INTERSTATE
Oil & Gas
COMPACT COMMISSION

RESOLUTION 21.054

Pertaining to Environmental, Social, and Governance (ESG) Funds

WHEREAS, the mission of the Interstate Oil and Gas Compact Commission (IOGCC) is to champion the conservation and efficient recovery of domestic oil and natural gas resources while protecting health, safety, and the environment; and

WHEREAS, these oil and natural gas resources provide fuel for transportation and electricity generation, asphalt and road oil, and feedstocks for making the chemicals, plastics, and synthetic materials that are in nearly everything we use; and

WHEREAS, environmental, social, and governance (ESG) funds require that assets be invested in companies or financial products such as mutual funds that are subjectively considered environmentally and socially conscious; and

WHEREAS, in four years, from 2016 to 2020, money invested in ESG funds in the United States increased 111% from $8.1 trillion to $17.1 trillion, representing one in three American dollars under professional management, thereby potentially reducing investment funds available for oil and gas; and

WHEREAS, ESG funds require assets be divested from companies or financial products such as mutual funds that are subjectively considered to not be environmentally and socially conscious; and

WHEREAS, there are inadequate regulations defining the requirements for an ESG fund; and

WHEREAS, the Securities and Exchange Commission recently stated financial industry firms offering environmental, social, and governance investments often have a variety of gaps when it comes to disclosures and compliance; and

WHEREAS, a study by a professor at the University of Chicago found that if a hypothetical portfolio divested from energy stocks in the 1960s it would have lost 23% over the past 50 years; and

WHEREAS, ESG investing could cause record bankruptcies in the United States energy sector, destroying American energy independence and millions of jobs without reducing the amount of oil and gas consumed in the United States and lead to an increase in oil and gas imports from other countries with far worse humanitarian and environmental records than the United States; and

WHEREAS, divestment from fossil fuels could violate federal antitrust laws that prohibit collusion to harm a sector of the United States economy; and

WHEREAS, the Supreme Court unanimously held in 2014 that fiduciaries must not include "nonpecuniary" benefits, like ESG goals, in exercising their undivided loyalty to the interests of retirement plan beneficiaries; and

NOW, THEREFORE, BE IT RESOLVED THAT, the IOGCC urges the Federal agencies including the United States Securities and Exchange Commission, Congress, and the President of the United States of America to adopt, administer, and/or enforce laws and rules regulating ESG

INTERSTATE Oil & Gas COMPACT COMMISSION

investments in a manner that does not adversely affect nor discriminate against investments in the oil and gas sector.

I certify that this is a true and correct copy of the resolution adopted by the Commission on May 18, 2021.

> Voting yes: Alabama, Alaska, Arkansas, Idaho, Indiana, Kansas, Kentucky, Montana, Nebraska, North Dakota, Oklahoma, Texas, Utah, and West Virginia.
>
> Voting no: Colorado, Michigan, Nevada, New Mexico, and New York.
>
> Abstaining and therefore considered not present: Ohio.

Lori Wrotenbery

Lori Wrotenbery
Executive Director
Interstate Oil and Gas Compact Commission

INTERSTATE OIL AND GAS COMPACT COMMISSION
DEDICATED TO THE CONSERVATION OF OIL AND GAS
1935