SB 2291
Senator Jessica Bell
District 33

ESG stands for environmental and social governance. If you haven't heard about it, you will notice it in your daily reading now that it's been brought to your attention. It has infiltrated nearly every part of doing business. Environmental and social governance is a growing movement in the investment and banking world to divest from agriculture and energy companies, often ignoring the basic investment goal of maximizing returns. Companies will go so far as to turn down a creditworthy investment if it doesn't meet their ESG requirements, which limits financing and insurance opportunities for those companies who don't meet the required, and most often subjective, "standards". ESG is another tool in the toolbox to move toward the elimination of production agriculture and fossil fuels.

Stakeholder activism such as this fails to consider some important and undeniable facts. To begin with, we need fossil fuels and production agriculture to fuel and feed our world. Reliable electricity and a stable food supply have directly lifted millions of people out of poverty, immensely improving their quality of life, yet ESG driven decisions do not account for this. Most attacks on production agriculture and fossil fuels, meant to slow their progress and reduce access, are largely counterintuitive.

In North Dakota specifically, the largest investment fund managed by the state, the Legacy Fund, exists only because of oil and gas tax revenues. It defies logic to imagine the state investment board making Legacy Fund investments based only on ESG considerations, which often oppose the industry that funds half of our state budget. We need to remember the resources that have built our state economy, energy and production agriculture, and not let inefficient investment fads dictate our state's financial decisions. Any other policies directing investments to the Legacy Fund would not be affected by this legislation.

But we don't need to feel helpless! Even as we face an administration that has boldly and clearly stated the disdain they have for what we do as a producing state here in North Dakota. It's up to us to determine our own destiny and leverage our assets to prioritize what's important to us. Other states have taken similar actions, fully divesting from assets that don't reflect their priorities. (see article below) Places like the City of New York and states like Texas, Alaska (see article below), Wyoming, Indiana and others are evaluating the adoption of policies as it relates to ESG boycotts. This bill helps get us one step closer to developing our own policy here in North Dakota.

If the committee is looking at the bill as I speak to the different sections, I'd appreciate it if you'd work off of the amendments provided in my online testimony amendment 21.0717.02002. As this is a new concept, it's been difficult to find the proper language to include in the century code to reflect the practices we want to put in place. I've worked with affected state agencies and other interested parties to try and find the language that is most appropriate.

The first section of the bill places into law current practice of the State Investment Board as it relates to investment policies on ESG. The amendment excludes any other specific policy directives on investments in the Legacy Fund to ensure no complications. The policy disallows the consideration of ESG when making investments in our state's pension and other funds. This policy has proven very successful for both us and other states, specifically South Dakota, who has seen high performance with a policy that reflects our current practice and the language in this bill (see article below). High performance should always be a top consideration when making investment decisions for our state funds. But concepts like ESG beg other questions – should we be investing in companies that don't share our values? Should we do business with financial institutions that refuse to do business with the largest employers in our state? Should we sit back and watch those same financial institutions divest from fossil fuels and do nothing to protect ourselves? Should we focus investments in areas of business that fuel our economy? Or should we solely focus on top dollar? Then also – how do we attract those dollars to invest in our businesses? How do we demonstrate our production of energy and agriculture commodities are clean and sustainable? How can we better share our story and compliance regarding ESG?

These questions lead us to the reason you see the remaining sections of the bill. Section 2 encourages state agencies to avoid contracting with companies that support ESG through boycott of energy or agriculture. Notice this language is delayed and permissive, as more research needs to be completed before a comprehensive policy can be put into place. If there are changes requested by OMB, I'm happy to work with them on a way to alleviate any concerns they may have.

Sections 3 and 4 direct the Department of Commerce to develop a list of companies that do business in our state and boycott energy and agriculture, including a list of all investments of state funds in companies with direct or indirect holdings in companies that boycott energy or commodities. The Department of Commerce is also directed to evaluate the implications of completely divesting state funds from companies and financial institutions that boycott energy or agriculture. A more drastic, but likely necessary, approach to defend our legacy of production agriculture and energy products.

An emergency clause has been included because this is an immediate priority for the state, and Commerce is already beginning to evaluate some of these implications. Adopting this bill and these policies give some directive to our state regarding a movement that is already up and running and will only continue to negatively impact our livelihoods.

You'll hear from experts on this subject this morning, as well as others who will play a role in this policy's implementation as we move forward. Their thoughts and feedback have been incorporated into the amendments in front of you this morning. I look forward to working together to continue building momentum as a state as it relates to ESG, and taking control of our own future. Let's make our priorities – continued production and exports of our agriculture and energy products – clear to the world.

SD Article
https://www.valuewalk.com/esg-pension-investment-strategies-proxies/

AK Governor
https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/alaska-governor-wants-to-cut-ties-with-banks-not-financing-arctic-oil-industry-61757817

Three NYC Pension Funds to Divest $4 Billion From Fossil Fuels
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By Alex Wittenberg
(Bloomberg) -- Three of New York City's five public
employee pension funds are divesting $4 billion from securities
related to fossil-fuel companies.

Pensions for teachers, school administrators and civil servants voted to divest their holdings, according to a statement Monday from Mayor Bill de Blasio, Comptroller Scott Stringer and retirement board trustees. Police and fire department pension funds haven't voted to divest.

Investment managers and finance firms have come under increasing pressure to address climate change. In 2018, New York became the first major U.S. city to commit to divesting public pension funds from fossil fuel holdings.

"Our first-in-the-nation divestment is literally putting money where our mouth is when it comes to climate change," de Blasio said in the statement. "Divestment is a bold investment in our children and grandchildren, and our planet."

Last year, the New York State Common Retirement Fund pledged to reach net-zero greenhouse gas emissions across its investments by 2040, a decade before any other U.S. pension plan.

Other large pension investors have also taken action to reduce their carbon footprints, including the California Public Employees' Retirement System and Australia's Retail Employees Superannuation Trust, which have committed to transition their investments to net-zero emissions by 2050.

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