

2021 SENATE INDUSTRY, BUSINESS AND LABOR

SB 2287

2021 SENATE STANDING COMMITTEE MINUTES

Industry, Business and Labor Committee Fort Union Room, State Capitol

SB 2287
2/3/2021

to provide for an insurance commissioner study of lignite coal industry insurance

11:07 AM

Chair Klein opened the hearing at 11:07 a.m. All members present. Senators Klein, Larsen, Burckhard, Vedaa, Kreun, and Marcellais.

Discussion Topics:

- Energy sources
- Implantation of a program to replace lignite coal industry

Senator Wardner introduced the bill and testified in favor and submitted testimony #5047 [11:07].

Jason Bore, CEO of Lignight testified in favor [11:17].

Jon Godfread, Insurance Commissioner testified in favor [11:24].

Additional written testimony: 5017 and 4951

Senator Vedaa moved a DO PASS [11:28].

Senator Burckhard seconded the motion [11:28].

[11:28]

Senators	Vote
Senator Jerry Klein	Y
Senator Doug Larsen	Y
Senator Randy A. Burckhard	Y
Senator Curt Kreun	Y
Senator Richard Marcellais	Y
Senator Shawn Vedaa	Y

Motion passed: 6-0-0

Senator Vedaa will be the carrier [11:28].

Chair Klein ended the hearing at 11:29 a.m.

Isabella Grotberg, Committee Clerk

REPORT OF STANDING COMMITTEE

SB 2287: Industry, Business and Labor Committee (Sen. Klein, Chairman) recommends **DO PASS** (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2287 was placed on the Eleventh order on the calendar.

Senator Wardner
SB 2287 Written Testimony

Mr. Chairman and members of the committee,

I believe the North Dakota lignite coal industry is crucial for the state and region's continued power generation. As a significant power-producing state, we must have the best understanding of the issues and problems affecting our ability to produce power. One of these new problems which will affect the lignite industry, in the state and around the nation, is Environmental Social Governance (ESG). You will hear from others a much more in-depth analysis of ESG. Still, to put it briefly, it is specific criteria and principles that investment and insurance organizations use to inform their investment decisions. Specifically, these organizations use ESG figures and statistics to divest and remove themselves from companies they believe are not adhering to their ESG principles. Many believe that it has a direct negative impact on North Dakota's lignite entities.

Insurance rates have been drastically increasing in recent years because of these "ESG scores." This study will delve into the different and unique artificial pressures being placed on the industry. At the conclusion of the study, the goal is for the State of North Dakota and the insurance commissioner to have a complete analysis and understanding of the pressures this industry faces regarding insurance premiums. Additionally, to determine if there is anything the lignite companies, the insurance commissioner, or the state can do to alleviate the issue.

The energy demand will always be increasing. Yes, the energy industry is continually growing with new renewables each year. However, these new and emerging energy technologies are not significant enough to offset the lignite industry in North Dakota and the region. This is why it is imperative to find solutions before it is too late for the industry. I believe once the coal-powered industry leaves our state, the industry will not be back.

If North Dakota wants cheap, reliable energy for decades to come, we must understand the new risks to these increasingly essential sectors.



February 3, 2021

Chairman Klein and Senate IBL Committee Members,

On behalf of the members of the Lignite Energy Council, I am submitting testimony today in support of Senate Bill 2287. The bill provides the legislative authority for the insurance commissioner to study the availability, cost and risk associated with insurance coverage in the lignite coal industry and to implement any necessary recommendations by June 1, 2022.

Over the past three years, member companies of the Lignite Energy Council, which includes mining companies and electric generation facilities have experienced rate increases in the insurance products they use to protect their businesses in the range of 10 to 300%. These premium hikes have resulted in a significant increase in costs that did not exist three years ago and do not appear to be tied solely to LEC member loss history.

With the rapid rise of insurance rates in the lignite industry, the added high costs are making lignite facilities less competitive in the marketplace. In part, these rates are increasing due to artificial pressures in the insurance and financial marketplace to exit fossil energy investments generally referred to as Environmental, Social and Corporate Governance (ESG).

ESG criteria are investment principles that are used by many large financial institutions as guidance in their investment decisions. Banks and insurance companies are increasingly applying these arbitrary and non-financial factors as part of their analysis process to identify what are not actual, but perceived risks in financial and insurance markets.

In this study, we are seeking to work with the Insurance Commissioner to determine whether a program or mechanism could be implemented that could provide an alternative for North Dakota's lignite industry to seek market-based rates that are not skewed against the fossil fuel industry.

Thank you for your consideration,

Jason Bohrer

President and CEO

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Bill Number	Name	Lobbyist #	Support	Oppose	Neutral
SB 2287	Jean Schafer, Basin Electric	8	X		

We Support this bill and would reiterate the testimony provided by the Lignite Energy Council.

2021 HOUSE INDUSTRY, BUSINESS AND LABOR

SB 2287

2021 HOUSE STANDING COMMITTEE MINUTES

Industry, Business and Labor Committee
Room JW327C, State Capitol

SB 2287
3/3/2021

Study of lignite coal industry insurance.

(9:23) Chairman Lefor called the hearing to order.

Representatives	Attendance	Representatives	Attendance
Chairman Lefor	P	Rep Ostlie	P
Vice Chairman Keiser	P	Rep D Ruby	P
Rep Hagert	P	Rep Schauer	P
Rep Kasper	A	Rep Stemen	P
Rep Louser	P	Rep Thomas	P
Rep Nehring	A	Rep Adams	P
Rep O'Brien	P	Rep P Anderson	A

Discussion Topics:

- Insurance reserve fund.
- Market-based rates in lignite industry.

Jon Godfread~ND Insurance Commissioner. Introduced the bill.

Jason Bohrer~Lignite Energy Council. Attachment #7312.

Arik Spencer~ND Chamber. Testified in favor.

Chairman Lefor closed the hearing.

Vice Chairman Keiser moved a Do Pass.

Rep Stemen second.

Representatives	Vote
Chairman Lefor	Y
Vice Chairman Keiser	Y
Rep Hagert	Y
Rep Jim Kasper	A
Rep Scott Louser	Y
Rep Nehring	A
Rep O'Brien	Y
Rep Ostlie	Y
Rep Ruby	Y
Rep Schauer	Y
Rep Stemen	Y
Rep Thomas	Y
Rep Adams	Y
Rep P Anderson	A

Vote roll call taken Motion carried 11-0-3 & Vice Chairman Keiser is the carrier.

(9:40) End time.

Ellen LeTang, Committee Clerk

REPORT OF STANDING COMMITTEE

SB 2287: Industry, Business and Labor Committee (Rep. Lefor, Chairman) recommends **DO PASS** (11 YEAS, 0 NAYS, 3 ABSENT AND NOT VOTING). SB 2287 was placed on the Fourteenth order on the calendar.

March 3, 2021

Chairman Lefor and House IBL Committee Members,

On behalf of the members of the Lignite Energy Council, I am submitting testimony today in support of Senate Bill 2287. The bill provides the legislative authority for the insurance commissioner to study the availability, cost and risk associated with insurance coverage in the lignite coal industry and to implement any necessary recommendations by June 1, 2022.

Over the past three years, member companies of the Lignite Energy Council, which includes mining companies and electric generation facilities have experienced rate increases in the insurance products they use to protect their businesses in the range of 10 to 300%. These premium hikes have resulted in a significant increase in costs that did not exist three years ago and do not appear to be tied solely to LEC member loss history.

With the rapid rise of insurance rates in the lignite industry, the added high costs are making lignite facilities less competitive in the marketplace. In part, these rates are increasing due to artificial pressures in the insurance and financial marketplace to exit fossil energy investments generally referred to as Environmental, Social and Corporate Governance (ESG).

ESG criteria are investment principles that are used by many large financial institutions as guidance in their investment decisions. Banks and insurance companies are increasingly applying these arbitrary and non-financial factors as part of their analysis process to identify what are not actual, but perceived risks in financial and insurance markets.

In this study, we are seeking to work with the Insurance Commissioner to determine whether a program or mechanism could be implemented that could provide an alternative for North Dakota's lignite industry to seek market-based rates that are not skewed against the fossil fuel industry.

For these reasons, the Lignite Energy Council supports SB2287 and we respectfully ask that the committee provide this legislation with a favorable "Do-Pass" recommendation.

Thank you for your consideration,

Jason Bohrer, President and CEO

