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## **Testimony to Kansas Senate Federal & State Affairs Committee**

### **Senate Bill 224**

Enacting the Kansas protection of pensions and businesses against ideological interference act, relating to ideological boycotts involving environmental, social or governance standards, requiring KPERS to divest from and prohibiting state contracts or the deposit of state moneys with entities engaged in such boycotts as determined by the state treasurer and prohibiting discriminatory practices in the financial services industry based on such boycotts.

**Edward P. Cross, President**  
**Kansas Independent Oil & Gas Association**

**March 7, 2023**

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Good morning Chair Thompson, Vice Chair Kloos, Ranking Minority Member Faust-Goudeau and members of the committee. I am Edward Cross, President of the Kansas Independent Oil & Gas Association (KIOGA). KIOGA represents thousands of independent oil and natural gas explorers and producers, as well as allied service and supply companies. With nearly 3,000 members across the entire state, KIOGA is the lead state and national advocate for the Kansas independent oil and natural gas industry. I am here this morning to express our support for Senate Bill 224 (SB 224).

The Kansas oil and gas industry is strongly proponent for SB 224. Activists have increasingly set their sights on the financial sector and legal system, not Congress, for pushing their aggressive climate agenda. These activists want to use non-legislative ways to impose

perceived climate costs and raise the price of energy. One of the ways they are doing it is under the guise of environmental, social and governance (ESG) investments.

Employing so-called environmental, social and governance (ESG) initiatives, some financial institutions and government agencies have implemented policies prioritizing a focus on factors unrelated to a company's bottom line. ESG forces investors and company managers to view company operations through the eyes of a vocal set of stakeholders, for whom a company's climate reputation is of equal or greater importance than a company's financial performance.

We need to be honest about the fact that green products often come at a higher cost. While we agree being responsible for our environment is important, we have a proven history of meeting energy needs at the lowest cost and environmental risk.

ESG is nothing new for the oil and natural gas industry. Small independent oil and gas operators are good stewards of the land, value diverse and talented workforce, and put accountability first with every handshake or deal signed. The Kansas oil and gas industry values the tools that allow operators to tell their story of fueling the American economy with innovation and hard work. However, we adamantly oppose tests and efforts designed to put an end to domestic oil and gas production.

Free capital markets work to promote the best ideas without the need for interference. Strategies that force investments in green products could actually be impediments to free capital markets.

The need for carbon-based fuels will continue in the foreseeable future. Providing for our nation's energy needs will require significant energy production of all types. Meeting this need will continue to provide excellent risk adjusted returns to investors. You cannot add return to a portfolio by adding investment constraints. You can manage and reduce risk. Avoiding a needed, consistent return sector in favor of yet-to-be-proven technologies will not maximize risk adjusted return for investors.

Oil and gas already pays an outsized share of taxes when compared to green energy. Making this even more unbalanced through shareholder activism and accepting lower returns on capital serves to not only diminish returns but act against a key sector of the Kansas economy.

The Kansas oil and gas industry believes financial institutions should award financing based on an unbiased, non-political basis. Oil and gas companies are not asking for special treatment but are simply asking for financial institutions to be unbiased in their assessments. We strongly urge the Kansas public employees retirement system (KPERS) to divest from investments with entities boycotting energy companies and prohibit state contracts or the deposit of state moneys with entities engaged in such boycotts.

We urge you to pass SB 224.