Treasury's 2025 NZP Report

Before Treasury released the Net Zero Plan (NZP) report

Divest Oregon was advocating for Treasury to:

- Include just transition principles in the Climate Resilience Investment Act (CRIA)
- Disclose portfolio progress toward net zero, using reliable metrics
- Explain HOW net zero would be reached without substantial reduction in private fund investments in fossil fuels

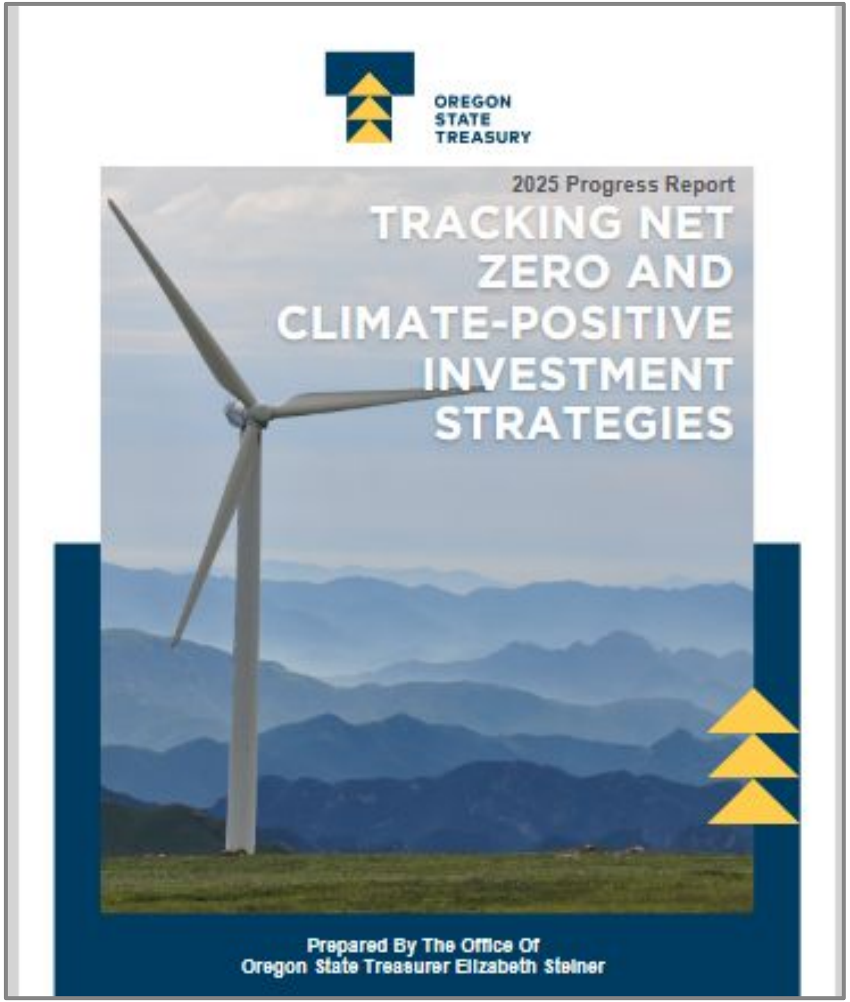
And now?

- Treasury's NZP 2025 Progress Report has been released
- Next Treasury report at the end of 2026 will be a report on progress under CRIA (Climate Resilience Investment Act)

Now that report has been published:

Divest Oregon's focus is to:

- Understand methodology used in creating report
- Analyze Treasury's report on the NZP
- Continue to advocate for eliminating fossil fuel investments
- Continue to advocate for selection of investments to heavily weight systemic risk to the climate



[Link to Treasury’s report]

Divest Oregon’s Analysis of Treasury’s 2025 NZP Report

Why This Net Zero Plan Report Matters

- OPERF manages over $100 billion
- Supports public employee retirement for decades
- Climate risk = long-term financial risk

In addition:

- The NZP report sets a baseline for future reporting mandated by the Climate Resilience Investment Act (CRIA)

Treasury’s Headline Results

I am pleased to present to you the Oregon State Treasury Progress Report: Tracking Net Zero and Climate-Positive Investment Strategies. This report combines information regarding the COAL Act, Net Zero report, and sets the stage for the Climate Resilience Investment Act since the aims of all three are related.

I believe that pursuing profitable, climate-positive opportunities is in the best interest of public employees and all Oregonians. I am proud to say that my team at Oregon State Treasury has successfully embraced climate-positive investments while also producing strong returns that beat the assumed rate year after year. This strategy offers a stable and reliable income for retirees while reducing the climate impact of our investment portfolio.

The results of this strategy are promising:

- Emissions intensity in the Oregon Public Employees Retirement Fund dropped by more than 50%.
- Climate-positive investments within the Real Assets portfolio increased from $1.2 billion as of January 1, 2022 to $2.4 billion as of June 30, 2025.
- Although fossil fuel holdings in Private Market funds increased from January 1, 2022, into 2023, that marked the peak for such investments and was the last time there was a year-over-year increase. Since January 1, 2023 fossil fuel holdings have steadily declined.

Treasury’s Headline Results

1. A 50% drop in the “emissions intensity” in OPERF from 2022 to 2023
2. A doubling of “climate-positive” investments as of June 2025
3. A steady decline in fossil fuel Private Market holdings since January 2023

OREGON STATE TREASURY

“More than 50 percent year-over-year reduction in portfolio emissions intensity”

KOIN 6 WATCHING OUT FOR YOU

“more than 50 % year-over-year reduction in portfolio emissions intensity”

Think Out Loud®

“more than 50% decrease in the climate intensity of its investments between 2022 and 2023”

Net Zero Investor

“50% reduction in portfolio emissions intensity”

Eugene Business Daily

“Oregon State Treasury reports sharp drop in OPERF emissions intensity”

MarketsGroup

“emissions intensity in OPERF dropped by more than 50%”

How Does Treasury Explain a 50% Drop?

“These reductions were **due to market forces”** which “justify efforts to continue our current strategy” (pp 1, 27)

How solid is this explanation?

Looking Beyond the Headlines, Different Metrics tell Different Emissions Stories

- Treasury’s **emissions intensity** decreased by 50% in 2023 only because of a severe outlier that probably should have been dropped from consideration
- **Real climate impact** appears flat at best

Q: What is “Emissions Intensity”?
A: First Treasury calculated “Financed Emissions”

Financed emissions are emissions from all of OPERF’s investments, reduced to OPERF’s proportion of ownership.

Financed emissions are real world emissions for which OPERF, through its partial ownership of their emitters, is financially responsible.

Then Treasury Calculated "Emissions Intensity"

Emissions intensity allows you to see how dirty or clean different types of assets are within a portfolio, and how dirty or clean different sized portfolios are compared to each other.

Emissions Intensity is OPERF's financed emissions divided by OPERF's proportionate share of the <u>revenue</u> of its investments.

Emissions Intensity is Highly Affected by Revenue Changes

Even if emissions increase, the **emissions intensity** can still decrease — simply because **revenues** (the divisor in the calculation) **increase even more**, which really doesn't change the transition risk.

That appears to be what happened between 2022 and 2023:

- **The emissions associated with OPERF investments actually *increased* by 28%...**
- but because the **reported revenue associated with its investments increased by 195%...**
- thus, the calculated "**emissions intensity" fell 50%**

Bottom Line: Emissions Intensity

When reported revenue grows faster than emissions,
the emissions intensity falls —

even if the climate impact does not improve.

Private Equity Drives the Emissions Intensity Change

Private equity revenue increased $780 billion – **four fold** from 2022 to 2023 – based on modeled data.

Why?

Table 1: Emissions Intensity in the Fund: 2022

S&P Global Sustainable1

Portfolio Name	Value Provided (mUSD)	Value Assessed (mUSD)	Apportioned Emissions	Apportioned Revenue (mUSD)	Emissions Intensity Calculation
Fixed Income	$15,789	$710	96,465	$276	349.84
Opportunity	$2,657	$1,894	3,783,844	$123,102	30.84
Private Equity	$29,322	$26,189	11,464,278	$242,188	47.34

Table 2: Emissions Intensity in the Fund: 2023

S&P Global Sustainable1

Portfolio Name	Value Provided (mUSD)	Value Assessed (mUSD)	Apportioned Emissions	Apportioned Revenue (mUSD)	Emissions Intensity Calculation
Fixed Income	$16,341	$2,920	248,790	$1,166	213.37
Opportunity	$2,622	$2,516	4,779,539	$186,292	25.66
Private Equity	$28,731	$28,505	21,144,905	$1,022,038	20.69

Private Equity Effect - One Company…

In an email to Divest Oregon, Treasury attributed this huge increase for private equity revenue to a **confidential indirect stake in an unnamed large global technology company with low emissions**.

If **OPERF's share of this global tech company's revenue**, as a partial investor, were truly anywhere near an increase of $780 billion in 2023, 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.

Key Insight

The total 2023 revenues of this global tech company make it a significant market outlier, and there is no way for outside organizations to verify this revenue.

Treasury based its 50% improvement in Emissions Intensity on one outlier.

Good practice excludes outliers from consideration.

A Key Net Zero Measure: “Financed Emissions”

Financed emissions is the share of carbon pollution the pension fund itself is responsible for based on the proportionate share of its partial ownership of its holdings.

Treasury Provided Financed Emissions - 2022

Table 1: Emissions Intensity in the Fund: 2022

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Private Equity	$29,322	$26,189	11,464,278	$242,188	47.34
Public Equity	$20,198	$17,994	1,720,207	$9,590	179.37
Real Assets	$8,922	$8,910	18,375,269	$40,556	453.08
Real Estate	$21,532	$21,093	373,557	$20,812	17.95
Total			**35,813,620**	**$436,524**	**82.04**

Treasury Provided Financed Emissions - 2023

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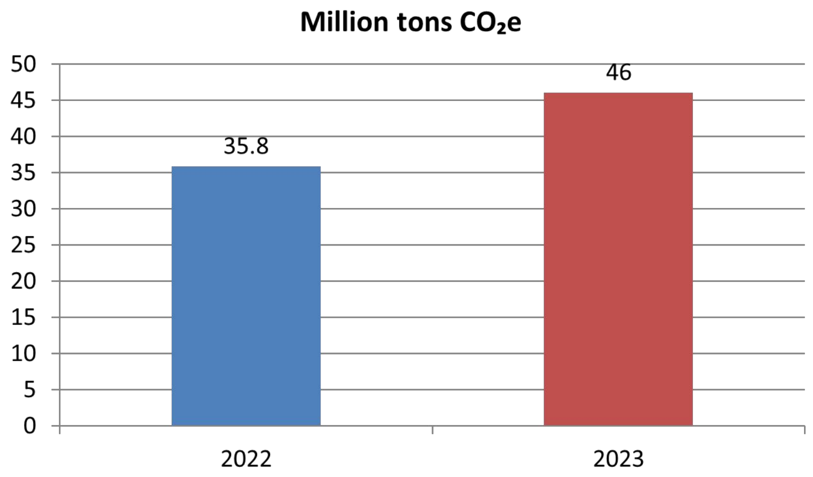
Private Equity	$28,731	$28,505	21,144,905	$1,022,038	20.69
Public Equity	$18,929	$18,390	1,286,943	$8,162	157.68
Real Assets	$9,709	$9,705	17,227,066	$49,867	345.46
Real Estate	$22,015	$19,986	1,327,472	$19,723	67.30
Total			**46,014,715**	**$1,287,248**	**35.75**

Financed Emissions Increased

- OPERF's total financed emissions rose
- That's a 28% increase… but, again, most of this comes from one asset class: Private Equity
- Nearly half of OPERF's financed emissions increase came from OPERF's private equity holdings



Bottom Line on Climate Footprint Reporting

Outside of private equity, the portfolio's climate footprint appears largely unchanged.

This aligns with broader trends: U.S. emissions changed only modestly over the same period.

Multiple Metrics Tell a More Complete Story

- **Financed Emissions** (total carbon owned) reflects the portfolio’s progress toward Net Zero. Although not highlighted or discussed, this metric is also reported.
- **Emissions Intensity** reflects transition risk of the portfolio’s holdings — and is greatly affected by swings in the economy. This is the metric the Treasury used to determine its 50% reduction from 2022 to 2023.
- **Financed Emissions Intensity** allows internal and external comparisons based on a portfolio’s financial responsibility for emissions.

NYC Pension Plans Reports Financed Emissions Intensity

Total Emissions by System

Emissions *(tons of CO2e/$m invested)*	NYCERS	TRS	BERS
Scopes 1 and 2	57.94	50.93	50.03
Scope 3	343.95	311.08	350.11

https://comptroller.nyc.gov/services/for-the-public/nyc-climate-dashboard/climate-finance/

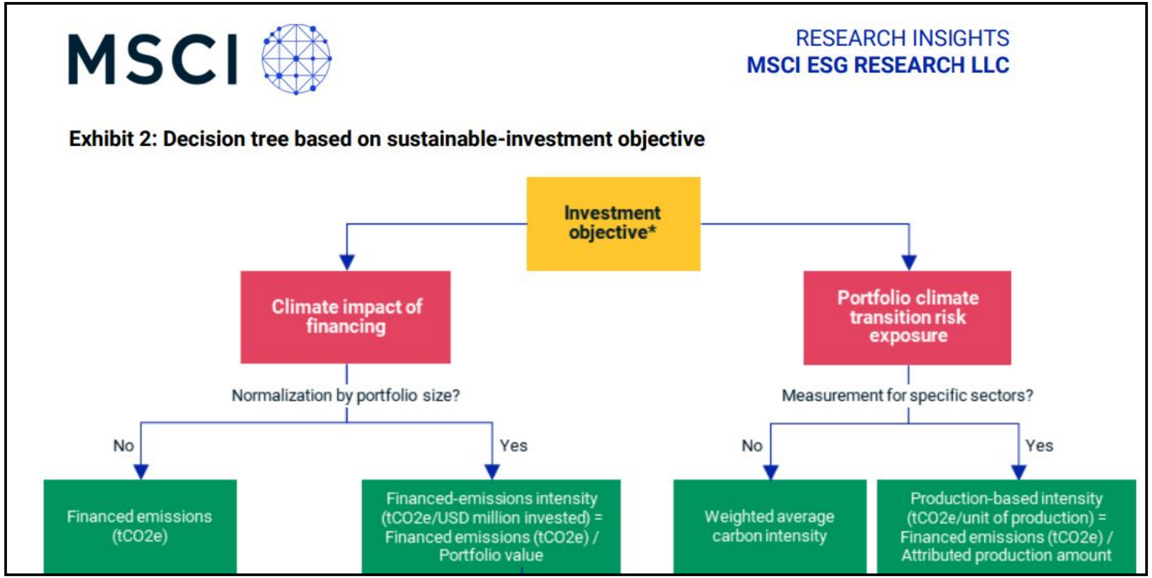
What's the Solution? Use Multiple Metrics

Emissions Intensity = transition risk

Financed Emissions = real climate footprint

Financed Emissions Intensity = cross check

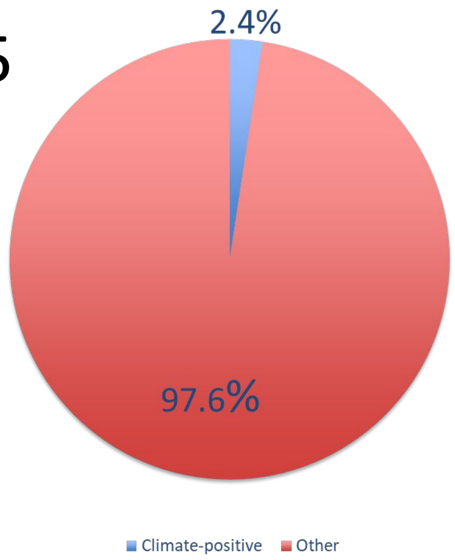
Experts recommend a **dashboard** approach with multiple metrics



Scale of Doubling Climate-Positive Investments

The report states

- $2.4 billion invested in climate positive solutions - doubled from 2022 to 2025
- About 2.4% of the portfolio



In comparison,
CalPERS target for
climate positive investment:
~18% by 2030

It is Unclear if Climate-Positive Investments Show Improvements Beyond Value Changes

Private Fossil Fuel Holdings Decline in Value

- Reported market value declining after 2022
- 6% value decline since 1/1/2023
- But market value does not show investment levels

Table 4: Year-Over-Year Change in Fossil Fuel Holdings Within Private Market Funds

Date	Market Value of Private Market Fossil Fuel Holdings (mUSD)	Year-Over-Year Change (mUSD)
January 1, 2022	$2,666	
January 1, 2023	$3,197	+$531
January 1, 2024	$3,120	-$77
January 1, 2025	$3,091	-$29
June 30, 2025	$3,008	-$83

Investment Flows Tell a Different Story

Actual exposure may not be falling

Interested parties need to know, by origin dates:

- Not just what’s the value
- Also how many companies?
- How much money has Treasury invested? (committed and contributed)

Treasury Fails to Determine Which Private Investments to Push for Credible Transition Plans

- NZP Major Action: “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.”
- Treasury did not fulfill that commitment because it said does not have necessary confidential revenue data.
- But Treasury has substitute measures to determine which private investments to push.

Missing: System-Level Risk Discussion

- Climate change affects the entire economy
- OPERF is a universal owner
- Unchecked climate change could reduce investment values 30–40%
- Mentioned general cooperation with other investors; no mention of specific investment and engagement strategies for reducing real world emissions

Coal Phase-Out Due to COAL Act

OST reduced OPERF's public equity thermal coal holdings

- 2024: $28.9 million in 21 companies
  2025: $15 million in 12 companies
- The COAL Act, sponsored by Divest Oregon, facilitated action to reduce OPERF's public equity holdings in thermal coal

Table 5: Thermal Coal Portfolio Exposure as of November 30, 2025

Company Name	Shares/Par Value	Base Market Value (as of 11/30/2025)
Adaro Andalan Indonesia PT	1,165,100	$524,662.26
Bukit Asam TBK PT	2,816,576	$390,650.89
Coal India LTD	1,312,627	$5,519,937.91
Core Natural Resources INC	15,062	$1,204,960.00
Hallador Energy Co	86,540	$1,764,550.60
Indo Tambangraya Megah TBK P	36,731	$48,629.15
Peabody Energy Corp	35,213	$959,202.12
Semirara Mining And Power Co	1,692,200	$839,679.77
Shaanxi Coal Industry CO LA	713,500	$2,285,860.79
Thungela Resources LTD	53,980	$255,693.91
United Tractors TBK PT	729,713	$1,226,776.58
DMCI Holdings Inc	24,784	$4,758.88
	Total:	**$15,025,362.86**

Coal Phase-Out Questions

- Timeline for full exit from coal companies?
- What is the additional exposure in private equity?

Engagement Strategy: Does it move the needle?

- Thousands of shareholder votes reported
- But outcomes are not documented
- No examples of company change
- No clear escalation when companies fail

Missing: Just Transition Strategy

- Just Transition not addressed in 2025 report
- CRIA requires reporting starting in 2026

Divest Oregon will continue to be a resource to the Treasury with connections with national leaders in the area. We will focus on:

- Free, Prior, and Informed Consent
- Labor Rights

Recommendations for CRIA Report

More reported measurements

- Report multiple climate metrics, including financed emissions
- Provide data quality scores
- Include Scope 3 emissions more prominently

Recommendations for CRIA Report

Greater transparency

- Clarify private equity assumptions — including estimates or modeling to support inclusion or exclusion of the data.
- Define what is considered a climate-positive investment
- Provide more specificity about fossil fuel investments
- Provide information about how the COAL Act list is determined and what was done to reduce the holdings

Recommendations for CRIA Report

Increased insights in implementing CRIA

- Explain how results will guide future decisions in timing and interim goals
- Report on progress towards just transition including workers’ rights and Free, Prior, and Informed Consent