



SYNTHESIS.EARTH

March 12, 2021

RE: SB 2291

Chairman, and members of the committee, my name is Ryan Warner. I am custodian of Synthesis.Earth, a connective technology company headquartered in Bismarck.

SB 2291 seeks to give the State Investment Board the authority to make investment decisions that adversely select against funds and investment opportunities that follow Environmental Social Governance investment guidelines, provided such investments are likely to provide equivalent or better returns.

Some in this room believe ESG investment guidelines are “discriminatory” or “activist” in nature, and nothing but a thinly cloaked effort to ruin fossil fuel industries.

In actuality, environmental social governance is a continuation of the cold calculation of capitalism, which seeks ultimately to put a price tag on everything to create better predictive mechanisms and greater market efficiency.

As we all know, fossil fuels have traditionally been able to release their by-products into the air at no cost, and as such have long enjoyed a leg up on other industries that must pay to dispose of their waste products. Given the growing consensus on climate change, and the role that the release of atmospheric carbon dioxide plays in driving the rate of climate change beyond the ecosystem’s ability to adapt, investment managers now forecast that a carbon tax is on the horizon. A carbon tax will provide a market mechanism that somewhat recaptures the true cost of releasing carbon into the atmosphere, and in the process create economic incentives to slow the rate of climate change to more manageable and less catastrophic levels.

In essence, this is an uncertain time and industries with carbon risk exposure are in the crossfire. This is because the potential of putting a price on carbon in industries with large amounts of carbon risk exposure creates a very real chance that certain business models will no longer be viable in the future. In a financial world seeking certainty, the looming carbon tax creates a huge amount of uncertainty.

SB 2291 seeks to address some of these concerns, and attempts to give the investment managers working on the behalf of North Dakotans an opportunity to use their investment dollars in a way that promotes the economic welfare of the oil, gas, and coal industries that have traditionally powered the state’s economy.

However, finance capitalism is a global enterprise and follows the law of large numbers. As such, a small state like North Dakota has no real way to use its investment power alone to protect its local interests.

This dilemma has been in force since the beginning of our statehood. Environmental social governance investment guidelines are just the latest in a long line of economic imperatives foisted on us by the interests of rich outsiders.

So while SB 2291 has identified one of North Dakota's ongoing challenges, it has failed to provide any real solutions. No amount of study or calculation of ESG is going to change the fact that North Dakota is a small fish swimming in a big pond.

That said, North Dakota's history does provide a guide. About a hundred years ago, farmers were being squeezed by out-of-state banks, mills, and elevators. Operating in commodity markets manipulated by outside interests, and unable to access financing at fair rates, farmers banded together and created the Bank of North Dakota and the State Mill and Elevator. These state owned enterprises stabilized the commodity markets and allowed access to financing for thousands of small farmers and business people in North Dakota. In the hundred years that followed, these state owned enterprises have become symbols of how North Dakotans can stand up to outside forces while maintaining local control over their interests.

I visited the Capitol two years ago during Entrepreneur Day. Time and time again, speakers reminded us that day that North Dakota has a secret weapon that all entrepreneurs should be proud of - the Bank of North Dakota and its variety of startup loan programs for entrepreneurs and small business owners. Even 100 years later, this state owned enterprise is providing real opportunities for small time North Dakotans to make a big time impact in the world.

North Dakota is a true American leader in using state owned enterprises to take back local control. As such, I suggest we amend SB 2291 to direct the Commerce Department to study how state owned enterprises could help North Dakota protect its local interests within global finance capitalism. I have provided sample language in an addendum to my written testimony.

Thank you.

Sincerely,  
Ryan Warner

## ADDENDUM;

SECTION 4. DEPARTMENT OF COMMERCE STUDY OF STATE OWNED ENTERPRISES AS A WAY TO INSULATE NORTH DAKOTA FROM THE INFLUENCE OF GLOBAL FINANCE CAPITALISM - REPORT TO LEGISLATIVE MANAGEMENT. During the 2021-22 interim, the department of commerce shall study the potential of creating state owned enterprises to provide a mechanism to circulate and maintain the wealth created by the natural resources of North Dakota within the borders of the state of North Dakota. To determine which industries are best suited to state owned enterprise development, the department of commerce shall calculate the ratio of wealth created and exported away from North Dakota on an annual basis by all industries, and estimate the amount of economic activity and wealth that could have been retained had those industries been fully organized under a state owned enterprise. The department of commerce shall report its findings and recommendations to the legislative management by June 1, 2022.