

# Summary: Treasurer Read's Net Zero Plan for the Oregon Public Employees Retirement Fund (OPERF)

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Related Document: The [Divest Oregon's review](#) of the Treasurer's Net Zero Plan

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## What is in the Plan: Summary of Scope and Actions

### Goal of the Net Zero Plan

"Achieve net zero\* portfolio emissions\* no later than 2050, with an interim goal of a 60% reduction in portfolio emissions intensity by 2035, relative to 2022 baseline."

### The Four "Major Actions" to get to Net Zero across all asset classes

1. Increase the percentage of investments in companies, indexes or funds that have a climate strategy aligned with the Net Zero Plan
2. Increase "climate positive" investments (ie those that remove CO2) and investments that promote "climate solutions" such as renewable power infrastructure
3. Consider exclusions and re-allocations to manage exposure to potentially stranded assets (i.e. those that lose value with climate change, such as coal.)

4. Evolve portfolio composition to lower intensity sectors such as technology and health care away from high carbon intensity sectors such as utilities, energy and materials

## **What are the specifics and timeline of this Net Zero strategy?**

- 1. By February 2025, Treasury will conduct a review of publicly traded carbon intensive fossil fuel investments to ensure they meet minimum standards\* for clean energy transitions readiness as follows:**
  - thermal coal
  - oil sands
  - shale / fracked oil and gas
- 2. By 2035, Treasury will increase Climate Positive\* investments as follows:**
  - **Publicly traded:** 10% of active (ie managed) and 30% of passively held (ie indexed)
  - **Private investments:** triple investments to \$6 Billion.
- 3. By 2035, Treasury will ensure that 65% of emissions from private investments and 90% of emissions from real estate holdings are from companies with credible net zero transition plans.**
  - Investment in “real assets” (e.g. airports, bridges, timber) -- which currently produce 30% of portfolio Scope 1 and 2 CO2 emissions -- is done through investment funds managed by General Partners (GPs) over whom Treasury, as a Limited Partner, has no control over investment decisions. Treasury will encourage GPs to disclose or set aligned net zero targets or develop new relationships with GPs that have such targets.
  - Treasury will increase the share of real estate investments where they are the single investor and therefore have more control and influence in setting up transition plans, such as achieving LEED or similar certification, and net zero goals.
  - **What is the rationale for the 2035 interim 60% reduction goal:** Treasury states that a 60% reduction in portfolio emission intensity will be equivalent to a 50% reduction in absolute emissions. While not as aggressive as the 85% reduction by 2035 in the International Energy Agency’s (IEA) optimal strategy to keep global warming below 1.5 Celsius, it is better than the IEA’s assessment of the current policy landscape (28% reduction by 2035), and, according to the Plan, is achievable without major disruptions of OPERF investments and will allow OPERF to hit net zero by 2050.

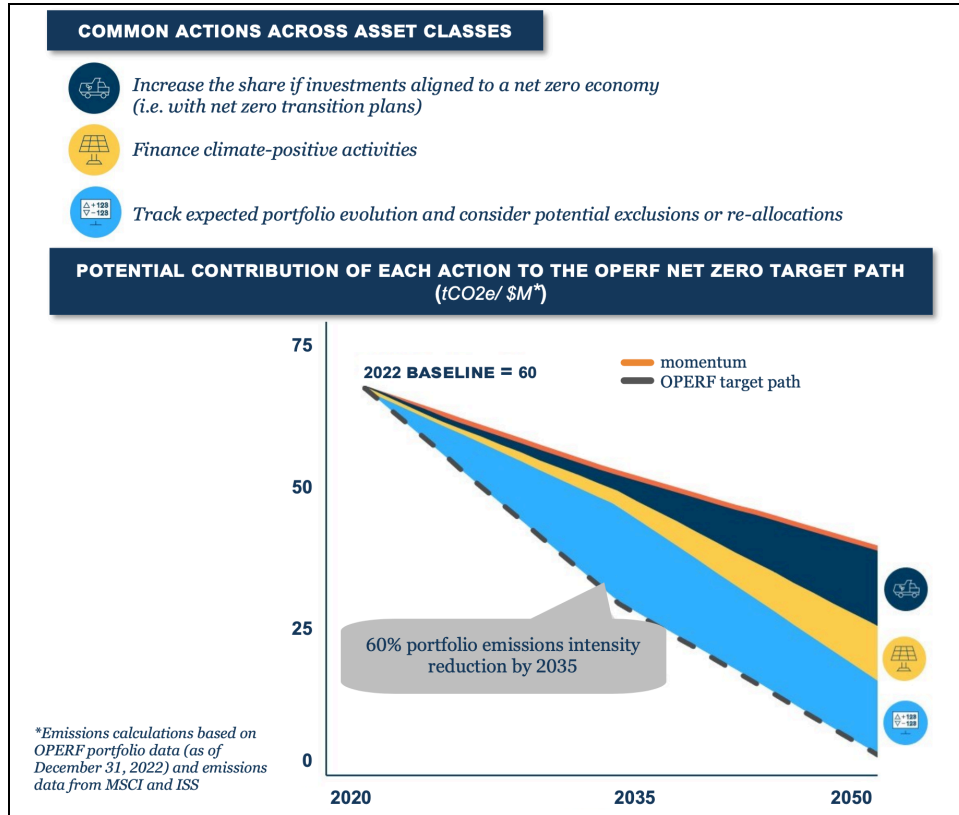
- i. Treasurer Read notes that the difficulty in reaching this target will depend significantly on broader emissions reductions policies at the national, international as well as industry level: the more others act to address climate change, the easier to meet the net zero targets; the less others act, the more challenging.

#### **4. Private Investment Plans**

- Treasury will exclude new investments in private market funds that have the stated intention to invest primarily in fossil fuels.
- Treasury will use its leverage as a limited partner to push for credible transition plans from private market funds that derive more than 20% of revenue from “fossil fuel activities.”

#### **Additional Actions:**

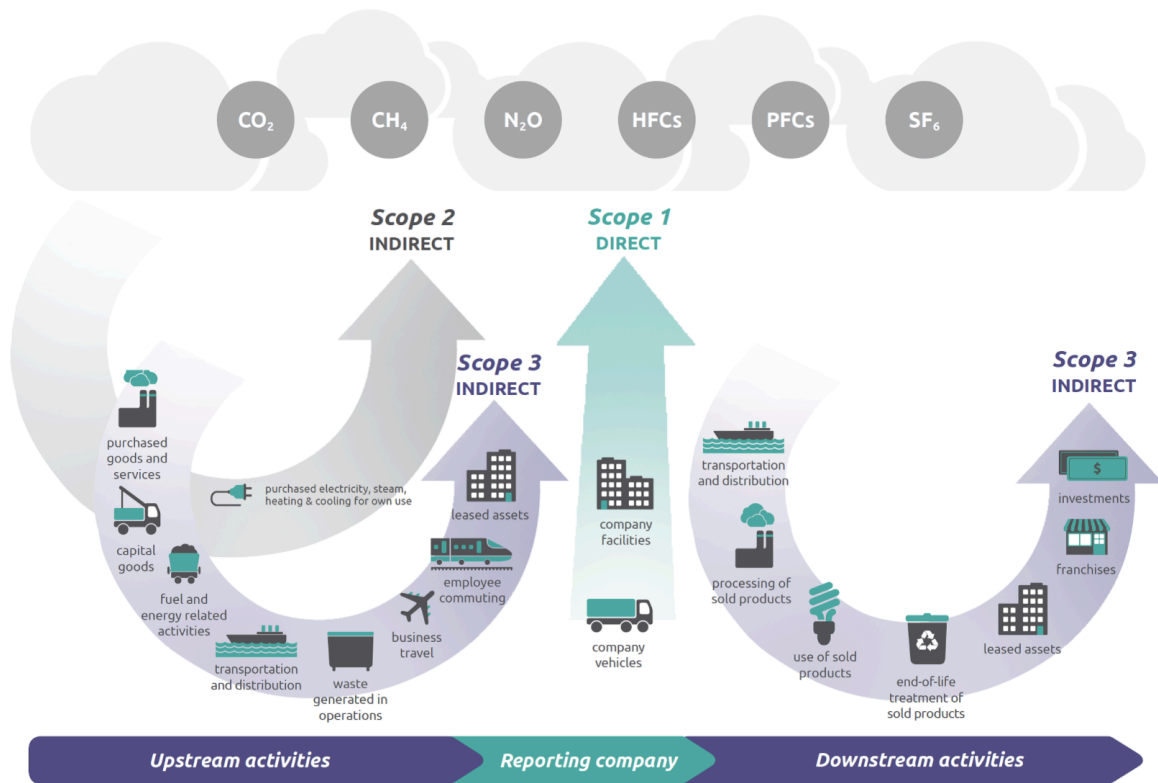
- Establish a Net Zero Beneficiary Advisory Committee.
- Monitor external fund manager selection to ensure alignment with net zero strategy and enhance fund manager engagement.
- Expand engagement with other pension funds to collectively target company climate transitions and clean energy investments.
- Increase data and reporting capacity to track GHG emissions more thoroughly.
  - Treasury will release updated emissions intensity data at least every two years until they have more internal reporting capacity, with annual public updates on actions taken to implement the Net Zero Plan.
- Consider potential exclusions or re-allocations necessary to meet decarbonization goals, including switching from a carbon intensive company to a low-carbon one.
  - While no data is presented, the following diagram from the Net Zero Plan suggests that exclusions / reallocations (in blue) will be a major part of the decarbonization strategy.



## What the Net Zero Plan covers

- The Net Zero plan applies only to OPERF, which covers the retirement benefits of more than 405,000 former Oregon public employees valued at approximately \$93.8 Billion (January 2024) and managed by the Oregon State Treasury. It includes private investments in OPERF.
- It does not apply to over \$45 Billion in other State funds held by the [Oregon Treasury](#).
- **\*Portfolio Emissions included:** Direct emissions from company operations, such as from product production activities ("**Scope 1**"), and emissions from the company's purchase of electricity or other energy ("**Scope 2**"), but not emissions a company indirectly effects through its "value chain" ("**Scope 3**"), such as through the distribution or use of its products (See EPA [diagram](#) below).

**Figure 1. Overview of GHG Protocol scopes and emissions across the value chain**

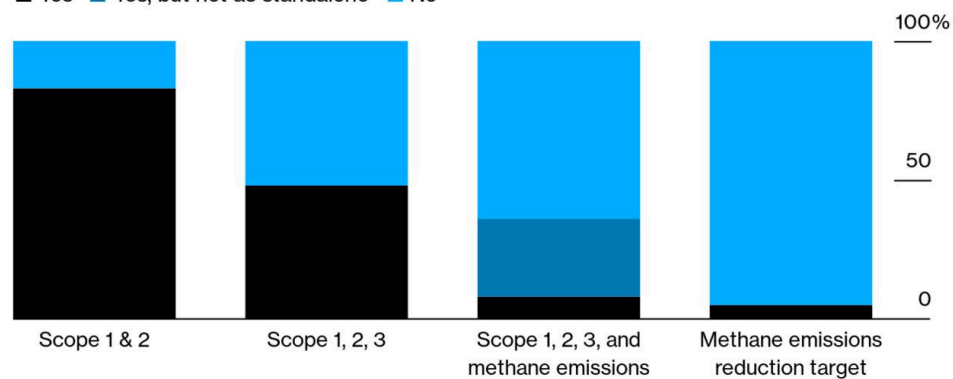


Source: [Scope 3 Standard](#), page 5.

### Disclosing Greenhouse Gas Emissions

Half of all companies surveyed by FAIRR don't disclose Scope 3 emissions

■ Yes ■ Yes, but not as standalone ■ No

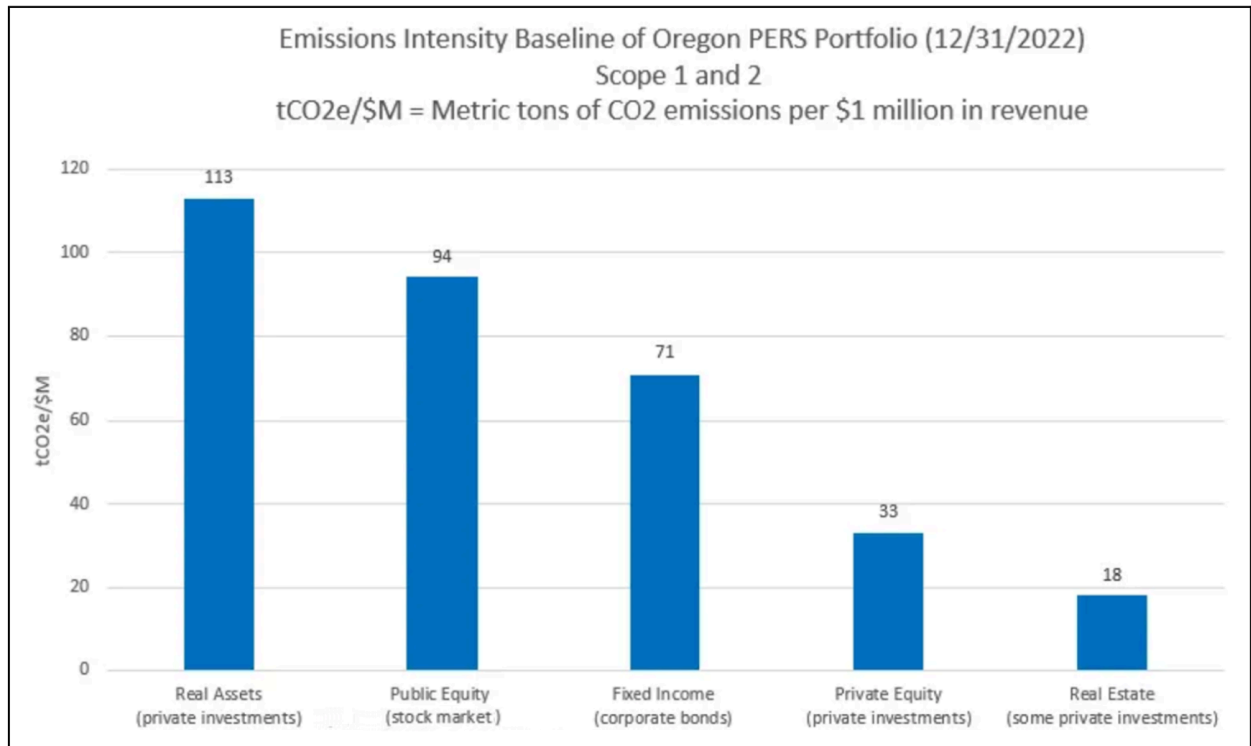


Source: FAIRR 2023  
The Collier FAIRR Protein Producer Index assesses 60 companies

Bloomberg

- o Scope 3 emissions can be the vast majority of a company's associated emissions, but data is available for only some companies. Treasury plans to include Scope 3 as measurement methodologies evolve.

- o Because most emissions from large integrated oil and gas companies, such as Exxon or Chevron, are Scope 3, Treasury decided to exclude them from their analysis.
- **What are the major sources of OPERF's Scope 1 and 2 emissions:** Treasury calculated 3.9 million tons of CO2 as shown in the following table:



#### Does OPERF have A LOT of emissions?

Adding an estimate for Scope 3 emissions, overall thought to be [75% of company emissions](#), we can calculate that OPERF would produce 15,507,732 tons of CO2 annually. A gas power car on average [produces 4.6 tons of CO2/ year](#). So OPERF's emissions equal the emissions of 3,371,246 cars per year...

**Or more CO2 each year than all 3.2 Million gas powered cars [registered in Oregon](#)!**

- **Absolute Emissions vs Emissions Intensity:** While "absolute emissions" is the simple sum of total emissions, "emissions intensity" is that total emissions amount divided by total dollar investment amount, or carbon emissions per dollars invested. This is said to allow for economic growth.

## What happens next

The Treasurer's Net Zero Plan was presented to the Oregon Investment Council in March, 2024. It will be up to the Council to review the plan to ensure it is consistent with the Treasury's fiduciary responsibility and to make any investment policy changes required for implementation.

## Next implementation steps

- Define standards and methodologies for the review of carbon intensive fossil fuel investments (thermal coal, oil sands and shale / fracked oil and gas)
- Identify and vet investment opportunities that align with investment and emissions objectives.
- Identify opportunities for enhanced engagement with companies both independently and in collaboration with other net zero aligned investors and groups through direct engagement and proxy voting.
- Establish a Net Zero Beneficiary Advisory Committee comprised of current and future retirees to be appointed by mid-Spring 2024 and hold the initial meeting by Summer 2024
- Increase Treasury capacity including investment analysts, engagement staff to help evaluate company transition readiness and net zero alignment, and an expanded data team to support internal and external reporting.

## \*Definitions

- **Net zero** refers to a balance between investments that produce greenhouse gasses and investments that remove greenhouse gasses from the atmosphere through natural and enhanced storage methods.
- **Emissions:** What greenhouse gas emissions are included: Treasury followed internationally accepted standards to measure the seven gases mandated under the Kyoto Protocol: carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulfur hexafluoride (SF<sub>6</sub>) and nitrogen trifluoride (NF<sub>3</sub>). For purposes of calculation, these are converted to and expressed as carbon dioxide equivalents (CO<sub>2</sub>e). Treasury states they were able to calculate the baseline emissions for 80% of their portfolio, including emissions for private market investments.
- **"Minimum standards"** for companies and funds to demonstrate transition readiness and risk mitigation: not yet defined
- **Climate Positive** investment examples: wind turbine manufacturing, renewables, energy storage solutions, and electric vehicles.

