducing this metric by 50%, more detailed analysis of the data suggests that increases in revenues in the post Covid recovery, and in particular outsized revenue attributed to one confidential private-equity tech company are responsible for this decrease, rather than reductions in emissions.
- The data presented for Private Equity, which had to be modeled because of Private Equity secrecy requirements, raises many questions and appears to skew the data.
- When recalculating the Report's data as the portfolio's emission per dollar of OPERF investment, a standard metric of **"financed emissions,"** emissions appear to increase by close to 30%. If the Private Equity data is excluded as suggested above, there is little change in OPERF's financed emissions.

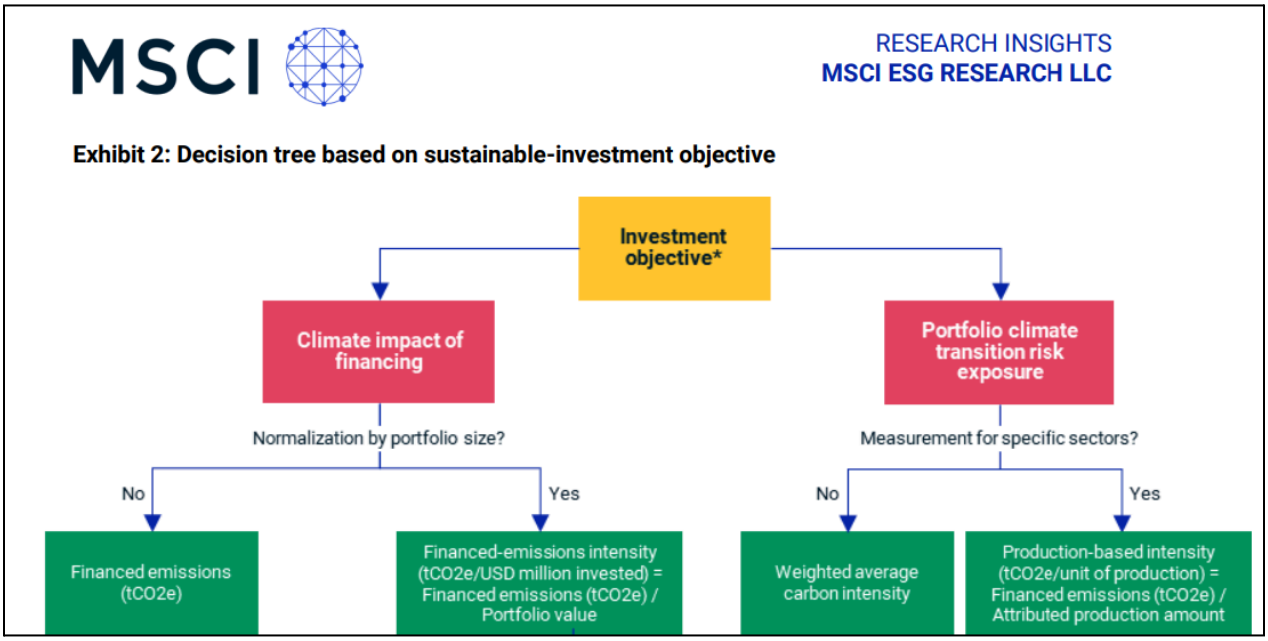
The Report compares changes in OPERF emissions performance from 2022 to 2023, a year when global CO2 surface concentrations surged to 420 parts per million (ppm), the highest ever measured – underlying the critical importance of real-world emissions reductions. The emissions-intensity results are documented in the Report with data from S&P Global, a leading US provider of financial information, analytics, and data, using methodology from the Partnership for Carbon Accounting Financials (PCAF). OST also rightfully cautions that this is data from only two years and is subject to change as the NZP and CRIA are implemented.

There are multiple ways the financial world measures portfolio emissions. There is one set of metrics to understand the emissions "financed" by portfolio investment dollars, reflecting the portfolio's contribution to global warming by its ownership dollars. There is a different set of metrics to understand the "carbon-to-revenue intensity" of the business operations of portfolio holdings, reflecting the "transition risk" faced by those holdings in the global shift to renewable energy.

This is diagrammed by MSCI's report *Carbon Footprinting Demystified* (p. 9, May 2024) in the chart below.

The left side focuses on the climate impact financed specifically by the ***portfolio's*** dollars, or the total carbon "owned" by the portfolio's money, either as:

- "Financed emissions" (how many tonnes[1] of CO2e - tCO2e - the portfolio's investments are producing based on the portfolio's investment share in each company), or
- "Financed emissions intensity" (those tCO2e assigned to the portfolio above per dollar amount of the fund, usually tCO2e/Million dollars of portfolio value).



The right side focuses on ***company*** climate "transition risk" to the portfolio, or how "dirty" a company's operations are in the face of a shift to "clean" energy, relative to its size or output.

- "The Weight Average Carbon Intensity" (WACI) is how many tCO2 equivalents (tCO2e) a company is producing per dollar value of company revenue, weighted by the portfolio's investment share in each company. This is reported in summary by OST.
- "Production-based intensity," is an unweighted version of the above (how many tCO2e a company is producing per economic or industrial value, which could be company revenue, or production value such as tons of steel or kilowatts of energy). OST reports this in detail using revenue.

MSCI lists metrics other than these. But they fall within these general categories.

Since each metric measures something different, industry groups, such as the Institutional Investor Group on Climate Change (IIGCC), in its Net Zero Investment Framework (NZIF), recommend a dashboard of multiple metrics, "each of which

[1] "Tonnes" are metric tons and are used internationally. They are slightly heavier than a US ton. "Tonnes of CO2 equivalents," that is all greenhouse gas emissions expressed as CO2, are indicated by "tCO2e."

provides different insights and serves different purposes" to fully understand climate investment impacts.

For an example of another large pension plan's emissions reporting, NYCERS, NYSTRS, and NYBERS, one can look at the NYC dashboard that reports financed emissions.

What Can We Learn From OPERF's "Emission Intensity" Data?

The 2025 Progress Report is primarily focused on changes in the carbon-to-revenue "emission intensity" of their different asset classes (MSCI Chart Right Side), specifically, the portfolio's share of the tCO2e produced by the holdings in each asset class, apportioned per million dollars of the portfolio's share of a holding's revenue.

This is what is reported in Tables 1 and 2 of the Progress Report. For each asset class, the Tables divide "Apportioned Emissions" by "Apportioned Revenue" to get each asset class's "Emission Intensity." From 2022 to 2023, the Emission Intensity of each asset class, except Real Estate, is shown to decline. Totaled, these declines do show a 50% reduction.

The obvious question is: how did this happen? According to the EPA, US emissions in the same period dropped only a fraction of that amount: "In 2023, reported direct emissions of greenhouse gases from large stationary sources, representing approximately 50% of total U.S. emissions, were down by approximately 4% from 2022."

How do we understand these numbers?

Carbon-to-revenue emission intensity is based on the balance of emissions to revenue. Even if emissions from operations don't change, market driven changes in revenues impact "intensity." If revenue goes down in a recession, "intensity" increases; if revenue goes up in a market rally or recovery, "intensity" will go down, which is what is shown in these tables.

OPERF reports that from 2022 to 2023 its share of "apportioned emissions" went up by 30%, but the value of its share of "apportioned revenue" of the firms it invests in *almost tripled*, from $437B in 2022 to $1.3 Trillion in 2023, an increase of $780 Billion.

Further, Tables 1 and 2 show that this tripling of apportioned revenue was driven mainly by one asset class: Private Equity. In fact, the apportioned revenue for Private Equity *increased 4-fold* between 2022 to 2023, from $242 Billion to over $1 trillion. **That one asset class made up *80% of OPERF's $1.3 trillion 2023 total apportioned revenue*.**

Establishing values for Private Equity is challenging. The industry has prohibited public access to specific investment information through state laws and contractual confidentiality stipulations. While most evaluations of emissions intensity therefore exclude private equity, to its credit, Treasury decided to include Private Equity, using "modeling" by its consultant S&P Global:

> "S&P Global modeled Private Equity firms by comparing them to similarly situated publicly traded firms that report on their emissions intensity to glean information about relative emissions intensity in this portfolio." (p.29)

But 2023 was not even a good year for Private Equity: with the Fed's higher interest rates increasing borrowing costs, overall deal value was down 29.5% from 2022 and the aggregate value from the sale of investments (exit value) was down 23.5% as private equity firms held companies longer waiting for better exit opportunities. So where does this increased valuation of Private Equity come from?

In response to a request for further clarification, Treasury provided this response:

> "The change in the Private Equity portfolio's apportioned revenue was driven by significant growth in an indirect stake in the performance of a global technology company, which is not a high emitter of greenhouse gas emissions (GHG)."[2]

No further details have been provided. The total 2023 revenues of this company would have had to be staggering. If OPERF's share of its revenue, as a partial investor, is anywhere near $780 billion, total company revenues would have been multiples of that, into the trillions of dollars. Yet, no company worldwide is reported to have made anywhere near that level of revenue in 2023, or subsequently.

While it is unclear how OPERF's indirect stake in one company could increase its apportioned revenue by over $780 billion, this example shows that money alone flowing into a single company can lower its emission intensity without significantly lowering the emissions produced from its operations.

This also underscores how documenting data quality is key. The PCAF assessment calls for assigning a quality score to emissions intensity calculations, depending on whether the data used is directly from the company assessed or proxy data (PCAF, p42). Modeling private market revenue and/or emissions results in a lower score. Future reporting should include the PCAF quality score and more detail on data sources.

[2] Email communication from OST 1/28/25

Looking at the rest of the portfolio beyond Private Equity, remember that 2022 and 2023 were not normal economic years. Coming at the end of the COVID pandemic, 2022 was the stock market's worst year since 2008, with 18% losses. But in 2023, once the Fed sharply raised interest rates in response to surging pandemic era inflation, the economy rallied, as did the stock market, posting 24% gains. Corporate profits increased to an all time high in 2023 as supply chains unsnarled, lowering producer input costs while consumer prices continued to rise.

This appears to be reflected in the data. Calculating the 2022-2023 changes in total apportioned emissions and total apportioned revenues without including the modeled data from Private Equity, we see those emissions increasing only 2% but the revenues increasing 36%. This suggests that the drop in emission intensity in the rest of the portfolio, excluding Private Investments, was similarly more driven by rising revenues – from money flowing into these holdings as the economy recovered -- than from operational improvements.

What this tells us is that it is hard to interpret emission intensity alone with certainty given its dependence on the vagaries of the market. This is true both for the portfolio as a whole and for individual asset classes. However, if we want a fuller understanding of the OPERF portfolio's climate risk, we can look at the other metrics.

What Can We Learn From OPERF's Portfolio Financed Emissions?

Achieving Net Zero for OPERF's portfolio involves tracking and cutting emissions financed by pension plan dollars until they are balanced out by assets that actively remove carbon from the atmosphere. The total amount of carbon "owned" by the portfolio's money is called "financed emissions" (MSCI Chart Left Side).

Using the **apportioned emissions** data from Tables 1 and 2 of the Report, shown below, it appears that the total apportioned emissions OPERF "owns" in its portfolio have increased from 2022 to 2023, from 35.8 million to 46 million tCO2e, a 28% increase.

Portfolio Name	2022 Value Provided (mUSD)	2022 Value Assessed (mUSD)	2022 Apportioned Emissions	2022 Apportioned Revenue (mUSD)	2022 NZP Emission Intensity (Tons CO2e/ AUM)
Fixed Income	$15,789	$710	96,465	$276	**136**
Opportunity	$2,657	$1,894	3,783,844	$123,102	**1,998**
Private Equity	$29,322	$26,189	11,464,278	$242,188	**438**
Public Equity	$20,198	$17,994	1,720,207	$9,590	**96**
Real Assets	$8,922	$8,910	18,375,269	$40,556	**2,062**
Real Estate	$21,532	$21,093	373,557	$20,812	**178**
Total	$98,420	$76,790	**35,813,620**	$436,524	**466**

Portfolio Name	2023 Value Provided (mUSD)	2023 Value Assessed (mUSD)	2023 Apportioned Emissions	2023 Apportioned Revenue (mUSD)	2023 NZP Emission Intensity (Tons CO2e/ AUM)
Fixed Income	$16,341	$2,290	248,790	$1,166	**109**
Opportunity	$2,622	$2,516	4,779,539	186,292	**1,900**
Private Equity	$28,731	$28,505	21,144,905	$1,022,038	**742**
Public Equity	$18,929	$18,390	1,286,943	$8,162	**70**
Real Assets	$9,709	$9,705	17,227,066	$49,867	**1,775**
Real Estate	$22,015	$19,986	1,327,474	$19,723	**66**
Total	$98,347	$81,392	**46,014,717**	$1,287,248	**565**

The largest asset class emission increase was (again) Private Equity, from 11.4 to 21.1 tCO2e, 46% of OPERF's total apportioned emissions. As noted above, excluding Private Equity, OPERF's "owned" carbon footprint barely changed, increasing only 2%.

This 2% is likely to be within the margin of error between the two years as the percent of each asset class sampled increased between the two years, except for Real Assets, making the year-to-year comparison somewhat inexact.

In effect, excluding the modeled numbers from Private Equity, the "owned" carbon footprint between the two years was about the same, perhaps a bit higher or perhaps a bit lower. If there was an increase in OPERF's "owned" carbon footprint in 2023, it appears to be due to OPERF's 2023 investment in the "global technology company," even if it is "not a high emitter of greenhouse gas emissions."

Recalculating this as **"financed emissions intensity"** produces a similar result. OPERF's apportioned emissions, divided by the dollar value of "assets under management" (tCO2e ÷$AUM) have *increased*, from 466 tCO2e per million dollars invested, to 565 tCO2e, a 20% increase. But, excluding Private Equity, there is almost a 2% *decrease*.

On a dollar invested per emissions basis, according to the numbers provided, during 2023 OPERF purchased the additional financed emissions (tCO2e/$AUM) in Private Equity at a cost of 4,189 tCO2e/$Million, over twice the emissions per $Million in any other asset class[3]. If "climate positive" investments are those that, relative to other investments, lower emissions per dollar invested, this might similarly be characterized as a "climate negative" investment, significantly increasing emissions per dollar relative to other investments.

Take Aways on Measuring Emissions: Where does this leave us?

Pension fund fiduciaries face two types of risk as our warming climate changes our physical environment:

1. Transition risk, or whether the investments they hold can successfully adapt to the need to lower emissions and shift to renewable energy, maintaining or improving their value.
2. Systemic risk, or the foreseeable potential for large economic, investment and social disruptions causing major depression of all asset values as economic drags from physical damage accumulate and, perhaps, physical climate tipping points are passed.

Carbon-to-revenue "Emission Intensity" metrics can provide information on how great a challenge an asset faces in moving from carbon intensive operations to those that

[3] Private Equity apportioned emissions increased from 11,464,278 to 21,144,905 tCO2e between 2022-23, or by 9,680,627. Asset under management values assessed in those years increased from 26,289 to 28,505 $M, or by 2,316. Dividing those increases equals 4,179.9 tCO2e/$M AUM.

produce fewer emissions at the same or lower cost, enhancing asset value. But, as we saw, further understanding what is happening within both the financed emission side and the revenue side of the intensity calculation is key, as is understanding the market context. Using the metric in isolation risks making unwarranted assumptions that can limit needed action. As recommended by industry leaders, a “dashboard” approach is best.

OST deserves credit for including Private Equity in its calculations. But given the level of secrecy that industry insists upon and the lack of reported emissions data for these companies, it is almost impossible to know what the PE modeled numbers mean. Hopefully, future reports can provide more de-identified information and context.

For the rest of the portfolio, the data from financed emissions suggests that emission intensities did not change dramatically between 2022 and 2023, which is consistent with what the EPA reported for the overall US economy.

Financed emissions speak more directly to the issue of systemic risks. While the investments of an individual pension fund alone do not directly determine global outcomes, it would surely be in the interest of such a fund to do everything possible to avoid climate-caused economic and social destabilizations that damage GDP and investment values. This includes understanding the “emissions cost” of their investments and avoiding those with a high climate risk (tCO2e) to cost ($AUM) ratio. A “Net Zero Plan” means tracking and reducing the amount of emissions funded by pension plan dollars.

While Treasury has not created the recommended dashboard of metrics needed to more fully and easily understand its emissions profile, it has made an excellent start in assembling most of the data needed to do so. In the 2023 data set it has included assessment of over 90% of the holdings in their asset classes, with the exception only of the relatively small Fixed Income asset class. This baseline will make future reports much more informative, hopefully with more complete analysis.

Doubling Climate-Positive Holdings is Good News

It is good news that the Treasury doubled the amount of climate-positive holdings in OPERF from January 2022 through June 2025. Treasury reports $2.4 billion in climate-positive holdings in Real Assets, about 2.4% of the OPERF portfolio.

We look forward to Treasury joining other leading state pension plans, such as CalPERS, in setting and meeting even more ambitious targets for climate-positive investments. CalPERS has committed to invest over $100B, about 18% of its portfolio, in climate solutions by 2030 and is currently at about $60B (11% of its portfolio).

For full transparency, Treasure should also provide:

- A detailed definition of what Treasury considers a climate-positive holding.
- A de-identified documentation of the number and nature of those holdings vs a few case studies.
- A listing by year of investments, commitments and contributions to climate-positive holdings over time.

Private Market Fossil Fuel Investment Levels are Unclear

One of the “Major Actions” of the Net Zero Plan is to “Exclude New Investments in Private Market Funds with Stated Intention to Invest Primarily in Fossil Fuels.”

The Progress Report addresses this with figures showing that the market value of its fossil fuel holdings peaked in 2023, but “Since January 1, 2023, holdings have declined each year, reflecting a sustained downward trend through June 30, 2025.” (p. 18).

This is encouraging and, hopefully, reflects that Treasury exited some of OPERF’s fossil fuel holdings and did not buy new ones. But reporting fossil fuel holdings in terms of “market value” means that we don’t know the extent to which the number and size of holdings have actually declined since January 2023, or whether current holdings have simply lost value. The substantial declines in OPERF returns for Real Assets and Private Equity from 2022 to June 2025 make value drop a distinct possibility.

As they report this going forward, Treasury should also report::

- The annual number of fossil fuel private market holdings in the portfolio (deidentified)
- The year-end values of those fossil fuel holdings
- How much OPERF committed to fossil fuel holdings
- How much OPERF contributed to fossil fuel holdings

These numbers together should reveal actual capital deployment decisions. And, since this “Major Action” is about excluding new private market investments in fossil fuels, it would also be useful to know how Treasury is avoiding new fossil fuel private investments, and the criteria it is using.

Treasury Can Readily Determine Which Private Investments to Push for Credible Transition Plans

Treasury’s Net Zero Plan committed to a “Major Action” to “Use our leverage as limited partners to push for credible transition plans from private market investments that derive >20% revenue from carbon intensive fossil fuel activities.” (p21)

The Progress Report stated Treasury could not fulfill that commitment, stating that “Due to the proprietary nature of private market investments, OST does not have data to determine the percentage of portfolios that derive more than 20% of their revenue from fossil fuel activities.” (p18). It does not explain why Treasury would have made such an impossible commitment in the Net Zero Plan.

Even if Treasury cannot obtain revenue figures – which is questionable – equivalent substitutes are readily available for determining which private investments to push:

- Treasury has long been a member of the Institutional Limited Partners Association (ILPA), which encourages investor use of a Portfolio Company Metrics Template that provides revenues of companies in a private fund – and identifies fossil fuel companies by industry group (example: "2111: oil and gas extraction") and company description (example: "oil-pipeline operating outsourcing"). Treasury could concentrate its transition plan pushes on these companies.
- Table 4 of the Progress Report reports the market values of OPERF's private market fossil fuel holdings. Treasury could prioritize investment partnerships that derive 20% or more of their value from fossil fuel companies.
- Treasury could prioritize the fossil-heavy private investments identified in its annual Real Assets report to the Oregon Investment Council. These reports have long identified the percentages of OPERF's Real Assets concentrated in the sectors of Energy Upstream, Energy Midstream, Power Generation, and Utilities.

The Progress Report underscores the outsized contribution private investments make to OPERF's carbon-to-revenue and financed emissions, and the importance of pressing those companies for credible transition plans. Next year's report under CRIA needs to address how Treasury has used that information to press its major fossil fuel private investment funds and companies for credible transition plans in order to reduce those emissions.

Engagement and Advocacy – to What Result?

A. Assessing ESG Risks and Opportunities

Treasury has broadly described hundreds to thousands of shareholder votes on environmental matters in companies it holds. What is missing is a description of successful results on substantial matters.

It is encouraging that OST expects potential managers to have a systematic method for identifying and assessing material ESG risks and opportunities. It would be useful to know how OST evaluates that systematic method to ensure it aligns with global standards. If a potential manager, or current manager, does not have a systematic method for identifying and assessing material ESG risks and opportunities, does OST stop doing business with them?

OST says that for companies that have significant climate risk OST votes against the chair of the board if the company has not adopted a net zero emissions target and failed to produce reporting aligned with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Why does OST still own public equity shares in a company with significant climate risk, an insufficient net zero plan and non-aligned reporting? Shouldn't the portfolio managers or OST staff be using the ESG assessments to screen out such investments? Just voting against the CEO does not reduce the climate risk exposure for OPERF – unless it leads to replacement by a new CEO that is determined to reverse the company's past climate practices.

B. Just Transition

The Report makes no mention of where OST's work on just transition stands. The Net Zero Plan calls for action by OST to engage with other pension funds to support companies to incorporate just transition principles. The NZP states that "It will also be an important element of Treasury's efforts to include "just transition" principles into our decarbonization effort." CRIA requires reporting on these just transition actions.

There are effective methods to assess and strengthen a company's commitment to the principles of just transition. OST is a member of CERES and as such it can work with its peers to engage with the highest emitting companies and use the Climate Action 100+ Net Zero Company Benchmark Just Transition indicator to measure commitment and progress towards Just Transition. Additional frameworks and benchmarks investors like OST can use include the Council for Inclusive Capitalism's Just Energy Transition Framework for Company Action and the World Benchmarking Alliance's assessments.

Action on just transition means investors should integrate workers' and human rights in their investment strategies, capital allocation decisions, corporate engagement, and policy advocacy. Divest Oregon's report Just Transition and the Oregon Treasury lays out actionable recommendations for OST to follow, including establishing policies that uphold Indigenous Peoples' rights including the right to Free, Prior and Informed Consent and uphold workers' rights and establish labor standards.

We look forward to learning about OST's own commitment to just transition and the enabling policies and procedures it will put in place to promote it, including escalation procedures to follow when a company is not making progress.

Reducing Climate-Related Risks and Exposures

A. COAL Act

It is very encouraging that the OST reports a reduction of OPERF's public equity thermal coal holdings from $28.9 million in 21 companies in 2024 to $15 million in 12 companies in 2025. The passage of the COAL Act, sponsored by Divest Oregon, has clearly facilitated action to reduce OPERF's public equity holdings in thermal coal.

While done under legislative mandate, it should reassure OST leaders and policy makers that fossil fuel divestment can be done in a fiduciarily responsible manner as a key strategy to lower the funds' associated emissions.

The COAL Act spells out that OST can only remain in a thermal coal investment if the company is transitioning to clean energy on a reasonable timeline. A full report on the COAL Act would document where each coal company is in its transition process, when OST expects it to be completed, and actions that will be taken if the transition is not occurring.

It needs to be recognized that the transition from coal will take more work beyond the COAL Act. OST most likely holds coal in its private investments. An October 2021 report by Private Equity Stakeholder Project (PESP)[4], found that approximately 80% of energy investments made by the top 10 private equity firms since 2010 are in oil, gas and coal. OST's September 2023 private equity portfolio invested in seven of these top ten firms (Oaktree Capital, KKR, Blackstone, Warburg Pincus, Apollo, TPG, CVC).

B. The Fiduciary Duty to Protect Long-Term Pension Fund Values by Pressuring in Every Way Possible for Reducing and Eliminating Greenhouse Gas Emissions

One of the most important elements in climate-change investing is unstated in the Report. What is Treasury's strategy to address the systemic risks of climate change?

OPERF is a long-term, intergenerational, globally invested pension fund whose returns are largely tied to overall market movements. A prudent strategy for adapting to a warming climate requires more than just stock picking. It must also recognize that the unabated greenhouse gas emissions increasing climate damage will also increase

[4] Giachino, Alyssa and Mehta-Newgebauer, Riddhi. Private Equity Propels the Climate Crisis. Private Equity Stakeholder Project, Published October 2021. https://pestakeholder.org/wp-content/uploads/2021/10/PESP_SpecialReport_ClimateCrisis_Oct2021_Final.pdf

physical damage and system-level risks to the economy and to the investment values on which OPERF returns depend.

Economists estimate (pp. 44-92) that climate change could reduce investment values by 30% to 40% or more during the lifetimes of hundreds of thousands of current PERS beneficiaries. This level of value loss would pose an existential threat to the viability of PERS.

Because globally invested intergenerational pension funds overwhelmingly rely on the health of the market as a whole, they are better off working to reduce systemic risks at their source as opposed to attempting to stock-pick away from them. This is part of the fund's fiduciary duty to manage the fund prudently and preserve PERS not just for the present, but equally for young future retirees.

Strategies for trustees fulfilling their fiduciary duty to address known substantial system-level climate risks to OPERF investment values are described in detail beginning at pp. 125-77 of Divest Oregon's *2025 Climate Risk Review*.
Investment strategies include:

- Accelerating clean-energy investments;
- Recognizing the limited role of carbon capture;
- Finding alternatives to debt and equity investments in entities causing outsized portfolio-damaging climate change;
- Urging investment managers to provide fossil phaseout products with alternatives, and requiring them to invest according to pension-fund climate policy;
- Calling for and investing in fossil phaseout passive bond indices;
- Creating an internal strategic climate-impact investment program;
- Divesting portfolio-dragging and damaging fossil fuels and reinvesting those proceeds and more into market-competitive climate solutions;

Engagement strategies include:

- Educating beneficiaries about the impact of climate risk on their retirements and what is needed to protect investments made on their behalf. An ongoing climate risk dashboard is one important place for this education.
- Subjecting major OPERF investments to an objective systematic analysis that would provide empirically based guidance for engagement priorities and consequences.
- Advocating and pressuring for reduction in greenhouse gas emissions from

companies in which pension funds invest;
- Advocating with and pressuring banks and insurance companies, who provide most lending to portfolio-damaging fossil fuel projects, to restrict and end funding for long-term fossil fuel projects and companies;
- Communicating with the public about the financial need to adopt climate-sustainable policies and practices;
- Advocating and pressuring state, and eventually federal, government policymakers for effective climate policies to speed energy transitions before too much pension wealth is destroyed.

For maximum effect, all these strategies need to be undertaken along with as many other US public pension funds as possible, who according to the Federal Reserve together control $9.8 trillion in assets (at p. 101). Treasury reports generally that they are working with Ceres; with the Council of Institutional Investors; and with two associations of current and former public officials. We hope the next CRIA report will describe concrete actions the Treasury has taken with these and other groups toward protecting OPERF's continued value by **lowering emissions in the real world**.