



BlackRock's Big Problem: The biggest contributor to climate change you've probably never heard of

Our time to solve the climate crisis is running out. The United Nations recently warned that in less than 12 years, the window to limit global warming to 1.5°C (2.7°F), and thus avoid catastrophic drought, floods, extreme heat, and poverty for hundreds of millions of people, will close. Asset managers like BlackRock are both fundamental to the climate problem and essential for its solution.

BlackRock is the largest asset manager on earth. With assets under management hovering around a staggering US\$6 trillion, it is responsible for a portfolio more than double the size of France's GDP.¹ It manages pension and retirement funds across the world as well as the investments of dozens of state and local governments, college endowments, sovereign-wealth funds, and other large investors. This reach means the company maintains immense influence over world financial markets.

But BlackRock isn't just big—it also has a big problem. By virtue of its size and business model, BlackRock has become a vital lifeline for corporate polluters, providing continued investment capital to the companies most responsible for the climate crisis. It is one of the biggest investors on Wall Street when it comes to holdings in fossil fuels and deforestation-related companies -- the world's first and second largest drivers of greenhouse gas emissions, respectively.

BlackRock CEO Larry Fink has indicated concern about sustainability and the environment in his annual letters, and the company has publicly stated that "all investors should incorporate climate change awareness into their investment processes."² Yet a few token statements and gestures are nowhere near the action necessary from the world's largest asset manager. **There is no addressing the climate crisis without addressing BlackRock's role.**



BlackRock's Big Climate Problem

FOSSIL FUELS

BlackRock is one of the world's leading investors in all fossil fuels, from Canadian tar sands to Amazonian crude oil to Great Lakes pipelines. Its heavy exposure to coal - the dirtiest of the fossil fuels - provide a clear window into its climate problem.

BlackRock boasts the highest concentration of coal reserves across all of its portfolios, even compared to Vanguard, its nearest competitor in asset management.³ For every US\$1 million of assets under management, BlackRock owns the equivalent of 550 tons of thermal coal. Using a different measurement, the total emissions of BlackRock's unexploited coal reserves are five gigatonnes of carbon dioxide—roughly one percent of the entire planet's remaining carbon budget if the world hopes to remain below 1.5°C.⁴

BlackRock's investment in coal capacity in the electrical sector itself is another major problem. According to the German research organization Urgewald, BlackRock is the biggest single investor in the 56 companies most responsible for building new coal plants in the developing world.⁵ And BlackRock is the largest or second-largest shareholder in Big Oil giants like ExxonMobil BP and ConocoPhillips.⁶



DEFORESTATION

BlackRock's climate risk profile for deforestation-linked commodities is equally worrying. Globally, around 12 percent of total greenhouse gas emissions are caused by deforestation - and some 80 percent of global deforestation is driven by industrial agriculture.⁷ Commodities like palm oil, soy, cattle, paper, rubber and timber are the main contributors to deforestation,⁸ and BlackRock has major holdings in all of them -- including in many of the corporations driving rampant deforestation in the Amazon⁹ and in Southeast Asia.¹⁰

Not only does deforestation for agriculture commodity production -- especially in the tropics -- greatly contribute to climate change as well as biodiversity loss, it also typically drives systemic human rights violations.¹¹ That is largely because land acquired for agricultural commodities is often customarily owned and used by Indigenous Peoples and local communities. When communities' land rights are disregarded and companies and investors have not received communities' free, prior and informed consent (FPIC) to operate on their customary lands, intense land conflicts may result in threats and attacks against community leaders, land-grabbing, and other rights abuses.¹²

[From pipelines and palm oil plantations to tar sands and coal mines, BlackRock is the largest or second-largest single shareholder of some of the worst climate actors in the world economy.]

BlackRock's Ownership in Leading Polluters in Q4 2018¹³



17.29%



(Archer Daniels Midland)

10.21%



8.79%

SHAREHOLDER (IN)ACTION

As the world's largest asset manager, BlackRock's wields incredible shareholder influence. As of 2016 it owned more than 5 percent of over 2,600 companies and over 10 percent of 375 companies.¹⁴ This makes it a potential powerhouse when it comes to proxy voting and other matters of corporate governance.

Unfortunately, BlackRock has failed to use its influence as a major shareholder to create meaningful changes at these companies that harm people and the planet. For example, in 2017 it sided with management 14 out of 16 times against shareholder resolutions demanding that fossil fuel companies measure and evaluate climate risks – hardly a high bar given the severity of the climate crisis. In 2018, BlackRock supported only 23 percent of climate-related proposals, while voting for 99 percent of management-nominated directors. This makes BlackRock the single worst climate voter in the asset management field, according to a review by the 50/50 Climate Project.¹⁵

This failure to act is similarly evident when it comes to deforestation-linked commodities. When given the opportunity to vote for four resolutions to address deforestation in supply chains in 2016 and 2017 -- at Dominos, Kraft-Heinz, Kroger, and Yum! Brands -- BlackRock voted against all resolutions. Indeed, a review of BlackRock's proxy voting record on shareholder resolutions from 2016-2017 reveals that of 52 relevant shareholder resolutions, BlackRock voted alongside management all but once.¹⁶

THE BOTTOM LINE

BlackRock is a structural force in our economy with the power to guide the flow of trillions of dollars in investment capital. Currently, it is exacerbating the climate crisis, but it **can** decide to reverse course and help solve the climate crisis.

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ENDNOTES

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