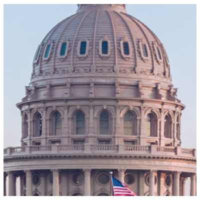


TEXAS PUBLIC POLICY FOUNDATION

Testimony

March 18, 2021

SB 13

Testimony Before the Senate Natural Resources & Economic Development Committee

Brent Bennett, PhD, Policy Director, Life:Powered

Chairman Birdwell and Members of the Committee:

Thank you for the opportunity to testify today in support of SB 13. I am the policy director of Life:Powered, a project of the Texas Public Policy Foundation (TPPF) to raise America's energy IQ. My career has spanned oil and gas, utility-scale batteries, financial research, and now energy policy, so the subject of this bill is of great personal interest to me. I am honored to have the chance to testify for this bill.

As an organization committed to limited government, TPPF is not inclined to seek policy responses for misguided corporate behavior. However, the movement among financial institutions and other businesses to discriminate against American energy producers has reached a point where it demands a response from our states. Not only does it negatively impact our vital energy businesses and threaten our energy independence, but it also strikes at the heart of many bedrock principles of capitalism that have made our country so prosperous.

First, I want to clarify that we do not oppose the right of companies to pursue ESG investing goals. **Environmental, social, and governance (ESG) goals are appropriate when those goals benefit a company's shareholders.** Companies that want to maximize long-term returns to their shareholders must take care of the environment, their employees, and their communities. We encourage charitable activities from companies for this reason. The problem arises when, under the guise of risk management and ESG principles, advocacy groups are forcing corporate boards to place narrow political agendas above their fiduciary responsibilities.

Unfortunately, the environmental aspect of the ESG movement has devolved into a myopic focus on climate change and carbon emissions. A prominent example is the Climate Action 100+ group. Its members, which include BlackRock and JPMorgan Chase, are responsible for over $52 trillion in assets. These members are asked to "engage" companies to reduce greenhouse gas emissions in a manner consistent with the Paris Agreement's goals and to comply with Michael Bloomberg's Task Force on Climate-Related Financial Disclosures. This engagement is primarily done through proxy voting and shareholder actions, and, as is happening now with ExxonMobil, it can go as far as replacing board members.

By focusing solely on carbon emissions, these groups distort incentives and direct resources from other environmental, social, and financial concerns. More concerning, however, is the pressure to move beyond corporate engagement into boycotting and divestment. **We are now seeing major banks and investment firms colluding to deny financing to and investment in energy companies.** These actions are hostile to free and competitive energy markets and harmful not just to energy businesses but also to energy consumers. The result will not be improvements in environmental quality but instead higher energy prices and greater dependence on foreign energy producers.

We recently spoke with the governor of Alaska, whose state is having to invest its own money to develop new Arctic oil and gas reserves because the major banks and oil and gas companies will not invest there. Texas is fortunate to have a diverse resource mix on mostly private lands, but we have heard from numerous energy producers that their ability to grow their companies is being constrained by financing costs. One producer has said that even if oil prices fall to $40/barrel, he could be adding more drilling rigs and hundreds more employees if he had better financing options.

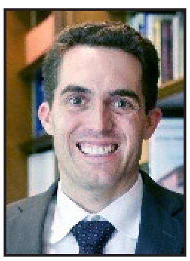
continued

While legal strategies have been contemplated to fight the divestment movement—and we plan to publish research on those strategies before this legislative session is over—there is not yet a clear legal mechanism to stop this collusion. **However, one solution is to turn the tables on the banks. If they will not do business with us, we will not do business with them.** Right now, the large banks and investment firms are being rewarded instead of penalized for divesting. However, if energy producing states refuse to invest in these firms, then they will face a real financial penalty for their actions. Our energy businesses contribute tens of billions in tax dollars every year to our state, and those tax dollars should not be given to firms that are actively seeking to punish those businesses.

The real impact will come when all energy producing states work together. Several other states are considering similar legislation, and Texas, the largest energy producing state, must play a leading role. Texas pension funds invest tens of billions of dollars in firms that are divesting, and municipal pensions and state contracts account for tens of billions more. However, this is only a small part of the tens of trillions in assets that these firms manage. Applying the collective purchasing power of the energy producing states is necessary to enact a meaningful penalty on boycotting firms and to slow the spread of what has become a clear and present threat to all sectors of our vital energy economy.

For more information on the threat energy discrimination poses to our country, our energy economy, and our way of life, please take time to read the documents we submitted with the digital copy of this testimony.

ABOUT THE AUTHOR



Brent Bennett, PhD, is the policy director for Life:Powered, an initiative of the Texas Public Policy Foundation that reframes the national discussion on energy and the environment. As part of the Life:Powered team, Bennett regularly speaks with policymakers, energy experts, and industry associations across the country. He is responsible for fact-checking the team's work and spearheading many of the team's policy and regulatory initiatives. He has written extensively on how America has improved its environment while growing its energy use and on the physical limitations of renewable energy and energy storage.

Prior to joining the Foundation, Bennett worked for a startup company selling carbon nanotubes to battery manufacturers, and he continues to provide technology consulting to energy storage companies. His early years were spent in the oil country of Midland, Texas—the heart of the oil patch—where he has been a student of energy his entire life.

Bennett has an M.S.E. and Ph.D. in materials science and engineering from the University of Texas at Austin and a B.S. in physics from the University of Tulsa. His graduate research focused on advanced chemistries for utility-scale energy storage systems.

About Texas Public Policy Foundation

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The public is demanding a different direction for their government, and the Texas Public Policy Foundation is providing the ideas that enable policymakers to chart that new course.

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