

Larry Fink's Latest Sermon

The BlackRock CEO auditions to be the next Treasury Secretary.

By

[The Editorial Board](#)

Jan. 17, 2020 6:56 pm ET

417



BlackRock CEO Larry Fink on Mar. 7, 2019. PHOTO: STEFAN WERMUTH/BLOOMBERG NEWS

[BlackRock](#) CEO Larry Fink is among the world's most powerful investment managers, but it seems he longs for more influence. To wit, he has assumed a role as self-styled conscience of the business world in telling CEOs how to run their companies.

"We believe that sustainability should be our new standard for investing," he wrote to clients in his annual letter this week. He added that "all investors—and particularly the millions of our clients who are saving for long-term goals like retirement—must seriously consider sustainability in their investments."

Mr. Fink gets attention because BlackRock is the world's largest asset manager, with some \$7.43 trillion in client assets. He is now threatening to vote against corporate directors and management if they don't do what he says, and he is especially exercised about climate change. He is demanding that companies disclose climate risks, and wants to see their plans to operate under scenarios in which warming is limited to fewer than two degrees Celsius this century.

Corporations in which BlackRock invests will also have to comply with the rules from a "Sustainability Accounting Standards Board" on issues such as labor practices and workforce diversity. "Disclosure should be a means to achieving a more sustainable and inclusive capitalism," Mr. Fink writes.

Like his friends at the Business Roundtable, Mr. Fink is big on "stakeholder" capitalism. "Each company's prospects for growth are inextricable from its ability to operate sustainably and serve its full set of stakeholders," he says. If he means serving employees, customers, suppliers and communities, he is merely saying what any successful company already does. But our guess is that by stakeholders Mr. Fink really means regulators and politicians.

The giveaway is that Mr. Fink says BlackRock will divest its actively managed funds from corporations that generate 25% or more of their revenues from coal production. "We don't yet know which predictions about the climate will be most accurate," Mr. Fink acknowledges, but "even if only a fraction of the projected impacts is realized, this is a much more structural, long-term crisis."

He might be right, but then estimates of future temperature increases are based on climate models that have overstated warming to date. Mr. Fink wants to make corporations plan for unknown temperature increases as well as climate regulations that are even less certain.

Coal is an easy target since its share of American power is declining. But the International Energy Agency projects that oil and coal demand will stay flat through 2040 and natural gas consumption will increase 40% even if all countries keep the

promises they made in the 2015 nonbinding Paris climate accord. The U.S. is predicted to account for 85% of the increase in global oil production over the next decade thanks to shale drilling.

All of which means that fossil fuels still have a long shelf life, especially in developing countries. There are 170 gigawatts of coal-plant capacity under construction across the world, which is more than what currently exists in Europe. So what happens if Mr. Fink's political and climate predictions prove wrong? His clients will pay the price.

BlackRock is a fiduciary and as such is legally obligated to act in its clients' best interest. This is ostensibly why BlackRock has voted against more than 80% of the climate resolutions on proxy ballots by activist shareholders. But suddenly Mr. Fink is prioritizing the interests of liberal politicians and pressure groups.

We can't help but wonder if Mr. Fink, after a profitable life in business, is auditioning to be Treasury Secretary in, say, the Warren Presidency. His "stakeholder" notions sound similar to her plans to put American corporations further under the government's thumb.

CEOs who take Mr. Fink seriously might note that his political and moral importuning isn't satisfying progressives. "BlackRock will continue to be the world's largest investor in coal, oil and gas," the Sierra Club said in response to Mr. Fink's letter.

Businesses will never be able to appease the climate absolutists. The best way they can prepare for climate risks and serve their stakeholders is to succeed as a business and create the wealth and broad prosperity that will make the world better able to adapt to whatever happens. That's real "sustainability."