



RAILROAD COMMISSION OF TEXAS

Commissioner WAYNE CHRISTIAN

May 4, 2022

Mr. Porter Wilson
Executive Director
The Employees Retirement System of Texas
200 East 18th Street
Austin, Texas 78701

Re: ERS's Support for Shareholder Proposals Limiting Banks' Financing of Fossil Fuels

Mr. Wilson:

I am troubled to learn that the Employees Retirement System of Texas (ERS) voted on a shareholder resolution to divest investment from oil and gas companies. As you know, last session the legislature passed Senate Bill 13 (SB 13) to prevent our state from investing in Environmental, Social, and Governance (ESG) financial products that boycott Texas energy companies. It sent a strong message to big business, that if you boycott Texas energy, Texas will boycott you.

Texas is the nation's largest producer of oil and gas. If it were a country, it would be the third largest producer of natural gas in the world. The Texas oil and gas industry accounts for nearly 30% of the state's economy and paid \$15.8 billion in state and local taxes/royalties in FY2021. Furthermore, the Lone Star State is home to one-third of our nation's refining capabilities and our Liquefied Natural Gas (LNG) export terminals represent the European Union's (EU) best and most immediate alternative to Russia's conflict gas.

Fossil fuels are the economic lifeblood that fuels our modern way of life. Petroleum is a key component in 96% of everyday consumer products such as gasoline, clothes, medicine, electronics, assault, and more.

There are many who wrongly believe that a clean environment and fossil fuel production are mutually exclusive—but that is a false choice. The truth is the U.S. is the cleanest industrialized nation in the world – not despite fossil fuels production and consumption, but because of it. Through human ingenuity and technological advancement, the major pollutants regulated by

the EPA have steadily decreased, even as U.S. oil and gas production and consumption increased. From 1970 to 2019, the six so-called "criteria pollutants" regulated by the Clean Air Act decreased by 77% nationally despite economic growth of 285%, 60% population growth, and 48% increase in oil and gas consumption during that time.

The ESG movement is a threat to our state's future prosperity; it is immoral, unethical, and arguably illegal. We cannot allow woke activists to harm the investment and retirement portfolios of our constituents as collateral damage in their war against fossil fuels. From 2016 to 2018, ESG investment in the U.S. increased 44% from \$8.1 trillion to \$11.6 trillion, which represents one in four U.S. dollars under professional management. Furthermore, between 2011 and 2021, oil and gas exploration investments declined by 50%. If ESG is not put in check, not only will future retirees face challenges in the years ahead, but we could see record bankruptcies and layoffs in the energy sector.

As Chairman of the Railroad Commission of Texas (RRC), I urge your agency to re-evaluate your proxy voting policies. I also encourage you to assess whether ERS's recent actions violate the letter or spirit of SB 13, and whether current procedures could repeat this mistake. As a state and nation, we should be encouraging MORE domestic oil and gas investment and production, which leads to a more robust economy, lower energy costs and a stronger national defense.

Sincerely,

A handwritten signature in black ink, appearing to read "Wayne Christian", with a long horizontal flourish extending to the right.

Wayne Christian
Chairman
Railroad Commission of Texas

C:

Governor Greg Abbott
Lieutenant Governor Dan Patrick
Speaker Dade Phelan
Comptroller Glenn Hegar