

BlackRock's Climate-Crusade Doubletalk

CEO Larry Fink says companies should have a 'purpose,' but pushes them to advance what he favors.

By
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BlackRock CEO Larry Fink speaks on the opening day of the World Economic Forum in Davos, Switzerland, Jan. 21, 2020.

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'Stakeholder capitalism is not about politics. . . . *It is capitalism.*' Or so [BlackRock](#) CEO Larry Fink claimed in his [annual letter](#) to America's CEOs last month, in which he called on corporate chiefs to stay true to their own companies' "purpose."

"Putting your company's purpose at the foundation of your relationships with your stakeholders is critical to your long-term success. . . . Your company's purpose is its north star in this tumultuous environment. . . . It is more important than ever that your company and its management be guided by its purpose." Mr. Fink's four-page letter invokes the word "purpose" eight times.

But whose purpose, exactly? In the same letter, Mr. Fink also calls on CEOs to set "short-, medium-, and long-term targets for greenhouse gas reductions." His demands are explicit: "We ask you to issue reports consistent with the Task Force

on Climate-related Financial Disclosures.” BlackRock regularly makes demands such as these of its portfolio companies, requiring them to meet the standards of the Sustainability Accounting Standards Board.

Mr. Fink claims he wants CEOs to stay true to the purposes of the companies they run, while also demanding that they advance the corporate purposes that BlackRock favors. He can’t have it both ways.

Take [Exxon Mobil](#). In 2018 the company’s guiding principle was clear: “Exxon Mobil Corporation is committed to being the world’s premier petroleum and petrochemical company.” The company stated that its first responsibility was to make money for shareholders.

Then last year a little-known investment firm called Engine No. 1, which held a 0.02% stake in Exxon, won three seats on Exxon’s 12-member board. Engine No. 1 waged an activist campaign claiming that Exxon should reduce its carbon emissions and become a global leader in profitable clean-energy production. BlackRock, Exxon’s second-largest shareholder, voted for three of Engine No. 1’s climate-focused board candidates. BlackRock [claimed](#) that its vote was motivated by concern over Exxon’s lack of a clear climate-change strategy. Every savvy market participant at the time knew that Engine No. 1’s proxy battle would end wherever BlackRock cast its die. Few knew that Engine No. 1 CEO Jennifer Grancio had been a managing director at BlackRock from 1999 to 2018.

The world’s most influential impact investor had its desired impact. Before the proxy battle, Exxon had planned to increase oil and gas production by 25% over the next five years. After the proxy battle, Exxon [plans](#) to keep oil output at the lowest level in two decades, a 20% decline from prior forecasts. More recently, it pledged net-zero global emissions in its own operations by 2050. Exxon Mobil once had a clear purpose, but BlackRock didn’t want the American oil-and-gas company to be “guided” by it. BlackRock wanted the company to change it. And that’s what Exxon did.

[Royal Dutch Shell](#) now faces a similar problem. BlackRock is the company’s largest shareholder. Dan Loeb’s Third Point, an activist shareholder in Royal Dutch Shell,

recently wrote a public letter to its board: “Shell has too many competing stakeholders pushing it in too many different directions, resulting in an incoherent, conflicting set of strategies attempting to appease multiple interests but satisfying none.” Some shareholders want Shell to invest as aggressively as possible in renewable energy, while others want Shell to give priority to returns on capital from its legacy oil-and-gas businesses. Mr. Loeb proposed a breakup of Shell into two companies, each of which could pursue its own standalone “purpose” separately. Suppose Royal Dutch Shell follows Mr. Loeb’s advice by splitting itself into Green Energy Corp. and Oil & Gas Corp. Should Oil & Gas follow BlackRock’s mandate to “stay true to its purpose”? Or should it follow BlackRock’s admonition to “set targets for reducing greenhouse gas emissions”? Mr. Fink says he means the first, but BlackRock’s behavior at Exxon suggests he really means the second.

Mr. Fink argues that he doesn’t foist BlackRock’s own values onto anyone, but simply encourages portfolio companies to adapt to the way the world is already heading: “Every company and every industry will be transformed by the transition to a net zero world. The question is, will you lead, or will you be led. . . . Will you go the way of the dodo, or will you be a phoenix?”

Yet Mr. Fink’s argument is circular. BlackRock is now the world’s largest asset manager, with \$10 trillion under management. President Biden’s climate policies are heavily influenced by recent BlackRock alumni. Brian Deese, the firm’s former global head of sustainable investing, is now the director of the National Economic Council. Michael Pyle, BlackRock’s former global chief investment strategist, is Vice President Kamala Harris’s chief economic adviser. Wally Adeyemo, Mr. Fink’s former chief of staff, is deputy Treasury secretary. Mr. Fink’s claim that he is merely responding to the “transition to a net zero world” obscures his own firm’s role in catalyzing that transition.

BlackRock’s influence extends beyond climate change. In recent weeks, Sens. Bernie Sanders, Elizabeth Warren and Tammy Baldwin have pressed Mr. Fink to intervene in a miners strike at the [Warrior Met Coal](#) company in Brookwood, Ala. “Mr. Fink, our request to you is simple,” the senators wrote. “BlackRock’s Board must publicly

demand that Warrior Met negotiate in good faith and agree to a reasonable contract that treats workers with dignity and respect.” Tellingly, these senators chose to apply more pressure on Mr. Fink than on Walter Scheller, Warrior Met’s CEO. If stakeholder capitalism is capitalism, as Mr. Fink says, then the public deserves to know why he’s so adamant on drawing the distinction. He should be honest about whether he wants BlackRock’s portfolio companies to pursue their own corporate purposes or the purposes that BlackRock favors. Mr. Fink concludes the opening remarks of his annual letter by bemoaning the “erosion of trust in traditional institutions,” without offering any explanation for why that trust has waned. He would do well to consider the growing gulf between what the world’s most influential business leaders say and what they actually mean.

Mr. Ramaswamy is an entrepreneur and author of “Woke, Inc.: Inside Corporate America’s Social Justice Scam” and “Nation of Victims: Identity Politics, the Death of Merit, and the Path Back to Excellence,” forthcoming in September.