WOKE FINANCE IS HURTING ARKANSANS

Financial institutions are targeting Arkansas industries, including food, aviation, and steel.

- The world's largest money managers are targeting specific sectors—including food, aviation, and steel—to force them to comply with the aspirational climate goals of the Paris Agreement.
- Members of initiatives like NZAM or CA100+—including BlackRock, State Street, and Wellington—manage large amounts of citizens' retirement savings, including over $8 billion for the Arkansas Teacher Retirement System and the Arkansas Public Employees' Retirement System as of 2023.
- These money managers push their decarbonization goals by pressuring companies to make farmers electrify their farm vehicles, change their fertilizer use, and switch to "lower-carbon alternatives to meat and dairy."
- For aviation, climate activists advocate "constraining air travel demand" and mandating the use of expensive biofuels. These policies are sure to harm Arkansas, since aerospace and aviation represent its #1 export.
- Climate activists also push steelmakers to use green steel certification schemes and expensive carbon pricing. These policies will harm the many thousands of Arkansans who work in the state's thriving metals industry.

Money managers are also imposing ESG mandates on utilities that serve Arkansas, like SWEPCO (AEP). This makes the Natural State's electricity supply dependent on China.

- Money managers are pressuring power companies to "align future capital expenditures with . . . limiting global warming to 1.5° C," which means ramping up solar and wind energy to nearly 70% of electricity generation.
- This increases dependence on China, which controls more than 80% of all manufacturing stages of solar panels, 60–80% of wind energy components, and up to 90% of the processing of critical minerals, like rare earths.
- At the same time, these asset managers pressure electric utilities to phase out gas and coal power by 2040, but coal and natural gas provided 60% of Arkansas's net electricity generation as of November 2023.
- Such a radical energy transformation would hurt Arkansans, who currently have much lower electricity prices than states like California with green mandates. AEP is a "key focus company" of CA100+ and has been "receptive to engagement" in response to CA100+'s demands.

Even worse, major banks are pressuring energy companies with their lending practices.

- Bank of America, JPMorgan Chase, and Wells Fargo have all joined the Net-Zero Banking Alliance, committing to slash their financed emissions in the power sector by 60%–70% carbon intensity by 2030.
- Further, JPMorgan Chase plans to reduce its clients' iron and steel emissions intensity by 30% by 2030.

How Arkansas can push back: Legislative Solutions

In 2023, Arkansas passed a law to push back against the ESG agenda by protecting workers and families savings. It clarifies the fiduciary duty of those managing Arkansas's pension funds by requiring them to consider only financial factors instead of environmental or political goals. **Arkansas lawmakers can build on that work by:**

- **Protecting Arkansas' Economic Interests:** Arkansas can strengthen its 2023 law requiring the state Treasurer to divest from financial providers that boycott or penalize energy or firearm companies based on ESG factors. Arkansas could provide more robust protections for its economic interests removing limiting language that indicates such boycotts exist only when actions are based "solely on the entity's status as an energy, fossil fuel, firearms, or ammunition industry entity."
- **Protecting Arkansas' Farmers:** Arkansas can empower the Attorney General and the Secretary of the Department of Agriculture to investigate and take action when banks restrict services to farmers based on environmental policies. This will ensure that Arkansas's farmers are not frozen out of financing by climate-activist banks.

HERITAGE ACTION
FOR AMERICA

More Information on Woke Finance Organizations

United Nations-inspired climate initiatives push the Paris Agreement on U.S. companies.

In the past few years, numerous financial initiatives have arisen to coordinate asset managers, banks, and other financial institutions to comply with the aspirational climate goals of the Paris Agreement—even though the Paris Agreement is not legally binding on U.S. companies.

Some of the most notable groups are the Glasgow Financial Alliance for Net Zero (GFANZ), which is grounded in the UN-backed Race to Zero campaign, and Climate Action 100+, which is partially led by the UN-affiliated Principles for Responsible Investment.

GFANZ and Climate Action 100+ have enormous sway, controlling trillions of dollars.

GFANZ boasts that its members represent "over $130 trillion of private capital" that is "committed to transforming the economy for net zero." Its Net-Zero Banking Alliance represents over 40% of global banking assets, including JPMorgan Chase, Bank of America, Wells Fargo, Citi, Goldman Sachs, and Morgan Stanley. Overseen by the UN, these members commit to align their financed emissions with net zero by 2050 or sooner. Similarly, members of GFANZ's Net Zero Asset Managers initiative (NZAM), including Blackrock and State Street, commit to "play [their] part to help deliver the goals of the Paris Agreement" by managing assets in line with net zero greenhouse gas emissions by 2050 or sooner and by phasing out fossil fuels.

Climate Action 100+ (CA100+) members collectively managed $68 trillion in assets in 2023. CA100+ members target certain companies and pressure them to commit to "[t]ake action to reduce greenhouse gas emissions across the value chain . . . . consistent with the Paris Agreement's goal." Their sector strategies target power companies, agriculture (food & beverage), aviation, steel, and mining.

These groups are using Arkansans' hard-earned savings to advance their own radical goals.

Asset managers influence company behavior by "engaging" with them one-on-one and voting at annual meetings on shareholder proposals and board directors, using shares paid for with Arkansas's state retirement funds. In recent years, this has looked like:

- BlackRock asking companies to "set short-, medium-, and long-term targets for greenhouse gas reductions" and "explain how their business model will be compatible with . . . net zero."
- BlackRock and State Street voting for dissident board candidates at ExxonMobil as part of a campaign to get ExxonMobil to invest more heavily in "net-zero emissions energy sources" and "align [its] business with a net zero economy."
- BlackRock and State Street voting in favor of insurers Chubb and Travelers Companies disclosing plans to "reduce the GHG emissions associated with [their] underwriting, insuring, and investment activities" in line with net zero.
- BlackRock and State Street voting in favor of Charter Communications publishing a "diversity, equity, and inclusion" (DEI) report with "quantitative data on workforce composition, and recruitment, retention, and promotion rates of employees by gender, race, and ethnicity."
- Wellington Management supporting 63% of environmental shareholder proposals in 2022.