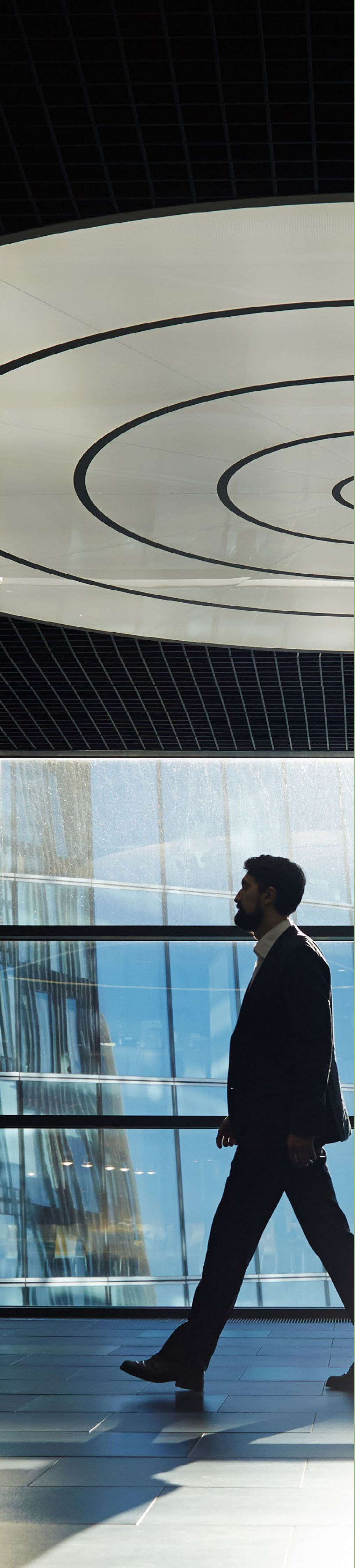

HIJACKED:

Exposing BlackRock's Grip on the EU's Climate Finance Plans

RECLAIM Finance

Observatoire des multinationales
social, écologique, politique

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KEY FINDINGS

- **The European Union's Renewed Sustainable Finance Strategy, due to be published shortly after the time of writing, has been heavily influenced by the financial sector, and BlackRock is at the heart of this offensive.** It has consistently pushed for softer, voluntary policies without clear definitions and binding requirements, that would jeopardise Europe's current efforts towards a just transition.

- **BlackRock and 23 national, European or international trade groups it belongs to have declared annual lobbying expenses of between €28.3mn and €31.9mn.**[1] They employ 260 staff working full or part time on lobbying (137 FTE), and they have had at least 92 meetings with the top level of the European Commission since the beginning of 2019 – including 24 on topics related to sustainable finance. They were associated with at least 22 consultations answers related to Sustainable Finance Regulation, including 8 on the upcoming Renewed Strategy.

- Other linchpins of BlackRock's influence web in Brussels include leading think tank Bruegel, platforms Eurofi and EPFSF which organize public private events, and Public Relations firm Fleishman-Hillard.

- These groups are just the tip of the iceberg, with **BlackRock having its own meetings with high ranking EU players and having signed nine contracts since 2016 with EU institutions or agencies.**

- **This lobbying offensive has already started to have an impact,** as evidenced by the Commission's apparent decision to opt for voluntary green bond standards and by the contract awarded to **BlackRock to help design the EU climate banking rules** in spite of blatant conflicts of interests. **But the most worrying consequences lie ahead – with fear that the EU might backtrack on the creation of taxonomy for environmentally damaging activities.**

- The report details **BlackRock's data-and-disclosure climate playbook and the rationale behind the type of regulation it lobbies against** – including exploring its fossil fuel interests and its problematic definition of what is "green".

INTRODUCTION

Over the past eighteen months, climate has become a central concern for BlackRock. The world's largest investor, with assets under management grown to more than $8.68 trillion[2] - almost half of US GDP - is increasingly vocal about the need for businesses to address the climate crisis and about its own commitment to help them do so.[3] This was not always the case. In 2019, BlackRock CEO Larry Fink's influential annual letter to the CEOs of the world's biggest companies failed to even mention the word "climate". **Within two years, the U-turn appears quite impressive, with Fink declaring, both in a speech at Davos and in his most recent annual letter, that "climate risk is investment risk".** This new, well-publicized focus on climate has been considered by some as a watershed moment, given BlackRock's influence over large swaths of the corporate and financial world.[4] Some in the financial press now even go as far as hailing BlackRock and Larry Fink as champions of sustainable investment.[5]

This report tells a very different story

Behind BlackRock's climate fanfare lies self-interest: to protect its stakes in the business-as-usual economy by preventing the kind of ambitious changes – whether regulatory or otherwise - necessary to transition to a greener and fairer economy; and to try to impose its own standards in this new area, rebranded as "climate risk management."[6]

A striking illustration of BlackRock's agenda is the way it has sought to influence the European Union's policy agenda on sustainable finance, including the Renewed Sustainable Finance strategy, which is due to be released next on the 6th July.[7] This strategy is supposed to be one of the centerpieces of the regulations and instruments planned by the EU for 2021-2024, in its attempt to mobilize the massive investments needed for a swift ecological transition. With the EU Green Deal, the measures are supposed to help redirect the EU public and private finance and achieve the EU's emission reduction objectives. Another crucial pillar for this work is the green "taxonomy", commissioned in the 2018 version of the sustainable finance strategy. It is intended to clarify what can count as a genuinely climate and environmentally sound investment and what cannot. The taxonomy criteria will underpin a range of EU financial regulations on sustainable finance. Therefore, they are expected to impact private investment and lending decisions, as well as guide the EU budget and a significant part of Europe's recovery funds.[8]

In this report, we show how hard BlackRock has worked to prevent any kind of robust climate finance regulation. The world's largest asset manager instead advocates a model based on voluntary mechanisms and self-regulation, in which large financial institutions maintain free rein to invest in the manner and pace of their choosing.

Unfortunately, we also find that the lobbying offensive of BlackRock is already having an impact. The European Commission has agreed, for instance, to keep its standards for green bonds voluntary,[9] as BlackRock and its industry peers were urging it to. This is problematic, as greenwashing concerns are growing in the booming green bond market, partly because the definition of what is "green" is still largely left to the issuers.[10] The Commission has even awarded BlackRock a contract to advise it on the design of EU climate banking rules[11] – as if it were a provider of independent expertise and not a major player in the financial industry with shareholdings in most European banks and fossil fuel companies.

Given the stakes around the EU's policy agenda on sustainable finance and the intensity of the lobbying around it, it seems clear clear that BlackRock and the other heavyweights of the asset management industry should not be entrusted with driving Europe's climate action.

BlackRock at a glance

- Founded: 1988
- Headquarters: New York
- Assets under management: $8.68 trillion (Dec 2020), more than six times its December 2007 figure.
- Top shareholder along with Vanguard and State Street in 90% of major US corporations.[12] In the UK, BlackRock and Vanguard together now control 10% or more of roughly two thirds of the FTSE100 companies.
- BlackRock is increasingly present in Europe, with more than €2 trillion managed in the region.[13] It was also the top seller of ETFs,[14] a type of investment fund[15] that tracks mainstream indexes, in Europe during the past year.
- Its risk management division, BlackRock Solutions, advises investors, corporations and governments and provides them with tools such as the widely-used Aladdin investment management system, used by more than 900 clients in 68 countries.[16] BlackRock launched "Aladdin Climate" in 2020, to allow investors to "quantify climate risks within their portfolios."[17]
- BlackRock is the second biggest investor worldwide in coal companies, with $85bn,[18] and is the top investor in companies driving 12 of the most devastating fossil fuel expansion projects of our time, such as the EastMed pipeline.[19]

HOW BLACKROCK IS ENSNARING THE EU

BlackRock's influence strategy can be summed up in one word: omnipresence. **In the past few years, the New York-based fund has made sure its voice was well heard in EU policy debates around climate finance. It has used all the levers of influence at its disposal to create an "echo chamber" for its arguments and help bend decisions in Brussels towards its will.** BlackRock even succeeded in getting contracted by the European Commission to provide advice on banking climate regulations, despite blatant conflicts of interests.[20]

The Echo Chamber

What better way to make your voice heard than to have it echoed through dozens of different channels? **One of the key means to successfully influence the European Union policy sphere is being able to operate through an army of different lobbying vehicles – trade groups, PR firms or event organizers, for example – focused on delivering clear messages to officials and lawmakers.** Few players have mastered this art as well as BlackRock. As outlined in the December 2020 report The BlackRock Model, it is a member of at least 23 trade associations, groups and institutes active on the Brussels lobbying scene. **Cumulatively, BlackRock and these 23 national, European or international groups declared annual lobbying expenses of between €28.3mn and €31.9mn.[21]** They employ 260 staff working full or part time on lobbying (137 FTE), and they have had at least 92 meetings with the top level of the European Commission since the beginning of 2019.[22] **BlackRock has also hired the services of the PR firm FleishmanHillard, infamous for its association with Monsanto,[23] to the tune of between €300,000 and €400,000 annually.[24]**

Arguably, trade groups represent the interests of whole sections of the financial industry – not just BlackRock's. **However, our analysis demonstrates that BlackRock plays a leading role in many of them, particularly when it comes to sustainable finance. What's more, according to a study by InfluenceMap (as of Sept. 2020),[25] BlackRock is one of the least climate-friendly members of the trade associations lobbying on European sustainable finance policy.** Together with investors such as UBS and Invesco, BlackRock is part of a group that "appears to be more resistant towards sustainable finance regulation and have pushed back against more stringent requirements".

Take the European Fund and Asset Management Association (EFAMA) for instance: it has a BlackRock representative on its board, but also another as chair of its Taxation & Accounting Committee and yet another as vice-chair of Fund Regulation, Asset Protection & Service Providers Committee. **The same goes for the International Capital Markets Association (ICMA), a highly influential global trade group following closely developments around sustainable finance and green bonds.[26]** Stephen Fisher, BlackRock's Managing Director for global public policy, is the co-chair of its regulatory committee, and the asset manager also has a seat on its Sustainable Finance executive committee.

Bruegel, one of the leading think tanks worldwide,[27] appears to be another linchpin of BlackRock's influence campaign. It organized an event in February 2021 on "sustainable finance and the Green Deal" featuring Isabelle Mateos y Lago, a former International Monetary Fund (IMF) employee and now BlackRock's top global lobbyist[28] who also sits in the board of Bruegel since 2016 (more below).

Such are the forces that have been mobilized to weaken Europe's Sustainable Finance Strategy, alongside a range of related pieces of regulation, and push for their own, market-led approach – which we detail later in this report (p.16).

One of the key principles of the European Union is to consult citizens and representative associations in all areas of Union action. The European Commission does so when preparing new legislation.[29] **We have identified 22 responses to public consultations organized by EU bodies on topics directly related to sustainable finance since February 2019. Either directly or through the groups it belongs to, BlackRock has given its opinion on all of them.** For instance, no less than eight trade groups which BlackRock belongs to responded to the July 2020 DG FISMA consultation on the Renewed Sustainable Finance Strategy: ICMA, ISDA, IIF, Eurofi, AIMA & MFA jointly, EFAMA, ICI and AFME. Five trade groups linked to BlackRock responded to the June 2020 consultation on the revision of the non-financial reporting directive: EFAMA, AFME & ISDA jointly, ICMA and IIF. BlackRock responded directly to a December 2020 DG FISMA consultation on the taxonomy, as well as indirectly through ICMA, and had previously answered to a survey on the usability of the taxonomy.[30] At the same time, ICMA also responded to another consultation on the taxonomy, organized by the European Securities and Markets Authority, which was also answered jointly by ISDA, EFAMA and AIMA

The Institute of International Finance (IIF)

BlackRock's involvement in the Institute of International Finance (IIF) is particularly interesting. The IIF is particularly active regarding the EU sustainable finance regulations,[31] as highlighted in this letter to EU Commissioner McGuinness,[32] where it put forward the large number of studies and initiatives it is involved in and consultations it has answered, including in the US. Moreover, the IIF is active in major international fora on sustainable finance, such as the central banks' Network on Greening the Financial Sector and the G20 Sustainable Finance. It is also part of crucial initiatives at the UN level – such as a problematic blueprint on carbon offsetting that could result in billions of new carbon credits being sold around the world.[33] Its many advocacy publications and "regulatory comment letters" tend to push for self-regulation and systematic opposition to ambitious climate action, as reflected in its answer to the EU Renewed Sustainable Finance Strategy consultation.[34]

We have also identified a further six instances where BlackRock or trade groups it is a member of have submitted direct comments or feedback on proposed pieces of regulation on climate finance outside of a consultation frame. One example is an "overview and comments" document written by the ICMA and related to the details of the Sustainable Finance Disclosure Regulation expenses (SFDR). The document points out the many "challenges" that will be faced by asset managers when they have to apply these rules.[35]

Trade groups play another important role: they are a convenient vehicle for 'unsavory' lobbying - for instance, any pushback against popular climate (or environmental, social, fiscal) rules or objectives. If a company such as BlackRock were to overtly oppose such noble efforts, it would run the risk of being "named and shamed" publicly, which would affect its business standing. Not so for trade groups, whose existence is known to very few people outside of the Brussels bubble. **Hence, while BlackRock tends to communicate heavily on its "positive" lobbying (vaunting its own climate commitments), it is much less vocal about its role within trade groups with a regulation-resistant stance.** ICMA, in particular, has a record of opposing progress on recent pieces of legislation by advocating a weakening of parts of their content - as in the RTS consultation (disclosure standards for asset managers),[37] taxonomy-related criteria and disclosures,[38] the EU Ecolabel or the EU Green Bonds Standards.

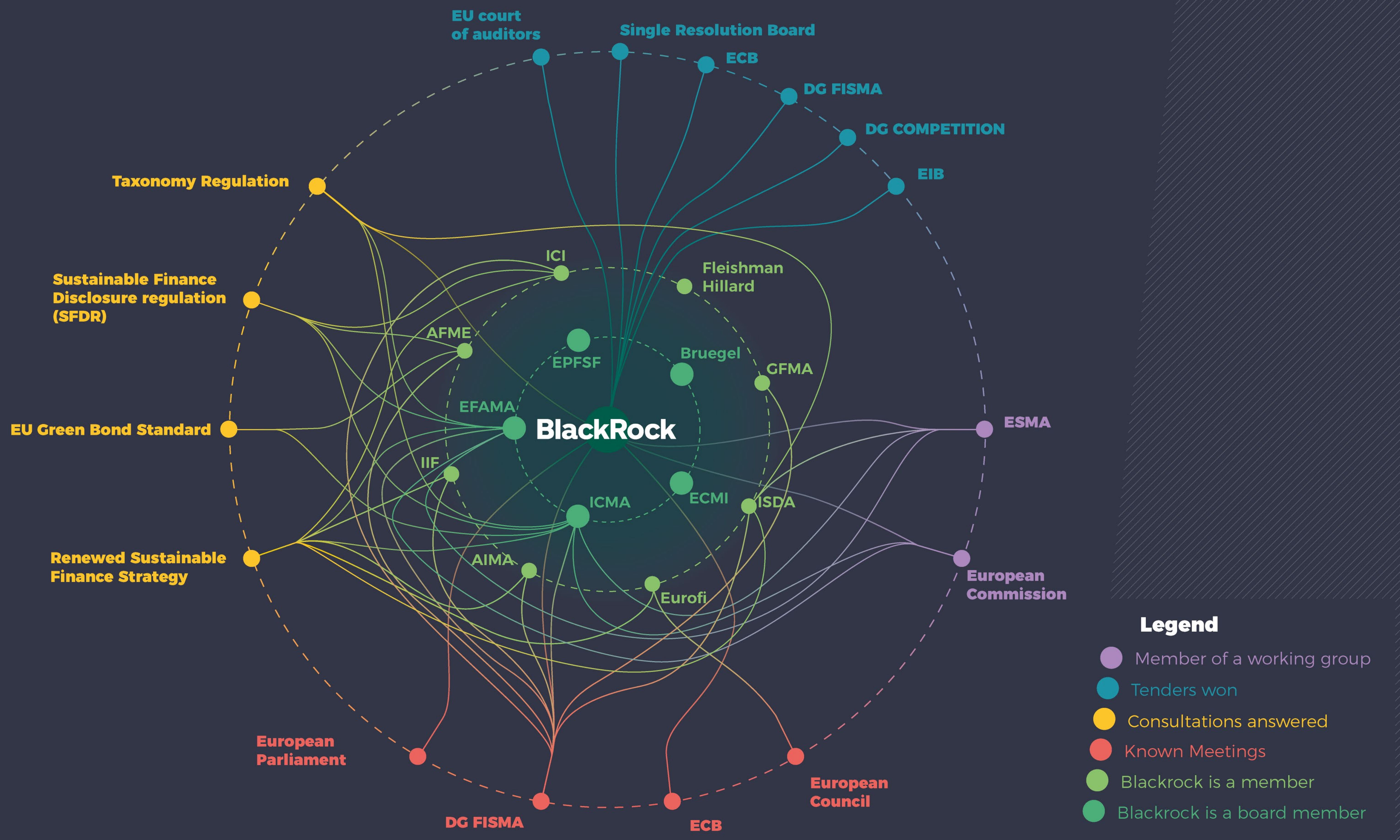
Take, for example, the opposition to a taxonomy for polluting activities – or "significantly harmful taxonomy". Blackrock did not publicly reject such a taxonomy, which is recognized by many as a key tool to impose clear definitions of the activities that are detrimental to climate action and as a facilitator of climate action and of climate risk management.[39] But EFAMA, AFME, IIF, AIMA and various federations of which Blackrock is a member – like the French AFG – all did.[40] As for the Disclosure regulation (SFDR), ICMA, EFAMA and ICI all asked for a delayed application and weakened requirements.[41]

Table: Key players in BlackRock's climate finance echo chamber

Name	Type	Link to BlackRock	Latest declared lobbying expenses (€)	Answered consultations on Sustainable Finance Strategy or the taxonomy	Meetings with Commission on sustainable finance (2019-2021)
BlackRock	Corporation	-	1250k-1500k	✓	1
International Capital Markets Association (ICMA)	Trade group	BlackRock's Stephen Fisher is co-chair of regulatory committee. BlackRock also has a seat on its Sustainable Finance executive committee.	300k-400k	✓	3
International Swaps and Derivatives Association (ISDA)	Trade group	BlackRock is a member	2250k-2500k	✓	-
Institute of International Finance (IIF)	Trade group	BlackRock is a member	500k-600k	✓	1
Alternative Investment Management Association (AIMA)	Trade group	BlackRock is a member	800k-900k	✓	2
Managed Fund Association (MFA)	Trade group	BlackRock is a member	1250-1500k	✓	2
European Fund and Asset Management Association (EFAMA)	Trade group	BlackRock representatives: one board member, the chair of the Taxation & Accounting Committee, the vice-chair of vice chair of its Fund Regulation, Asset Protection & Service Providers Committee	2750k-3000k	✓	4
Investment Company Institute (ICI)	Trade group	Stephen Fisher is an ICI Global Atlantic Council member	800k-900k	✓	2
Association for Financial Markets in Europe (AFME)	Trade group	BlackRock is a member	5000-5250k	✓	12
Bruegel	Think tank	BlackRock is a member and a BlackRock employee sits in the executive committee	5000k-5250k	-	-
Eurofi	Event organiser	BlackRock is a member. A BlackRock spoke at the April 2021 Eurofi forum in Lisbon	400k-500k	✓	-
European Parliamentary Forum on Financial Services (EPFSF)	Event organiser	BlackRock is a board member BlackRock representatives spoke on several occasions at EPFSF events (at least 3 times in 2019-2021)	100k-200k	-	-
Fleishman-Hillard	PR firm	Contracted by BlackRock, between 300k-400k. Also works for AFME, ISDA, ISLA, IA, ICI...	6750k-7000k	-	-

The meetings listed in the last column can be found on IntegrityWatch, a database that provides a unique overview of the lobby meetings of the European Commission since November 2014 and on Lobbyfacts. It was completed with a list of meetings with DG FISMA, which we obtained thanks to a request for information. Nonetheless, DG FISMA has still not answered to our request to access meeting notes (more than 6 weeks after the legal deadline) so the number of meetings where sustainable finance was discussed might be underestimated.

BlackRock's EU lobbying web



This graphic illustrates some of the main links between BlackRock and EU institutions, either directly or indirectly, via trade groups, think tanks or event organizers, to illustrate the lobbying web around the EU sustainable finance agenda. It is not exhaustive, and for example does not show **BlackRock's active participation in the World Economic Forum,[42] as a board member alongside ECB president Christine Lagarde, or its presence in the Group of Thirty, alongside ex-ECB president Mario Draghi,[43] or its membership of various national lobby organizations (such as AFG or BVI).**

Friends in High Places

Having direct contact with officials and lawmakers is as important as answering consultations. We have some evidence that BlackRock and the trade groups it belongs to have spent a not-insignificant amount of time in the headquarters of the European Parliament and the Commission to defend their interests. **Following a freedom of information request, our research shows that BlackRock had eight meetings with DG FISMA, the Commission's financial regulator, between 2019 and 2021, including one with DG FISMA boss John Berrigan on sustainability. It also had at least two meetings with MEPs, including one also attended by FleishmanHillard representatives with Sirpa Pietikainen (EPP, Finland) on "Disclosure and EU Taxonomy", as well as two meetings with Philip R. Lane, member of the European Central Bank's (ECB) executive board.** One of these two meetings, which happened in March 2020, occurred right after the ECB executive board meeting (10/03/2021) and even on the same day as the ECB governing council.

If you add the meetings of the trade groups BlackRock belongs to, the picture becomes even clearer. The IIF met with DG FISMA 13 times since 2019, AFME more than 30 times, EFAMA 12 times and ICMA 7 times. Some of these meetings occured in informal settings, such as the "Financial Services Policy" dinner organized by AFME in February 2020.

Another particular kind of lobbying outlet also plays a significant part in providing BlackRock with privileged access to politicians and officials. Their job is to organise events where Commission representatives, Members of the European Parliament, national regulators, finance ministers and industry executives can share a stage, exchange views and more generally mix and mingle in more informal settings. **When it comes to the financial sector, there are two that stand out: Eurofi and the European Parliamentary Forum on Financial Services (EPFSF).** Despite the latter's name, which might suggest some kind of official status, and in spite of the active participation of some MEPs[44], both are actually private ventures, funded by their clients – including BlackRock, which is a member of both. A BlackRock representative, Joanna Cound, spoke at the latest Eurofi event organised in Lisbon in April 2021.[45] BlackRock employees spoke on several occasions at EPFSF events in recent years.

This picture would not be complete without a mention of revolving doors. Hiring ex-politicians or former high-ranking officials has become a must when it comes to securing influence over Brussels' legislative processes. BlackRock, which has long cultivated political friendships in very high places[46], is no exception. **Two examples are worth mentioning. Johannes Wölfing, now working for BlackRock as Director, Global Public Policy Group, was a political advisor in the European Parliament between 2009 and 2014. On the officials' side, Isabelle Mateos y Lago, who is a top global influencer of official institutions for BlackRock[47] and member of the board of Bruegel where she recently spoke during an event on sustainable finance, was formerly at the International Monetary Fund (and before that at the French Ministry of Finance).**

Political Connections

The hiring of former or would-be leading politicians or high-ranking politicians by BlackRock has often made the headlines in Europe in recent years. In 2017, BlackRock hired former UK Chancellor of the Exchequer **George Osborne** as an adviser to the BlackRock Investment Institute, alongside one of Osborne's key advisers, Rupert Harrison. The head of BlackRock's German branch, **Friedrich Merz**, unsuccessfully tried to succeed Angela Merkel as leader of the CDU party. The head of BlackRock France, **Jean-François Cirelli**, is the former CEO of GDF and deputy CEO of GDF-Suez, and was previously an economic advisor to Jacques Chirac during his first presidential term. Swiss national **Philipp Hildebrand**, now a top executive at BlackRock, was for many years the Chairman of the Governing Board of the Swiss National Bank, and between 2006 and 2009, he served as a member of the Strategic Committee of the French Debt Management Office. He also recently ran to become OECD Secretary General.[48]

In the United States, several BlackRock employees have recently moved on to occupy top jobs in the Biden administration: Brian Deese, now director of the National Economic Council; Adewale Adeyemo, deputy Secretary of the Treasury; and Mike Pyle, Chief economic adviser to Vice-President Kamala Harris.[49]

BlackRock's proximity to key decision-makers, including the Finance Ministers who meet in the European Council to negotiate and adopt laws, cannot be underestimated. **Michel Sapin, former French Minister of Finance, who met with BlackRock CEO Larry Fink several times in EU meetings was quoted as saying: "Larry Fink is among those who shape the opinion of this small and rather Manichean world of economic decision-makers".[50]**

Interested advice

There is yet another way in which BlackRock and its allies are able to influence policy making, and it might be both the most effective and the most insidious: through the provision of "expert advice" to EU officials. European institutions have become accustomed to setting up different kinds of expert groups or committees to advise them on the design or the implementation of regulations. Many of these expert groups are dominated by business representatives, which increases the chance of ending up with biased advice.[51]

Again, the financial sector is no exception. **A BlackRock employee sits, for example, in the High-Level Forum on Capital Markets Union set up by the European Commission. A representative of ICMA sits on the Commission's Platform on Sustainable Finance. Both BlackRock and EFAMA have a seat on the Commission's Working Group on EU Eco-label Criteria for Retail Financial Products. The picture is largely the same for the European Securities and Markets Authority (ESMA). BlackRock employees are featured in the consultative groups for the Committee for Economic and Markets' Analysis, the Corporate Reporting Standing Committee, the Investment Management Standing Committee and the Investor Protection and Intermediaries Standing Committee. Representatives of EFAMA, ISDA and ICMA sit or have seat on ESMA's Securities and Markets Stakeholders Group.**

A recent inquiry[52] by the European Ombudsman found instances of maladministration in the way the Commission applied the rules on conflict of interest for its finance expert group, the High-Level Forum on Capital Markets Union mentioned above. The Ombudsman office, whose role is to investigate complaints and hold EU bodies to account, has regularly

pointed out similar problems with the European Commission advisory bodies.[53]

In 2020, the European Commission went even further by awarding BlackRock a consultancy contract on "Tools and Mechanisms for the Integration of ESG Factors into the EU Banking Prudential Framework and into Banks' Business Strategies and Investment Policies". The contract was won by BlackRock in part because it asked for a price much lower than anticipated by the EU[54] – roughly half the EU contract's estimated value. This contract was the first time EU institutions tasked BlackRock on a topic related to non-financial (ESG, including climate) risk management. This case is a very concrete example of a private financial institution being given the keys to EU rule-making – in this case banking rules, despite blatant conflict of interests. Indeed, BlackRock has huge stakes in most big EU banks and in the fossil fuel sector.[55] After widespread outcry in civil society and amongst MEPs and questioning of the deal by the EU watchdog, the Commission finally acknowledged the need to revise its procedures, and perhaps even the Financial Regulation - the legal basis of all transactions from EU institutions.[56]

Since the 2008 financial crisis and particularly the 2010-2011 euro crisis, BlackRock has won many contracts and tenders with the European Commission, national governments and European financial authorities in the realm of financial risk assessment and management. **There have been at least nine such contracts with EU institutions since 2016[57] – including contracts to help the European Central Bank (ECB) in its stress tests[58] of top EU banks. Its latest contract on climate banking regulations may suggest BlackRock is now seeking to expand its advisory services in this new area as well.** While BlackRock has always said there was a strict separation between investors at BlackRock and its consultancy arm, the huge sensitivity of the information shared within the frame of these contracts is a source of legitimate concern that BlackRock's unlimited resources have allowed it to get insider access to regulators and their decision-making processes.

BlackRock's influence strategy is working: behind the Commission's backtracking on green bonds

A recent example of the impact of BlackRock's influence strategy is t**he Commission's decision to keep the EU Green Bond Standard voluntary,** as outlined in a tweet from Mairead McGuinness, the EU Commissioner for Financial Services.[59] Green bonds are widely seen as a key instrument to redirect finance towards greener investments – but greenwashing concerns are growing,[60] especially considering the definition of what is 'green' in green bonds is largely left to the whim of bond issuers and the weak guidelines of the ICMA, which are widely used.[61] There has been for years a vigorous policy debate on the need to introduce stricter rules and criteria and the EU Green Bond Standard (EU GBS) could have been a first minimum safeguard by being linked to the EU taxonomy. Both **BlackRock and ICMA[62] have been pushing hard through various EU influencing channels for the EU GBS to remain voluntary – apparently successfully.** AFME, of which BlackRock is a member, also stressed in a consultation response that "EU GBS should remain a voluntary standard".[63] As a result, and if the European Parliamentarians or Ministers do not change the Commission's position in the upcoming legislative proposal, the issuers of green bonds in the EU will not be obliged to adhere to the EU GBS but will have the option to do so or to adhere to other (industry-led) standards, such as those from ICMA or CBI.

FINANCE UNCHAINED – BLACKROCK'S WORLDVIEW, APPLIED TO CLIMATE

BlackRock talks a lot about the climate crisis, but it's worth delving into what it is actually advocating. Given the urgency of the situation, **it should not be sufficient to pay lip service to the need for climate action.** Earlier this year, BlackRock set high expectations for its climate action, in particular via a memo[64] setting out what it would expect from polluting companies. After facing criticism[65] over its oversized role in fueling the climate crisis, it made a pledge to take voting action against directors and to support shareholders proposals based on climate considerations. But **during the 2021 AGM season in Europe, it failed to live up to its own rhetoric when it chose to give full support to the management of oil corporations Shell and Total and to approve their actively-harmful climate strategies.**[66] So what exactly is the model BlackRock is pushing regarding climate regulation and sustainable finance? There is an overwhelming need to redirect financial flows towards green investments and out of unsustainable activities - will it quicken or slow this process?

We can answer this question by looking at BlackRock's attempts to influence the EU's climate finance rules and its proposed taxonomy, for several reasons. For the first time, **it looked as though the European Union might seriously address financial regulation and the climate crisis at the scale required** – after years of half-baked measures. It seemed that the EU was taking seriously its own climate objectives and the deep changes required to achieve them – including of its financial system. Secondly, **the 'Green Deal', with its unprecedented level of public investment towards the transition, meant that there would be a lot of money on the table that would put these new rules and criteria to immediate use and give them more impact.** Thirdly, **European standards would potentially set the tone** and influence other jurisdictions including China[67] and the US under the Biden Administration to follow.

Whatever the EU regulation or legislation considered, or the channel used to communicate it to decision-makers, BlackRock's main message has been largely consistent, and mostly defensive. As we detail below, **BlackRock and the main trade groups it is active in generally opposed any kind of binding rules, even minimal climate-related restrictions, that would be imposed on financial players and especially on their investment choices.**

BlackRock's preferred approach would consist solely of light-touch regulation, defending the view that financial markets can self-regulate, and pushing back on introducing clear science-based definitions. Recently, Larry Fink admitted there was a need for more decisive government intervention on climate,[68] but only via "soft"[69] regulation that would make climate disclosures the sole mandatory requirement – not actual regulation to scale down climate-harming industries. **In June 2021, when a group of institutional investors called on governments to end all form of funding to fossil fuel projects,[70] BlackRock was a notable absentee.**

Below is a short outline of the three basic principles of BlackRock's climate rulebook.

Rule number 1: All you need is data (and nothing more)

The core argument put forward by Larry Fink and other BlackRock executives goes as follows: financial markets already undertake a lot of ESG or climate-focused investing, and the only reasons they cannot currently go further are time and data of better quality. This explains why the only form of mandatory rules BlackRock is ready to accept from EU authorities are about requiring more standardized ESG data and more climate disclosures from companies to close the alleged "data gap" that blocks financial players from integrating climate.

For these new disclosure and reporting rules, **BlackRock advocates for a global standard based on the industry-led TCFD (Task Force on Climate Related Financial Disclosures) guidelines.[71]** The asset manager has consistently promoted industry-led standards such as SASB and is a strong backer of work by the International Financial Reporting Standards Foundation[72] that is developing a new global standard for sustainability reporting. In other words, in the only instance where Blackrock promotes mandatory rules, it makes sure that they have been defined by the finance industry itself.

Unfortunately, disclosure alone has never proved sufficient to significantly reorient financial flows towards sustainable activities. Financial players have consistently demonstrated their inability to follow the most basic step of climate action – notably by increasing their support to fossil fuels[73] – and the market has continuously failed[74] to account for both climate impacts and climate risks. Such vision is far less ambitious than the EU's vision of sustainable finance regulation that requires financial players to consider both the risk climate change create for their business and the risk their business create for the climate ("double materiality").[75] But pushing for TCFD-type frameworks serves BlackRock's interests well: it fulfills its need for data to manage the risks it might face (e.g. stranded assets risks) and feed its Aladdin model and its risk analysis and management solution.

Furthermore, the "data gap" argument used by Blackrock to justify that only disclosure and reporting are needed to address the climate crisis also suggests that financial players can delay climate action while waiting for the data to be available. As the NGFS[76] and ECB board member Frank Elderson[77] recently stressed, while obtaining better data is always useful, **we already have information that allows us to act, and we should immediately use it.**

> ***"It would be fantastic to see IFRS embrace that sustainability standards effort… and ideally to see these private sector standards merging under such a standard setting organisation."***
>
> *Sandy Boss, head of investment stewardship at BlackRock*

Moreover, climate risks and impacts are characterized by a "radical uncertainty"[78] that makes it unlikely that we could ever accurately predict and quantify climate risks. Any approach based solely on the integration of data will always fail to capture the risks and effects of financed activities on the climate and the environment. The solution is simple: mitigate climate change today to mitigate the related risks.[79]

Rule number 2: Blur the lines

"Financial markets will work it out" seems to be the main mantra of BlackRock and its sector's lobbying effort to weaken EU climate finance rules. Equally importantly, it argues that there are "fifty shades of green", i.e. very different forms of "climate solutions" and "green" activities and thus many different ways investments can be "green".

BlackRock's "fifty shades of green"[81] approach relies on the assumptions that no activities are incompatible with the transition to a greener society and that a small reduction of GHG emissions is better than nothing. Both assumptions are very dangerous and opposed to the EU's initial ambitions:

1. The question should be **if activities contribute to the transition, not if they can be less harmful than they are today.** Improving the environmental footprint of an activity does not make it sustainable or compatible with limiting global warming. Some activities are clearly incompatible with the transition and need to be drastically reduced or – as for fossil fuels – progressively phased-out. To quote the EU Technical Expert Group on sustainable finance: "emissions levels in some economic activities are currently too high and threaten to continue to be too high throughout the economic transition to be consistent with Europe's emissions reduction goals"
2. **A small GHG emissions reduction is better than nothing only as long as it does not block further Paris-aligned reduction along the line.** For example, if reducing emissions by 30% in a specific activity requires massive investments that would take 20-30 years to be amortized, it could block the full decarbonization of the activity that is needed by 2050.

There is already a long history of financial products self-promoted as sustainable or "climate-friendly" while investing in companies intensively worsening the climate crisis. **The absence of clear and strict definitions in this area is what has allowed many "green bonds" to be used to fund controversial and polluting projects,[82] or allegedly climate-friendly funds (including some of BlackRock's, see below) to include companies actively involved in fossil fuel development.** The new generation of climate finance rules envisaged by the EU, including the green taxonomy, aimed precisely to this situation where any company or any investor could repaint its products in green without facing sanctions. But BlackRock and the trade groups or think tanks it is part of prefer to keep the lines as blurred as possible. Regarding the EU's proposed green taxonomy, it has argued against a unique definition of "sustainability"[83] and for taking into account a "wide spectrum" of asset owner preferences. **EFAMA, AFME, IIF and AIMA, all four counting BlackRock as an active member, have also opposed the creation of a taxonomy of "polluting activities",** despite such a taxonomy being desperately needed.[84]

> ***"We need shades of green rahter than binary taxonomies."***
>
> *Isabelle Mateos y Lago, BlackRock*

BlackRock's recommendations for sustainable investing include:

> ***"Avoid prescriptive or binary definitions of sustainability that could limit asset owner choice***
>
> ***Work towards a richer classification that will encourage transition strategies, e.g. from higher to lower carbon activities, and allow asset owners to ensure their money is invested in line with their objectives across the sustainability spectrum"***

Rule number 3: Climate reduced to a new investment risk parameter

Another troubling aspect of BlackRock's approach to the climate emergency is its emphasis on the notion of "climate risk".[86] This emphasis can be understood given BlackRock's business is partly based on its expertise in (financial) risk management and that is has been dominating the climate debate in the finance sector.[87]

However, BlackRock considers "climate risk" only in terms of the risk for itself, its client investors, and secondarily for companies[88] – and not in terms of the impact that investments have on the climate, creating actual and dramatic consequences for populations and especially for frontline communities around the world. **It is preoccupied with potential stranded assets, rather than with its own contribution to the climate crisis. This contradicts the idea of "double materiality" introduced by the EU[89] and according to which both the impact of climate on finance and of finance on climate should be considered.**

A good illustration is BlackRock's current coal policy, which is extremely weak compared to the best practices among asset managers.[90] The criteria in the policy illustrate a risk-only approach: BlackRock decided to exclude from its active portfolios only coal mining companies deriving 25% or more of their revenues from coal, these companies being the first in line in terms of financial risks for investors, even in the short term. On the contrary, BlackRock still has no restrictions for coal power companies and ignores coal companies' CaPex[91] plans. **In other words, as long as the financial risks for itself and for its clients are reduced by shutting off investments towards a few over-exposed players, BlackRock doesn't really care about coal being still extracted and burnt all over the world.** This explains its massive investments in the coal sector, including $24bn in companies developing new coal projects and thus in complete contradiction with any serious climate claims.[92] This contrasts with other large investors such as French company AXA, which adopted the right approach more than four years ago,stating their commitment to consider the climate impacts of their investments, and not only the financial risks linked to climate.[93]

LEAVING BLACKROCK IN CHARGE: A RISK WE CANNOT AFFORD TO TAKE

The model advocated by BlackRock represents a **backward-looking vision of climate finance, which is able to accommodate almost any kind of investment with a meager claim to be 'green'.** BlackRock's lobbying efforts could prevent the decisive action that is necessary to rethink the financial system to ensure an effective phasing out of investments in fossil fuel assets.

A huge stake in the fossil fuel industry

BlackRock's reluctance to envisage radical change and binding rules should not come a surprise. **As the world's largest asset manager, BlackRock has a deep vested interest in the survival of the fossil fuel industry.** It has big stakes in major corporations involved in climate-destroying activities including **all the European fossil fuel majors**, which are all involved in oil and/or gas expansion plans: it owns 5% of shares or more in Total Energies, Royal Dutch, Shell, BP, Neste, Repsol and Galp (see box).

Furthermore, BlackRock's own board of directors has ties with the fossil fuel industry. It includes Pamela Daley, who also sits on the board of BP and until 2016 on the board of BG Group, a gas corporation then acquired by Shell, and Murray S. Gerber, formerly the CEO of fracked gas and pipeline company EQT and a member of the board of Halliburton. BlackRock's board also includes a board member from the German car industry, another one from the Royal Bank of Canada, a major funder of tar sands[96], and a former administrator of an energy company.

It should come as no surprise, then, that "climate finance" as BlackRock envisages it still provides ample room for investment in oil, gas and even coal.[97] Many of the so-called "sustainable" or ESG funds sold by BlackRock to ethical investors actually include investments in companies developing new fossil fuel projects or unwilling to significantly reduce their emissions, such as Exxon or Total – a vivid example of what happens when financial corporations are left free to define "green" without clear definitions and criteria. **Furthermore, BlackRock is a top provider of 'passive' investment products and most of its biggest funds automatically track broad market indexes, which are full of coal, oil and gas companies. This means that BlackRock's current investment style makes it the world's biggest buyer of fossil fuel bonds, via its index funds,[98] and that capital is flowing to fossil fuel companies with no conditions.[99]**

While the fossil fuel sector is the most clearly linked to problems to transition to a greener economy, BlackRock will of course also have to deal with other highly polluting and problematic sectors where it has huge stakes.[100] The asset manager has the power to immediately reduce its capital exposure to high-emitting companies and the world's most notorious polluters and strongly incentivize them to publish and adopt clear and short-term plans to reduce their carbon emissions, aligned with science-based targets.[101]

Conflicts of interest ignored

Ambitious climate rules would have the potential to disrupt BlackRock's established business model and force it to make changes that would affect its bottom line. That is precisely why – and not because of a sudden conversion to environmental protection and global justice – it has become so vocal about the issue in recent time, and why it is using all the levers of influence at its disposal to shape Europe's climate finance strategy. If you cannot avoid change, you can at least try to shape it and manage it. **By seeking to avoid binding regulation and push back on clear definitions, BlackRock is ensuring that climate finance remains a black box that does not entail real constraints for investors, and that it could even turn into a new market for its risk management division.[102]**

Yet, there are worrying signs that European institutions are choosing to remain blind to these blatant conflicts of interests. **Not only has BlackRock become a prominent voice in EU policy debates around climate finance; its influential advisory arm has been offered direct access to EU decision-making with the award of a contract on the design of climate banking rules.[103]**

Oil and gas companies	% of shares owned by BlackRock[104]	Example of BlackRock "ESG" funds with holdings in the company[105]
Total Energies	5.9%	• iShares MSCI EMU ESG Screened UCITS ETF EUR Acc • iShares MSCI World ESG Screened UCITS ETF USD Acc • iShares MSCI Europe ESG Enhanced UCITS ETF EUR Dis • iShares MSCI World ESG Enhanced UCITS ETF USD Dist • iShares MSCI Europe ESG Screened UCITS ETF EUR Acc
Royal Dutch Shell	7.3%	-
BP	6.8%	• iShares MSCI World ESG Screened UCITS ETF USD Acc • iShares MSCI Europe ESG Enhanced UCITS ETF EUR Dis • iShares MSCI World ESG Enhanced UCITS ETF USD Dist • iShares MSCI Europe ESG Screened UCITS ETF EUR Acc
Neste	5%	-
Repsol	5%	• iShares MSCI EMU ESG Screened UCITS ETF EUR Acc • iShares Edge MSCI Eupe Min Vol ESG UCITS ETF EUR A • iShares MSCI Europe ESG Enhanced UCITS ETF EUR Dis • iShares MSCI World ESG Enhanced UCITS ETF USD Dist • iShares MSCI Europe ESG Screened UCITS ETF EUR Acc
Galp	4.9%	• iShares MSCI EMU ESG Screened UCITS ETF EUR Acc • iShares Edge MSCI Eupe Min Vol ESG UCITS ETF EUR A • iShares MSCI Europe ESG Enhanced UCITS ETF EUR Dis • iShares MSCI Europe ESG Screened UCITS ETF EUR Acc
Equinor	0.4%	• iShares MSCI Europe ESG Enhanced UCITS ETF EUR Dis • iShares MSCI World ESG Enhanced UCITS ETF USD Dist • iShares MSCI Europe ESG Screened UCITS ETF EUR Acc
Eni	0.7%	• iShares MSCI EMU ESG Screened UCITS ETF EUR Acc • iShares MSCI World ESG Screened UCITS ETF USD Acc • iShares MSCI Europe ESG Enhanced UCITS ETF EUR Dis • iShares MSCI Europe ESG Screened UCITS ETF EUR Acc

CONCLUSION

From citizens to climate science, the consensus is clear: we need rapid and profound transformation towards a just and sustainable society. It is commendable that the EU has given climate change mitigation a prominent place on its agenda and is even aiming to include equitable considerations.

But in the face of the climate emergency, we cannot afford to let the EU sustainable finance strategy be weakened by the private interests of the financial sector, smothering the voices of its citizens. Players like BlackRock, which have a huge stake in the status quo, cannot be handed the power to design the rules that impact them and should not be allowed to weaken Europe's efforts. **The climate rulebook pushed forward by BlackRock, from its definition of climate risk[106] to its opposition to a science-based taxonomy[107], is not merely a technical matter. It will drive the ability of finance to make a difference, or not, on climate change and to contribute to a just and green transition.**

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Exposing BlackRock's Grip on the EU's Climate Finance Plans

Reclaim Finance is an NGO affiliated with Friends of the Earth France. It was founded in 2020 and is 100% dedicated to issues linking finance with social and climate justice. In the context of the climate emergency and biodiversity losses, one of Reclaim Finance's priorities is to accelerate the decarbonization of financial flows. Reclaim Finance exposes the climate impacts of some financial actors, denounces the most harmful practices and puts its expertise at the service of public authorities and financial stakeholders who desire to to bend existing practices to ecological imperatives.

Observatoire des multinationales (Multinationals Observatory), based in Paris, is a platform that provides on-line resources and conducts in-depth investigations on the social, ecological and political impact of French corporations.

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