Treasury’s own study shows fossil-fuel divestment would make > $1 billion for OPERF
The report makes the case for fossil fuel divestment . . . starting now

- Divestment increases OPERF public equity portfolio value by $1.2 billion over 10 years
- Gains are even greater if fossil companies reject becoming part of clean energy transition
- Treasury can help protect OPERF from 20% devaluation by investing to encourage a clean energy transition
- Gains from divesting other asset classes remain to be studied
What Treasury asked to know about divestment

Treasury asked international consultant Ortec Finance:

“What if OPERF divested from its liquid-market fossil fuel investments? What is the interplay between risk and return from that?”

Ortec provided Treasury a report “to cut through the immense detail and deliver the key insights.”

Source: Ortec Climate Risk Scenario Modelling pp. 2, 3
How Ortec answered Treasury’s question

1. Treasury provided Ortec with OPERF public equity data
2. Ortec calculated fossil fuels were 4.4% of OPERF public equity holdings
3. Ortec modeled the effects of replacing OPERF’s fossil fuel public equities with a “Paris-aligned” [low carbon] fund under three future energy scenarios

Source: Ortec Climate Risk Scenario Modelling pp. 3, 5, 6
Ortec’s 3 future energy scenarios

1. **Paris Orderly (PO)** - transition to clean energy occurs as smoothly as possible; limited physical impacts from climate change

2. **Paris Disorderly (PD)** - transition to clean energy disrupts financial markets; stranded assets; limited physical impacts from climate change

3. **Failed Transition (FT)** - business as usual without additional clean-energy policies; severe physical impacts increase over time; 3.8°C [6.8°F] global warming by 2100

Sources: Ortec Climate Risk Scenario Modelling p. 6; Ortec Climate MAPS Climate Scan Report p. 6
How Ortec studied PERS divestment impacts

● Ran OPERF data through its detailed model developed with Cambridge Econometrics

● Looked at 18 economic sectors and 28 geographic regions where OPERF invested.

● Ran “what if” data 504 times for each scenario.

What Ortec presented to Treasury

- “Per scenario, what happens to expected returns if we replace all fossil-fuel holdings with a ‘Paris-Aligned’ [low carbon] fund”
- “Results are shown relative to a baseline” that assumes no impact from climate change and trends up over time
- The following tables show “the equity portfolio impact (relative to baseline) to 5, 10 and 20 year expected returns”

Sources: Ortec Climate Risk Scenario Modelling pp. 6, 7, 8; Ortec Climate MAPS Climate Scan Report p. 7, 8
Annualized impact of divestment on OPERF public-equity portfolio returns relative to baseline

<table>
<thead>
<tr>
<th></th>
<th>5</th>
<th>10</th>
<th>20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Keep fossils</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PO</td>
<td>-11.4%</td>
<td>-8.4%</td>
<td>-5.2%</td>
</tr>
<tr>
<td>PD</td>
<td>-16.5%</td>
<td>-10.9%</td>
<td>-6.4%</td>
</tr>
<tr>
<td>FT</td>
<td>-0.1%</td>
<td>-0.3%</td>
<td>-1.1%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>5</th>
<th>10</th>
<th>20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Divest fossils</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PO</td>
<td>-0.3%</td>
<td>-0.2%</td>
<td>-0.2%</td>
</tr>
<tr>
<td>PD</td>
<td>-2.0%</td>
<td>-0.9%</td>
<td>-0.6%</td>
</tr>
<tr>
<td>FT</td>
<td>-0.2%</td>
<td>-0.6%</td>
<td>-2.2%</td>
</tr>
</tbody>
</table>

Source: Ortec Climate Risk Scenario Modelling p. 6
Annualized impact of divestment on OPERF public-equity portfolio value

<table>
<thead>
<tr>
<th></th>
<th>5</th>
<th>10</th>
<th>20</th>
</tr>
</thead>
<tbody>
<tr>
<td>PD</td>
<td>0.71%</td>
<td>0.47%</td>
<td>0.27%</td>
</tr>
<tr>
<td>PO</td>
<td>0.41%</td>
<td>0.33%</td>
<td>0.20%</td>
</tr>
<tr>
<td>FT</td>
<td>0.00%</td>
<td>-0.01%</td>
<td>-0.05%</td>
</tr>
</tbody>
</table>

Source: Ortec Climate Risk Scenario Modelling p. 6
OPERF Public Equity portfolio value on December 31, 2021

$25.7 billion

(More precisely, $25,734,656,000)

### Monetary impact of fossil fuel divestment on OPERF public equity portfolio

**PO**: Paris Orderly  
**PD**: Paris Disorderly  
**FT**: Failed Transition

In 5-10-20 years

Calculation values from tables in Slides 10 & 11

<table>
<thead>
<tr>
<th>YEARS</th>
<th>5</th>
<th>10</th>
<th>20</th>
</tr>
</thead>
<tbody>
<tr>
<td>PO - calculation</td>
<td>0.41% x 5</td>
<td>0.33% x 10</td>
<td>0.20% x 20</td>
</tr>
<tr>
<td>PO - final value</td>
<td>$26,266,560,000</td>
<td>$26,596,622,000</td>
<td>$26,783,837,000</td>
</tr>
<tr>
<td>PO - initial value</td>
<td>$25,734,656,000</td>
<td>$25,734,656,000</td>
<td>$25,734,656,000</td>
</tr>
<tr>
<td>PO - divestment impact</td>
<td>$531,904,000</td>
<td>$861,966,000</td>
<td>$1,049,181,000</td>
</tr>
<tr>
<td>PD - calculation</td>
<td>0.71% x 5</td>
<td>0.47% x 10</td>
<td>0.27% x 20</td>
</tr>
<tr>
<td>PD - final value</td>
<td>$26,661,301,000</td>
<td>$26,970,089,000</td>
<td>$27,160,556,000</td>
</tr>
<tr>
<td>PD - initial value</td>
<td>$25,734,656,000</td>
<td>$25,734,656,000</td>
<td>$25,734,656,000</td>
</tr>
<tr>
<td>PD - divestment impact</td>
<td>$926,645,000</td>
<td>$1,235,433,000</td>
<td>$1,425,900,000</td>
</tr>
<tr>
<td>FT - calculation</td>
<td>0.00% x 5</td>
<td>-0.01% x 10</td>
<td>-0.05% x 20</td>
</tr>
<tr>
<td>FT - final value</td>
<td>$25,734,657,000</td>
<td>$25,708,932,000</td>
<td>$25,478,528,000</td>
</tr>
<tr>
<td>FT - initial value</td>
<td>$25,734,656,000</td>
<td>$25,734,656,000</td>
<td>$25,734,656,000</td>
</tr>
<tr>
<td>FT - divestment impact</td>
<td>0</td>
<td>-$25,724,000</td>
<td>-$256,128,000</td>
</tr>
</tbody>
</table>

Annualized using compound annual growth rate calculator: [https://www.omnicalculator.com/finance/cagr](https://www.omnicalculator.com/finance/cagr)
Impact of divestment on OPERF public-equity portfolio

10-year “Paris Orderly” scenario
(Energy-transition soft landing)

<table>
<thead>
<tr>
<th>Year</th>
<th>Divest fossil fuels</th>
<th>Keep fossil fuels</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>8.2% performance INCREASE</td>
<td>$862 million MORE for OPERF</td>
</tr>
</tbody>
</table>

Sources: Ortec “Climate Risk Scenario Modelling” p. 6; Ortec “Climate MAPS” report pp. 6, 7, 8; Treasury OPERF public equities valuation 12/31/21
Impact of divestment on OPERF public-equity portfolio

10-year “Paris Disorderly” scenario
(Energy-transition bumpy landing)

Sources: Ortec “Climate Risk Scenario Modelling” p. 6; Ortec “Climate MAPS” report pp. 6, 7, 8; Treasury OPERF public equities valuation 12/31/21
Impact of divestment on OPERF public-equity portfolio

10-year “Failed Transition” scenario
(Fossil fuel business as usual)

- Divest fossil fuels
- Keep fossil fuels

0.3% performance DECREASE
$26 million LESS for OPERF

A Failed Transition also projects a 20% loss from baseline to the entire OPERF portfolio by 2060

Sources: Ortec “Climate Risk Scenario Modelling” p. 6; Ortec “Climate MAPS” report pp. 6, 7, 8; Treasury OPERF public equities valuation 12/31/21
Treasury should not bet OPERF on a “Failed Transition” scenario

- A “Failed Transition” scenario assumes business as usual with no new policy measures
- But Oregon Investment Council’s consultant Meketa says:
  - Climate stimulus and low carbon support policies are being enacted across the globe
  - “The trend toward more policies supporting energy transition efforts is expected to continue”

Sources: Ortec Climate MAPS Climate Scan Report p. 6; OIC Public Meeting Materials 3/8/2023 pp. 86, 100
For OPERF’s protection, Treasury should invest to discourage a “Failed Transition”

- Ortec says a “Failed Transition” causes worst outcomes because of increasing physical risks of climate change
- In a “Failed Transition,” Ortec forecasts:
  - 63% lower US GDP by 2100
  - “By 2037 OPERF’s portfolio value . . . is significantly down compared to an orderly low-carbon transition.”
  - “By 2060 your asset portfolio is expected to c.20% lower than baseline.”

Source: Ortec Climate MAPS Climate Scan Report p. 3
Ortec forecast that OPERF’s favorable divestment return rates would lessen over time

The model assumed fossil fuel companies would eventually transition, become “part of the solution,” and lessen their earnings difference with a clean-energy fund.

<table>
<thead>
<tr>
<th>Paris Disorderly Annualized Rate of Return</th>
<th>5 years</th>
<th>10 years</th>
<th>20 years</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>14.5%</td>
<td>10%</td>
<td>5.8%</td>
</tr>
</tbody>
</table>

Source: Slide 10 from Ortec Climate Risk Scenario Modelling p. 6
But if fossil companies reject clean energy, divestment gains OPERF even more

- Some investors asked to study divesting fossil-based utilities in “a worst case of them failing to respond to engagement/reducing emissions - in order to support the portfolio NZ [net zero] commitment.”
- This would increase divestment gains over time
- Treasury did not request Ortec to do that

Source: Ortec Climate Risk Scenario Modelling p. 6
Treasury should ask Ortec to study fossil fuel companies’ rejection of clean energy

- Recently subpoenaed internal fossil-fuel corporate documents reject a clean energy transition strategy by fossil fuel companies
- Fossil companies have been making state-of-the-art internal climate change predictions since the 1970s, while making bad faith claims the science was erroneous or inconclusive

Sources:
Assessing ExxonMobil’s global warming projections | Science
PERS beneficiaries, PERS employers and the public deserve to know . . . .

- What persons received Ortec’s divestment report?
- What persons were responsible for assessing the report and deciding what steps, if any, would be taken to implement it? What persons gave input on these issues?
- Why did the Treasury not release this report in a timely manner when requested by public records request, and what persons were involved in making that decision?
And now more than ever we deserve to know . . .

- Why is Treasury refusing to divest money-losing, climate-damaging fossil fuel investments?
- Why is Treasury investing to encourage a Failed Transition when there is strong evidence that will result in massive eventual harm to OPERF’s value, and its availability for future PERS retirees?