THE BLACKROCK MODEL

How the EU is choosing the wrong path to prevent banks from destroying the planet

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SUMMARY

The world's largest asset manager BlackRock is notorious for its investments in fossil fuels and deforestation. Still, the European Commission ignored conflicts of interest when it awarded the company a bid to prepare the reshaping of EU banking rules to meet the climate challenge. On top of this, BlackRock is a major shareholder in companies that have the most at stake: big European banks.

BlackRock is one of the leading proponents of soft regulation on climate change. Along with dozens of other big financial institutions, it has fought key elements of the EU's agenda on sustainable finance. Still, it is allowed to do consultancy work that will lay the ground for the EU institutions' green banking regulations.

The Commission ignored all conflicts of interest rules when awarding BlackRock the contract. It is crucial that action is taken to avoid the derailing of an important initiative: redirecting capital flows from investments that lead to more and deeper climate change to sustainable investments.

INTRODUCTION

The European Commission has asked one of the world's largest investors in fossil fuels, the US asset manager BlackRock, to help it develop new rules to ensure financial investments are environmentally sustainable as part of a raft of climate change measures. Moreover, BlackRock is also part of a lobbying campaign to prevent such rules being too much of a constraint on its own investments. The conflicts of interest are glaring and plentiful.

This extraordinary move takes place in the context of a very important acknowledgement by the EU institutions: any form of ecological transition to prevent climate breakdown will require massive investments. According to the Commission, this would require at least €260 billion invested annually, and even that may be a very conservative estimate.

The European Green Deal[1] relies massively on private investments that are to be the "key to financing the green transition". In view of the failure of current financial markets to internalize the short- and long-term environmental impact of investment decisions, one could question whether the Commission's faith in financial markets is warranted.

The European Commission recognises that there is a need for public intervention in financial markets. However, that intervention is so far mostly confined to "soft regulation" - ie. an obligation for financial actors to declare the environmental externalities linked to financial products they sell so that the final consumer can make an informed choice. Still, the overall objective is ambitious: "Long-term signals are needed to direct financial and capital flows to green investment and to avoid stranded assets", the Commission states, and efforts have to be increased to "direct private capital towards climate and environmental action, while avoiding lock-in into unsustainable practices."[2] We need to promote 'green' investments and dissuade investments that are harmful to the climate (sometimes called 'brown' investments).

But when taking up this challenge, the selection of partners, and not least consultants, is crucial. And there have been plenty of signs that there will be pushback to the new rules. In 2018 the European Commission launched its first 'Action Plan for Sustainable Finance'.[3] Since then there has been a heated battle around the so-called taxonomy regulation, a measure intended to prevent the misleading labelling of investments as sustainable, (greenwashing), and both fossil fuel companies and finance lobby groups are among those fighting to water it down.

The takeaway lesson is: expect staunch opposition from the sectors involved, be they fossil fuel companies or their investors. As the political battle on the taxonomy regulation wore on, big banks, investment funds, and their lobbyists weighed in to push against some of its main features. Some wanted more space for so-called 'transitional fuels' such as gas (despite it still being a fossil fuel), others were flat out against what they called 'prescriptive standards', and unsurprisingly, preferred voluntary frameworks developed and managed by the financial industry itself.

Now the EU is on the threshold of another big initiative: about what to do with banks. Preparations are already ongoing as such a topic obviously requires some deep thinking, investigations, surveys, statistics, and modelling. It makes sense for the European Commission to initiate research, and since the in-house capacity is limited, it also makes sense to put this kind of research project up for tender.

But given the political stakes and the financial interests at play in the area, it is essential to pick the analyst and the approach with care. That's why there was an outcry from 80 members of the European Parliament and from green groups when the European Commission revealed on 8 April 2020 that it had picked BlackRock, the largest asset management firm with US$7.8 trillion under management, to do the job.

This briefing highlights three main reasons why this choice was the wrong one:

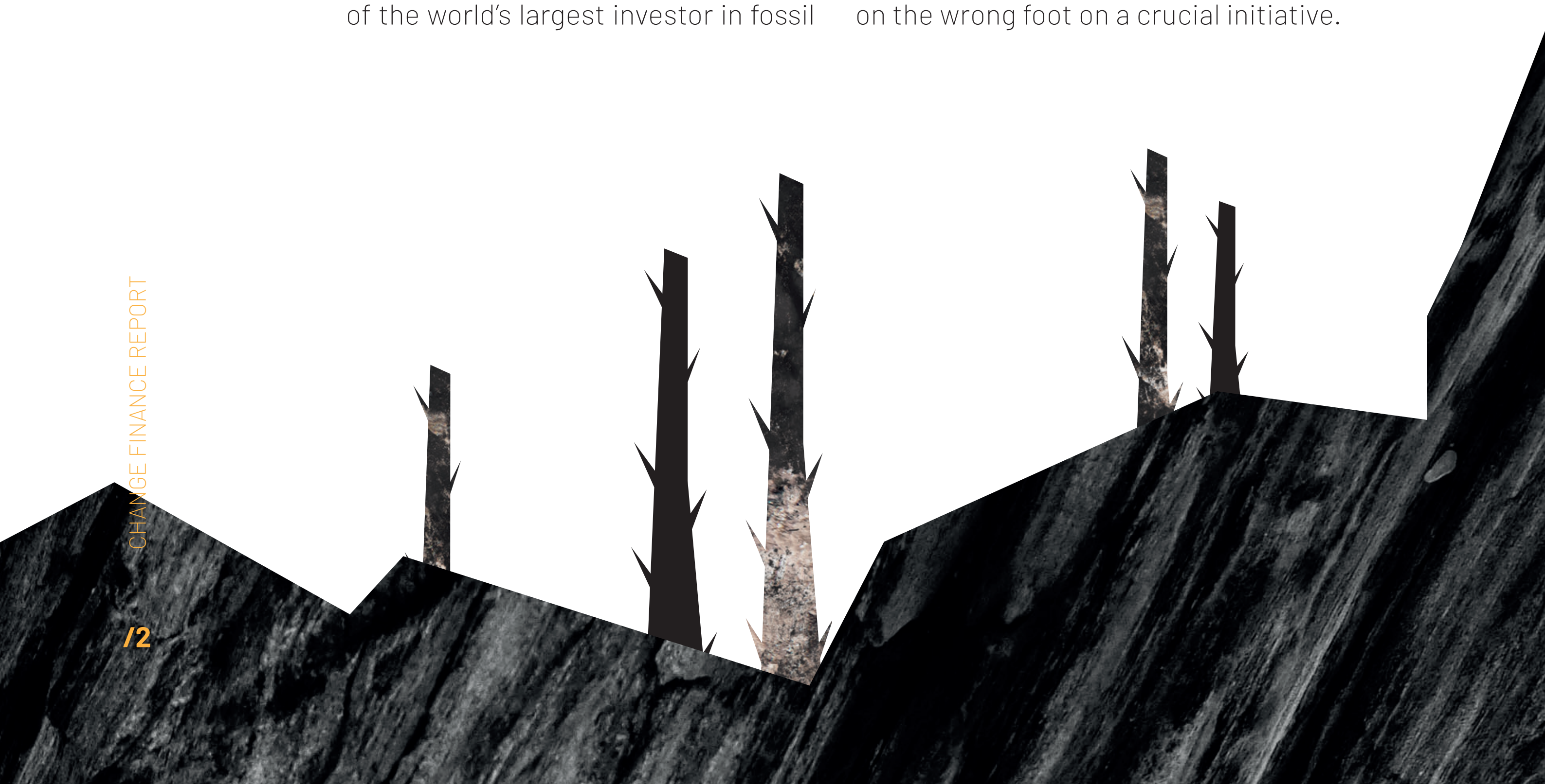
- BlackRock is infamous for being one of the world's largest investor in fossil fuels – as well as a major one in other climate-destroying sectors such as deforestation.

- BlackRock is one of the biggest shareholders in big European banks, perhaps even the biggest.

- BlackRock is already deeply involved in a lobbying campaign with other financial corporations to stave off new ambitious rules on 'sustainable finance' and instead introduce untrustworthy voluntary measures developed by the financial industry.

In sum, it is hard to come by a more inappropriate choice to advise on the Commission's new sustainable finance rules, or one with more glaring conflicts of interest.

In this briefing we will argue that the conflicts of interest are both dangerous and in breach of EU rules. These conflicts of interest led the Change Finance coalition to file a complaint to the European Ombudsman – a case that will be referred to frequently below.[4] We will explain how BlackRock's financial interests should have led the Commission to exclude the fund from the tender in the first place. We believe that in itself ought to suffice to have the Commission cancel the contract and start afresh. If not, then the EU risks getting off on the wrong foot on a crucial initiative.



1. CLIMATE AND FINANCE: GREENING THE BANKS

Why the EU's next step towards 'sustainable finance' is crucial

Without addressing finance, there is no solution to the climate emergency. Without the funds to invest in the transition and without restrictions on investments in the fossil economy, the path out of climate change is blocked. This was clear to the states that negotiated and signed the Paris Agreement in 2015.[5] In article 2.1c the signatories commit to making "finance flows consistent with a pathway towards low greenhouse gas emissions and a climate-resilient development". The European Commission thus appointed a High Level Expert Group on Sustainable Finance, which delivered its recommendations for action in January 2018.[6] Only two months later the Commission launched its Action Plan for sustainable finance, which has since then guided a series of political initiatives in the area.

Its 10 point action plan is a mix of very different initiatives. Many concern the way financial institutions address and advise investors (mainly the investment industry), others are about developing new and higher standards for reporting with green indicators so that transparency will aid investors to choose for climate mitigation. Amidst this cluster of topics, the most important and the most contentious so far is the establishment of "an EU classification system for sustainable activities", the so-called taxonomy regulation.

The taxonomy regulation will set standards for what constitutes an environmentally sustainable activity to be financed, and at its core it is about dealing with 'greenwashing'. If financial companies are allowed to develop their own particular views on what is green and what is not, there is a risk their financial interests get the upper hand, and investments are mislabelled as green. As these are official criteria, the taxonomy is potentially much more than proper guidance to individual investors and 'financial consumers'. If public institutions, including public investment banks, are compelled to prioritise sustainable investments by using the taxonomy definitions, it could move billions in a greener direction.

SUSTAINABLE FINANCE: CONTESTED BY THE FINANCE LOBBY

A binding taxonomy regulation would obviously restrict the financial industry's leeway to handle sustainability issues how they want. When the first draft was introduced in May 2018,[7] it didn't take long before financial corporations and their lobbying associations hit back. According to a report from the research group InfluenceMap, only a small group of European financial institutions supported any taxonomy. The finance sectors' lobbying association advocated a voluntary approach, while trying to restrict the scope of the regulation.[8] The financial sector was particularly vocal about what they called "the binary approach" of the proposed regulation, an approach that would deem investments either 'sustainable' or not. This concept was introduced to push for an outcome that would allow "transition fuels" (such as natural gas and nuclear energy) to be treated favourably under the taxonomy. This has become the most contentious issue, as green groups argue that if gas infrastructure and pipelines could somehow qualify as a sustainable investment, the EU would be tied in to fossil fuels for a very long time.

In this way, the financial industry's lobby groups have weighed in on the side of gas producers and developers of gas infrastructure.[9] The biggest global banks and investment funds were among those who argued strongly against a mandatory approach that would encompass a broad basket of financial instruments, and in parallel, they developed a model of their own: a global taxonomy in which they themselves flesh out the details. Naturally they favour voluntary regulations shaped by themselves, rather than a binding regulation. One of the financial corporations at the heart of this effort is BlackRock, including through its membership of the Institute of International Finance (IIF), the global lobby group for the biggest financial institutions in the world.

THE NEXT BIG STEP: BANKING REGULATION

While the taxonomy regulation has some crucial implementation measures still to be decided, financial corporations have at best played the role of sceptic, and at worst, been fierce opponents. This is crucial to bear in mind because some of the upcoming initiatives potentially touch on their interests in a very direct manner, in particular the upcoming battle over banking regulation. Arguably in this field the stakes are higher for private financial corporations in that it could – indeed, it should – have a direct material impact on financing.

Banking regulation was put on to the agenda by the so-called High Level Group on Sustainable Finance, an expert group established by the Commission. In its final report from January 2018 it calls for a review of "prudential rules for the banking and insurance sector so as to ensure that… these two key sectors for lending and long-term investment are appropriately mobilised for sustainable finance, while protecting financial stability".[10] The heart of the matter is this: banks have an obligation to assess how risky their investments are. The riskier the investment, the more capital banks will have to have at hand to secure their own stability and to guard the financial system from instability – these are capital requirements.

Risk assessment is certainly relevant to climate change. If banks invest in fossil fuels or other products linked to climate change, for a start, they put the planet at risk. And not only are they contributing to disastrous climate change through their investments in a fossil economy; they are putting themselves and the financial system at risk too. In one scenario, there's a risk of the 'carbon bubble' bursting, where fossil fuel financing lead to 'stranded assets' as countries move away from dirty energy. In another, fuelling climate change is a bad investment, as the planet strikes back and the effects of climate change take them down. Climate change will have a severe impact on the financial system, hitting the very institutions that financed the collapse of eco-systems.

Despite these huge risks, climate change is not even part of the equation for most banks. They assess risks on the basis of models that do not integrate the impact that climate change will have on themselves. Traditional economics and short-term thinking implicitly lead bankers to think the environment is perfectly external to their calculations.

ENVIRONMENTAL AND SOCIAL FACTORS

This is the starting point for the process that is to lead to integration of Environmental, Social and Governance factors (ESG) into "prudential banking regulation", according to the Commission's action plan. As the name suggests, it is supposed to cover various dimensions including social rights, human rights, and internal matters in the financial institutions. Unfortunately, in reality this is being boiled down to climate change only – the reasons why are beyond the scope of this article. For now, the question is: how can the existing framework for banking regulation be adapted to facilitate a transition to a sustainable economy and avert climate change?

The High Level Expert Group has given a few hints in their report, as has the Commission in their Action Plan from 2018. When the Commission comes out with a reviewed action plan in late 2020 or early 2021, we will get more indications about where they want to go with banking. Both the overall design and the details have yet to be defined. That the Commission awarded a contract to BlackRock with the task to prepare a debate on best practices and principles on banking and climate change, is like letting the fox not just guard the hens but design the henhouse.

2. BLACKROCK SETS US OFF ON THE WRONG FOOT

Why letting a financial corporation prepare the groundwork could derail green banking before it gets started

The EU will be entering uncharted waters with the integration of climate-related "ESG risks" into prudential banking regulation. And given the complexity of the issue, it makes sense for the Commission to initiate research. The problem is that the only investigation with some weight that is set to be finished before the European Commission will table its proposal on how to integrate climate-related investments into banking regulation, is the report that will be prepared by BlackRock. In a worst case scenario, the only well-developed model, and the only one backed up by a mountain of data, will be one put together by a financial institution with vested interests.

The outlines of the research were explained in the tender specifications:

The purpose of the study is to provide the Commission with a thorough analysis with regard to the following objectives: 1) the incorporation of ESG risks into EU banks' risk management; 2) the integration of ESG risks into prudential supervision; and 3) the integration of ESG objectives into banks' business strategies and investment policies.

For each of the three objectives the study should A) provide a comprehensive overview of the state-of-play at EU level and, where relevant, at global level; and B) ***identify best practices/principles*** *as regards the arrangements, processes, tools, and strategies to achieve them.*

The outcomes of ***the study will feed inter alia into the workstream for the implementation of the Commission Action Plan on Sustainable Finance...*** [emphasis added].

There is no doubt that the contract will indeed require technical work, but when it comes to identifying "best practices/principles", the discussion will be dependent on the views and interests of the analyst. What is "best" depends on a plethora of criteria, and BlackRock seems to have ample space to pick them. And more, the term "ESG risks" could indicate that the Commission is suggesting a narrow approach: one that would include only the risks specific to a bank, and not so much the broader risk to the environment, which is likely to be more contentious.

And to invite one of the biggest asset management funds in the world to do the job, one that is lobbying heavily on the very same topic, is ill-advised to say the least. BlackRock is a member of several industry-driven fora that are lobbying against or to water down the integration of ESG factors into prudential banking regulation. For instance, some have argued against the application of capital requirements on investments in fossil fuels as there is "insufficient data to justify this" (the Association for Financial Markets in Europe, AFME).[11] And lobby group the European Fund Asset Manager Association (EFAMA), which counts BlackRock as a corporate member, has argued against the integration of ESG factors into the rules on investment funds[12] – ie arguing against stricter ESG regulation, which is what BlackRock has to explore in the area of banking regulation. This is all well in line with the economic interests of the members of the organisations in question, and perhaps not unexpected. But seeing one of EFAMA's important members in the role of paid advisor to the Commission on the topic, is entirely unacceptable.

BLACKROCK STUDY GIVES FINANCE LOBBY THE FIRST WORD

For the banks, ESG risks have a particular meaning since assessing loans means that banks have to assess what the risks are of a loan not being repaid, or other ways financial values might decrease and even lead to financial instability. This also means that banks have to put aside more capital reserves the riskier a loan is (more capital reserves are considered expensive by the banks). So far, it is up to the banks (and the credit rating agencies they use) whether they take ESG risks into account, or even go further and take into consideration what (long term) impact their financing services (loans, underwriting, etc.) will have on planet and people.

But the EU proposal potentially takes ESG risks to a new level: an official, mandatory approach to the way ESG criteria are applied could be developed, and an integration of ESG objectives into banks' business models could be developed. And that approach could in turn – depending on the political level of decision making be used to impose specific capital requirements. By most accounts, the large majority of financial institutions have shown no appetite for such an approach, and BlackRock stands out as one of the sceptics if not opponents, either on its own or via the lobbying associations the company is a part of.

As the Commission will be the author of any proposal that emerges in the area, it sets the agenda. That's why the Commission runs the risk of derailing the process at the outset by letting BlackRock do the – so far only – big investigation into what the options are.

BLACKROCK´S LOBBYING POWER IN THE EU

BlackRock itself states in the EU Transparency Register that in 2019 it employed nine staff working part-time on lobbying in the EU, with a full time equivalent (FTE) of 2.8 people. Financially, they say to have spent 1,25-1.5m Euro on lobbying EU institutions in 2019.

Yet, this doesn't paint the whole picture of BlackRock's lobbying power in the EU. Apart from directly employing lobbyists, BlackRock is affiliated to numerous associations that represent the financial industry in Brussels and meet with EU officials to lobby for their members´ interest. Based on the member directories of the associations listed below and/or the affiliations mentioned by BlackRock in its entry to the EU Transparency Register[1], we found 23 associations, groups and institutes where BlackRock is a member. **Together, they spent between 26,302,000 and 29,549,987 Euro on lobbying in 2019 and employ 261 staff working full or part time on lobbying (138,7 FTE).** The large number of lobbyists becomes even more impressive when one considers the number of staff in charge of sustainable finance in the Directorate General for Financial Stability, Financial Services and Capital Market Union (DG FISMA): According to the Who is Who of the EU, **15 staff are currently working in the sustainable finance unit within DG FISMA.**

While not all that money and staff are exclusively working for BlackRock and not all focus on sustainable finance issues, one has to bear in mind the vast amount of resources available to the asset manager when it comes to influencing european decision-making processes.

This is further reflected in the number of meetings BlackRock and the associations it is a member of have had with staff in the responsible unit of the European Commission, DG FISMA. As we know from an access to a document request **BlackRock has met 20 times with staff from DG FISMA[2] between 01.01.2015 and 14.06.2019.** In the same period of time, **lobbyists from the associations where BlackRock is a member have met 413 times with DG FISMA staff[3].**

The fact that most of the associations below have similar member organisations (for example: next to BlackRock, the big asset managers State Street Corporation and/or Vanguard are also members of most of the associations) shows an immense concentration of assets and financial power behind the associations which increases their influence further.

1 Only 15 of the 22 associations that BlackRock is a member of are listed in BlackRock's entry in the EU Transparency Register, which points to the fact that the entry is not complete and should be updated.

2,3 Excluding the Director General and the Deputy Director General.

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Table 1: BLACKROCK´S LOBBYING POWER IN THE EU

	Association in which BlackRock is a member	Country/ Region of focus	BlackRock branch	Lobby power in 2019 (as displayed in the EU Transparency Register)
1	**Bruegel**	Europe	BlackRock	**5 - 5.25 Mio. €** **FTE*:** 30,5 **Persons**:** 31
2	**Association for Financial Markets in Europe (AFME)**	Europe	BlackRock	**4.5 - 4.75 Mio. €** **FTE:** 23 **Persons:** 60
3	**European Fund and Asset Management Association (EFAMA)**	Europe	BlackRock	**3.5 - 3.75 Mio. €** **FTE:** 11 **Persons:** 17
4	**Bundesverband Investment und Asset Management (BVI)**	Germany and Europe	BlackRock	**2.5 - 2.75 Mio €** **FTE:** 10 **Persons:** 16
5	**International SWAPs and Derivatives Association (ISDA)**	Global	BlackRock Financial Management	**2 - 2.25 Mio. €** **FTE:** 6 **Persons:** 6
6	**Managed Funds Association (MFA)**	Global	BlackRock Alternative Investors	**1.25 - 1.5 Mio. €** **FTE:** 3,5 **Persons:** 8
7	**The Investment Association**	UK, Europe and global	-	**1.25 - 1.5 Mio.€** **FTE:** 10,5 **Persons:** 38
8	**Association Française de la Gestion financière (AFG)**	Europe and Global	BlackRock France SAS; BlackRock IM (UK) Ltd.	**1 - 1.25 Mio. €** **FTE:** 6,5 **Persons:** 14
9	**Alternative Investment Management Association (AIMA)**	Global	BlackRock	**800,000 - 899,999 €** **FTE:** 5 **Persons:**10
10	**Association of Luxembourg Funds Industry (ALFI)**	Luxemburg and Global	BlackRock	**700,000 - 799,999 €** **FTE:** 3,8 **Persons:** 13
11	**Investment Company Institute (ICI)**	Global	BlackRock Capital Investment Corporation; BlackRock Fixed-Income Funds; BlackRock Funds III; BlackRock Liquidity Fund; BlackRock Open-End Funds; BlackRock TCP Capital Corp.	**700,000 - 799,999 €** **FTE:** 1 **Persons:** 4
12	**Institute of International Finance (IIF)**	Global	BlackRock Inc.	**600,000 - 699,999 €** **FTE:** 2 **Persons:** 5
13	**Irish Funds**	Ireland and Europe	BlackRock	**500,000 - 599,999 €** **FTE:** 2 **Persons:** 5
14	**EUROFI**	Europe and Global	BlackRock	**400,000 - 499,999 €** **FTE:** 3,5 **Persons:** 5
15	**SIFMA Asset Management Group**	USA and Global	BlackRock	**400,000 - 499,999 €** **FTE:** 1,2 **Persons:** 4
16	**International Capital Market Association (ICMA)**	Global	BlackRock Investment Management (UK) Ltd.	**300,000 - 399,999 €** **FTE:** 1,8 **Persons:** 7
17	**Assogestioni**	Global	BlackRock	**200,000 - 299,999 €** **FTE:** 11,2 **Persons:** 17
18	**European Association for Investors in Non-Listed Real Estate Vehicles (INREV)**	Europe	BlackRock	**200,000 - 299,999 €** **FTE:** 2 **Persons:** 2
19	**The International Securities Lending Association**	Europe, Middle East and Africa	Blackrock Advisors (UK) Ltd.	**200,000 - 299,999 €** **FTE:** 0,5 **Persons:** 2
20	**Institutional Investors Group on Climate Change (IIGCC)**	Europe	BlackRock	**200,000 - 299,999 €** **FTE:** 2 **Persons:** 4
21	**The Dutch Fund and Asset Management Association (DUFAS)**	Netherlands and Europe	BlackRock	**50,000 - 99,999 €** **FTE:** 1,5 **Persons:** 2
22	**Eumedion**	Netherlands and Europe	BlackRock	**25,000 - 50,000 €** **FTE:** 0,2 **Persons:** 1
23	**European Capital Markets Institute (ECMI)**	Europe	BlackRock	No entry in lobby register

Total FTE working on lobbying: 138,7 / Total persons working on lobbying: 261 / Total Minimum spent on lobbying: 26.302.000 €
Total Maximum spent on lobbying: 29.549.987 €

* FTE: full-time equivalent

** persons working on lobbying as per the transparency register

TAXONOMY AND ESG INTEGRATION

Any attempt to integrate ESG factors (or ESG impacts or ESG objectives) into banking regulation – any attempt to redirect capital flows – requires two elements: a method of assessing what is sustainable and what is not, and the tools to step in and correct failures. The first element is closely related to the taxonomy debate, whereas the second is about something separate: capital requirements.

What then are the views expressed from finance institutions and their lobbyists on the first building block, a taxonomy?

Their views on green taxonomy – debated intensely over the past two years – vary from scepticism to outright opposition. An investigation by InfluenceMap has exposed how different EU financial lobby groups have lobbied against the EU's taxonomy. The European Fund and Asset Management Association (EFAMA) and the Association for Financial Markets in Europe (AFME) – to which BlackRock belongs – were named as two of the three key main opponents. They argued in favour of a voluntary approach, restricted only to a few products.[13]

BlackRock has also weighed in separately. In a policy paper from early 2020, the fund warns that "excessive granularity and prescriptiveness could ultimately restrict innovation and asset owner choice".[14] In other words, BlackRock does not want the EU, or any other public authority, to call the shots – asset owner choice is the priority. There even has to be ample space for financial institutions and investors to define sustainability. This goes against the whole idea of creating politically agreed standards that define sustainability to prevent greenwashing.

Perhaps BlackRock was most present in the debate via the IIF. IIF represents the biggest financial institutions globally, and at both the international and European levels it is a force to be reckoned with. Their message to the Commission is radical: in essence, the IIF has warned against adopting a European taxonomy at all.[15] To them, the preferable model is a global one, one that is built around the proposals developed by the financial industry itself in the framework of the Taskforce on Climate Related Financial Disclosures, and the IIF's own 'Sustainable Finance Working Group' (SFWG).

In sum it is fair to say that the large majority of the big players on financial markets are not supportive of an ambitious taxonomy for sustainable finance, and that has implications for banking regulation. But that is only half the story. The other half is, as mentioned, about risk assessment and capital requirements.

To reach the point where regulators are equipped with the tools to step in if a bank is about to take a risky turn and invest in a project that will speed up climate change, there needs to be something in place to assess the harmful assets as well. This could take different shapes, one being the development of a 'brown taxonomy' for unsustainable investments. Sustainable investments have become increasingly popular, to the extent that today the problem is not so much the demand in funding of sustainable projects, but rather the supply. Generally, the available sustainable projects are not lacking funding. There are too few of them to meet demand. And at the same time the fossil economy has expanded, which is the core of the problem. In sum, there appears to be no way around stepping in to actively limit investments in coal, oil, and gas. This has been a recurrent theme since the debate on the taxonomy regulation took off in the EU, and there seems to be broad backing from financial services authorities and civil society for a 'brown taxonomy', which would clarify what is harmful and up for divestment.[16]

Yet the proposal to develop a 'brown taxonomy' does not go down well with the financial sector in general, and BlackRock's lobby associations in particular. According to EFAMA, a brown taxonomy "would add complexity to an already complex sustainable finance regulatory framework"[17], whereas AFME stated that "creating a detailed 'brown' taxonomy would be premature and might have unintended negative consequences". The International Swaps and Derivatives Association (ISDA)[18] and the Securities Industry and Financial Markets Association (SIFMA)[19] had similar stances, arguing a brown taxonomy would add to complexity, and was not desirable.

HOSTILE TO CAPITAL REQUIREMENTS

Integrating ESG risks, impacts and objectives into banking regulation is about more than modelling and categorizing investments – that's what makes this element in the Action Plan on sustainable finance special. It can – potentially – lead to mandatory rules that will impact capital flows directly.

There are basically three different ways that can happen: either by imposing higher capital requirements on harmful climate related investments, by giving more leeway to sustainable investments through 'a green supporting factor', i.e. lower capital requirements, or finally through giving supervisors the authority to step in and correct failures in individual banks with a financing strategy that is becoming too risky from a climate perspective.

In the EU context, this debate has hardly even begun and an exhaustive analysis of the finance lobby's agenda is therefore not possible. But besides their stance on taxonomy, it is worth noting that if there is any support for any of these ideas among the financial corporations, it is for 'a green supporting factor' i.e. lower capital requirements only, albeit with some hesitation. AFME sees the green supporting factor as a "clear incentive for institutions to transition to a green economy", but stresses that some green investments can be risky in ways that would then escape regulation and lead to instability.[20] Many would argue that such a rebate on capital requirements for green investments is not necessary, and that it would hardly make any difference.[21]

Meanwhile the IIF is opposed to integrating any taxonomy into banking regulation: in a letter to the European Commission, it states that "prudential regulation should not attempt to support green or penalize climate-wrecking harmful assets (e.g., via adjusted capital requirements) purely on the basis of their classification. Any changes should be based on compelling evidence regarding the risk profile of a given asset class."[22] Such a demand could easily lead to years of delay, which – considering the urgency – could be serious. This approach – reminiscent of a derail or delay lobbying tactic – would open the door to an endless lobbying battle over 'evidence', one that could drag on for many years as FinanceWatch points out.[23] An alternative could be a phase-out of investments in particular sectors or products through the use of rising capital requirements, to bring the financial sector in line with the Paris Agreement.

Taken together, there are a few finance lobby groups that may support a green supporting factor, as it could be profitable. But the finance lobby groups propose no action to deal with the bigger problem: that the fossil economy could expand in a setting where 'sustainable investments' are becoming very popular. Higher capital requirements, as proposed by FinanceWatch[24] among others, does not seem to go down well with the financial industry.

BLACKROCK: A BIASED ANALYST

How this complex problem is to be addressed is set to be discussed on the basis of a report written by BlackRock. Its starting point will be BlackRock's assessment of what is 'best practice' and what are the useful 'principles' from which to tackle the problem. And as indicated above, BlackRock will not come empty-handed to the table. The asset manager's analysts come with concepts developed in cooperation with other financial corporations. The gist of these measures are that investors room for manoeuvre is not to be reduced by 'prescriptive' rules.

That too explains why BlackRock was singled out by InfluenceMap as perhaps the institution most hostile to the sustainable finance agenda of the European Commission. In its analysis, BlackRock belongs to a select few financial institutions that appear to be "more resistant towards sustainable finance regulation and have pushed back against more stringent requirements". This group includes BlackRock, Invesco, UBS, and BNY Mellon, all of which have pushed the positions of finance sector industry associations. Within this group, InfluenceMap concludes, BlackRock appears to be "the most strategically engaged".[25] And this time around, BlackRock is well placed to push the proposals of industry associations, as it comes to the table with predefined ideas developed, e.g. in the context of the IIF's SWFG.

When looking at the details of the work plan written by the Commission in the tender specifications, there is a reason to sound the alarm: BlackRock is supposed to consider two initiatives that it has helped develop in the first place. BlackRock is very involved in financial corporations' collective strategizing at the global level. BlackRock is a member of the IIF, the lobby group of big global banks and investment managers, including its 'Sustainable Finance Working Group' (SFWG) whose views are supposed to be considered when working on the report for the Commission, according to the tender specifications.[26] Also, BlackRock is part of the Taskforce on Climate Related Financial Disclosures (TCFD), an industry group set up by the Financial Stability Board,[27] a body established after a G20 meeting in April 2009 to monitor financial markets. Both are included in the tender specifications as work streams to consider when drawing up the overview and recommendations.

What makes the latter two special is that they are led by private financial institutions, and that within those frameworks they are developing their own industry approach to e.g. taxonomy.

It is up to BlackRock whether to make them key to their argument or not. In principle, BlackRock can even build its proposals around the ideas developed in cooperation with the biggest financial corporations in the world. That begs the question if this is not a position riddled with conflict of interest? It certainly seems to fit the definitions in both the EU's Financial Regulation and the Commission's own internal rules: an "operator" must be excluded from a tender on the ground of "professional conflicting interest" if it risks having to "evaluate a project in which it has participated".

UNDERPLAYING BLACKROCK'S ROLE

When the Ombudsman's office confronted the Commission with this problem, the Commission claimed that this had already been properly considered: "this was not of concern in relation to the contract for the study." It perceived the influence that BlackRock has over these work streams to be limited, because "the TCFD and the SFWG are organisations with various members, of which BlackRock is only one."[28]

The problem with this statement is that it is false. BlackRock is a founding member of the TCFD,[29] and an outstanding member of the IIF's SFWG in that it is presented by the IIF as a main spokesperson for the designs developed by the group.

For instance, when the IIF's SFWG announced its own proposal on a taxonomy of sustainable investments, the Chief Executive of BlackRock Larry Fink was one of only two industry representatives quoted in the press release.[30] In an article written by Barbara Novick of BlackRock Inc. on "a common language for sustainable investing", she underlines that BlackRock supports "the overall recommendations contained in a recent Report of the Institute of International Finance's (IIF) Sustainable Finance Working Group". A main point in the same article is to support making the framework developed by the TCFD for ESG disclosure reporting the global standard.[31]

In sum, the Commission has allowed one of the architects behind financial industry approaches to climate change to set the tone at the beginning of a political struggle in the EU over climate change and banking regulation. This is an unacceptable move, given the economic interests BlackRock has in the result. It makes the story even worse, that even when it comes to those economic interests, the Commission is in denial.

3. BLACKROCK AS A FUNDER OF CLIMATE CHANGE

How economic interests taint BlackRock's advice

It was breaking global news in January 2020 when the Chief Executive of BlackRock Larry Fink published a letter to clients that the strategy of the investment manager had turned against coal. Infamous for its generous support for the coal industry – mining as well as development – BlackRock was now set on a very different course.

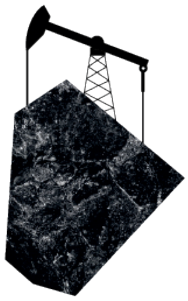
Fink announced that his company was "in the process of removing from our discretionary active investment portfolios the public securities (both debt and equity) of companies that generate more than 25% of their revenues from thermal coal production, which we aim to accomplish by the middle of 2020."[32] The letter's title was: "Sustainability as BlackRock's new standard for investing".

Still, the action that followed the letter with the grand title was minuscule. As German campaign and research group Urgewald noted: the new policy only covers businesses that sell thermal coal and not the companies that actually burn coal. This means that huge CO_2 emitters like Germany's RWE won't be affected, as the over 80 million tons of coal RWE mines each year are burned in the company's own power stations. "The biggest flaw in BlackRock's policy is that it doesn't address the part of the industry that is the number one source of CO_2 emissions: coal plant operators. As long as coal-based utilities like RWE, PGE or Adani stay in the portfolio, BlackRock hasn't finished its sustainability homework" says Katrin Ganswindt, Climate and Energy Campaigner at Urgewald.[33]

Despite the adjustment, BlackRock remains a major manager of shares and bonds of fossil fuel companies. And because of that, there is a tangible conflict of interest at play.

BLACKROCK AND FOSSIL FUELS

To establish a conflict of interest in this case, the first step is to ask if BlackRock has an economic stake in the area it has been asked by the Commission to consult on. In other words, to ask whether BlackRock would gain from adopting a particular model of integration of ESG factors into banking regulation, or if it would lose if another approach gained prevalence. If BlackRock manages and advises on investments on a broad scale, through shares and bonds of companies amongst others, there will be less profitability from higher capital requirements. It would have an effect on attractiveness of the BlackRock funds that invest in banks, it would diminish the dividends paid by the banks and the profitability of the funds' with bank shares, and in the end, this would reduce the profits of BlackRock.



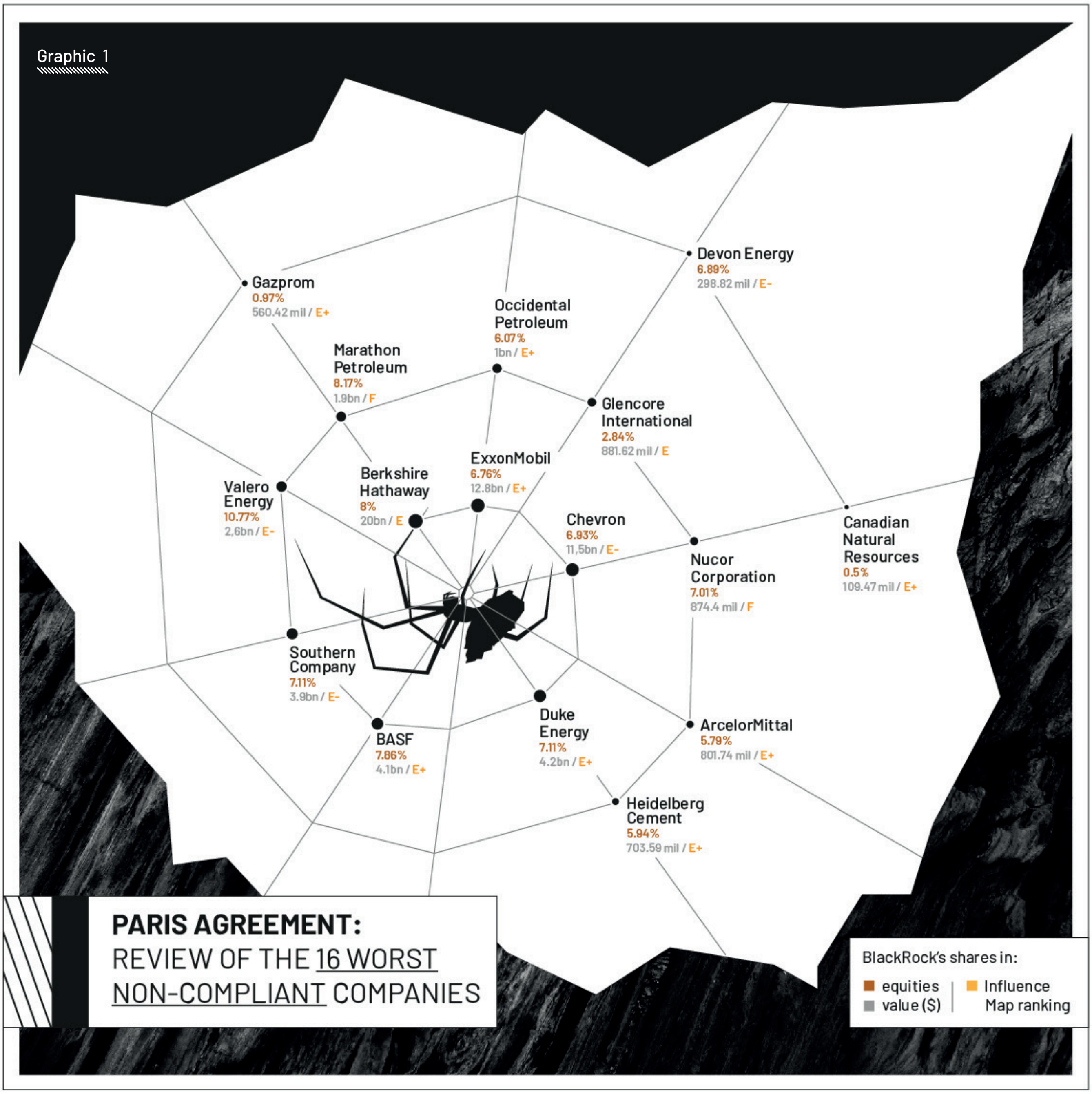
While BlackRock does not publish full overviews of its activities in a form that would help us assess the question, over the past few years groups like Friends of the Earth, Rainforest Action Network, Urgewald, InfluenceMap, Amazon Watch, and many others, have collated massive data and analysis that show BlackRock is an investment manager with a major stake in climate change – and in a particularly aggressive manner. As an investment manager BlackRock sells the funds with shares and bonds of companies, and as a manager it is responsible for buying the shares and for holding on to the shares.

The simplest measure of BlackRock's carbon footprint is its investments in fossil fuels. The assessment of research group InfluenceMap in a report titled 'Who owns the world's fossil fuels' is quite stunning:

Leading in absolute terms are US giants BlackRock and Vanguard who between them hold companies controlling disclosed thermal coal reserves with the potential for over 8 gigatons (Gt) of CO_2 emissions. This represents close to 2% of the remaining carbon budget to stay within 1.5C of warming, based on the latest IPCC estimates. This 9.5 Gt figure is also equivalent to 30% of total global energy-related carbon emissions for 2017, according to the International Energy Agency.... The research introduces the thermal coal intensity (TCI) metric, expressed in tons/$mn assets under management (AUM), which allows like-for-like comparison. BlackRock again leads with the most coal dense portfolios among the ten largest managers of listed funds.[34]

When confronted with this staggering contribution to climate change, BlackRock tends to argue it has little control over its passively managed funds, that cover US$4.3 trillion, or slightly over half its portfolio. Yet unlike other major investment funds such as Amundi, Norges Bank, and AP4, BlackRock has not provided a low-carbon strategy to guide investors,[35] nor has it to any significant extent created funds without large carbon footprints. Also, to be a manager of such a large pool of passively managed funds, is a choice BlackRock has made – despite all controversies around their effects.

BlackRock appears to have a special status when it comes to coal, with the most coal-dense portfolio of the biggest asset management funds. Between 2016 and 2018, its asset management of thermal coal reserves were virtually unchanged, and interestingly, this appears to be the result of two factors: while there was a decrease in thermal coal holdings in the passively managed funds, there was an increase in the actively managed funds.[36] That this is the case of the funds over which BlackRock exerts direct control is not a good sign. What this means is that BlackRock gives coal a higher priority than funds that invest in a very broad basket of companies in an automated fashion.



Source: Eikon 16 Sept. 2020

Influence Map did a ranking on how corporations or trade associations behave towards Paris Agreement-aligned climate and energy policy. The ranking uses scores from A to F, with F being the worst. Here the corporations ranked E+ or lower that BlackRock holds shares in.

BLACKROCK AND COAL

BlackRock is among the ten largest shareholders of some of the big coal miners and coal plant operators*:

- RWE is the largest coal plant operator in Europe. BlackRock holds **2.79%** in shares.
- Anglo American is the biggest EU-based coal producer. BlackRock holds **4.98%** in shares.
- Engie is the European company operating in the highest number of non-European countries. BlackRock holds **4.44%**** in shares.
- Southern Company is the largest coal plant operator in the US. BlackRock holds **2.49%** in shares.
- BHP Billiton is Australia's largest coal miner. BlackRock holds **5.41%** in the BHP Group.
- Shenhua Group is China's largest coal producer. BlackRock holds **3.13%** in shares.

* The percentage of shares has been taken from Marketscreener, accessed 02.11.2020, where not indicated otherwise. As Marketscreener only shows the ten biggest shareholders, these numbers are the minimum percentage points BlackRock holds in the given company.

** Source: Company website, accessed 02.11.2020

SHARES IN DEFORESTING THE AMAZON

BlackRock's asset management model is that it is a major shareholder in a plethora of fossil fuel companies, and in other sectors that put a severe strain on the climate, including steel companies, chemical companies, and cement companies (see Graphic 1).

One of the places on earth where BlackRock has perhaps gained the most notoriety for its activities is the Amazon. As of late 2018, its funds were holding US$2.5 billion worth of shares in three companies, GeoPark, Frontera Energy, and Andes Petroleum, all oil companies associated with deforestation and environmental destruction in the Amazon.[37] But BlackRock's activities in the Amazon and elsewhere are not limited to oil exploitation. The investment manager is almost omnipresent wherever there is massive deforestation. A report from Friends of the Earth, Amazon Watch, and Profundo concluded: "BlackRock is among the top three shareholders in 25 of the world's largest publicly listed deforestation-risk companies, and among the top ten shareholders in 50 of the world's top deforestation-risk companies."[38]

BLACKROCK: A MAJOR SHAREHOLDER IN EUROPEAN BANKS

In sum, this is an investment fund with a lot at stake regarding new European rules on climate change and banking. If the final model that integrates ESG factors into banking regulation leaves a lot of discretion to banks themselves, it would be a minor problem for the financial institutions. On the other hand if rules are prescriptive and interfere with investment decisions made by financial institutions, it could cost them. And it should not be considered an unhappy sideeffect: the objective of introducing ESG risks in risk management must be to divert investments from unsustainable investments to sustainable. For BlackRock, its first interest would be to follow what its economic interests dictate, which is why the Commission made a choice when picking BlackRock for the job - a choice riddled with conflicts of interest.

It could be argued that since BlackRock is not a bank and hence not directly covered under the new rules, that it could maintain a neutral position. It will in the end be the banks' problems, not BlackRock's. But such a claim would underestimate the effects on, for one, the companies in which BlackRock has shares. And BlackRock is a manager of big investments in banks; in fact BlackRock is perhaps the biggest single shareholder of the biggest European banks. Of the 15 biggest banks in Europe, BlackRock is either the biggest or second biggest shareholder of 12 of them. And those banks, in turn, are invested in fossil fuels on a large scale as well.

It is worth noting, that BlackRock's shares in most cases stand at above 5 percent, which means the fund has significant influence at shareholder meetings, or as BlackRock often asserts, in more private conversations with the boards.

What this means is that there are few operators that are so linked to the biggest banks in Europe as BlackRock. Not only does BlackRock have an overall interest in how financial markets are regulated, it has a big stake in the very institutions that integration of ESG factors into banking regulation will impact.

TABLE 2: FOSSIL FUEL FINANCING: REVIEW OF 19 EU BANKS' FINANCING OF FOSSIL FUEL PROJECTS

European Banks most heavily invested in fossil fuels and BlackRock's shares in them.

European Bank	Fossil fuels investment, in billion US$*	BlackRock no. on list of shareholders **	BlackRock's shares, in equities (%) and value (US$)***
BARCLAYS	118	1	**Equities:** 7.75% **Value:** 1623.58 mil or 1.6bn
HSBC	87	2	**Equities:** 7.86% **Value:** 8,722.18 mil or 8.7bn
BNP PARIBAS	84	2	**Equities:** 9.03% **Value:** 4,193.54 mil or 4.2bn
CREDIT SUISSE	74	6	**Equities:** 5.96% **Value:** 1,597.59 mil or 1.6bn
DEUTSCHE BANK	69	1	**Equities:** 6.86% **Value:** 1,284.31 mil or 1.3bn
SOCIÉTÉ GÉNÉRALE	54	2	**Equities:** 9.77% **Value:** 1,365.53 mil or 1.4bn
CRÉDIT AGRICOLE	46	4	**Equities:** 1.02% **Value:** 302.16 mil
ING	37	1	**Equities:** 7.13% **Value:** 1,994.44 mil or 2bn
UBS	35	2	**Equities:** 5.2% **Value:** 1,429.41 mil or 2.4bn
BPCE/NATIXIS	30	8	**Equities:** 0.83% **Value:** 82.57 mil
SANTANDER	26	1	**Equities:** 6.76% **Value:** 2,417.67 mil or 2.4bn
STANDARD CHARTERED	24	2	**Equities:** 8.16% **Value:** 1,683.24 mil or 1.7bn
UNICREDIT	23	1	**Equities:** 7.72% **Value:** 1,423.89 mil or 1.4bn
BBVA	17	1	**Equities:** 7.38% **Value:** 1,445.11 mil or 1.4bn
INTESA SANPAOLO	12	2	**Equities:** 6.38% **Value:** 2,421.35 mil or 2.4bn
RBS	12	3	**Equities:** 1.54% **Value:** 283.12 mil
COMMERZBANK	10	7	**Equities:** 6.43% **Value:** 382.81 mil
LLOYDS	-	1	**Equities:** 7.28% **Value:** 2,835.97 mil or 2.8bn
NORDEA	-	4	**Equities:** 3.19% **Value:** 1,004.3.97 mil or 1bn

* *Source: BankTrack, Banking on Climate Change. Fossil Fuel Finance Report 2020*
** *Source: Bloomberg*
*** *Source: Eikon 16 Sept. 2020*

BLACKROCK FIGHTING GREEN SHAREHOLDER RESOLUTIONS

The percentage of shares BlackRock has bought, managed, and controls is significant. Once this hovers over five percent, we are talking about what finance researchers call 'blockholding', which implies significant power over the governance of the company in question. How BlackRock votes as a shareholder matters, including when it comes to climate related votes, which abound in today's world of shareholding. On that point, BlackRock has an amazingly poor record. A report from US-based Majority Action, a non-profit that keeps track of shareholder action, describes BlackRock's votes on climate issues in 2019 thus:

BlackRock... voted overwhelmingly against the climate-critical resolutions reviewed in this report... supporting just five of the 41.... These included proposals that would have held ExxonMobil's board accountable for failure to engage responsibly on climate change, and brought much-needed transparency to the lobbying efforts of Duke Energy, the largest, highest emitting, and highest coal-using electric utility in the United States.[39]

Majority Action's 2020 report is no different: "BlackRock and Vanguard voted overwhelmingly against the climate-critical resolutions reviewed in this report, with BlackRock supporting just 3 of the 36".[40] Of 12 top global financiers investigated by Majority Action, only Vanguard and Fidelity Investments are on record with a worse performance. Moreover, in many cases reviewed, 15 of 23 critical climate resolutions would have obtained a majority had BlackRock and Vanguard voted for them. They include, as an example, the attempt to replace the Chair of Dominion Energy due to his support for the controversial Atlantic Coast Pipeline.

The sorry voting record of BlackRock is also highlighted in the report due to the clash it seems to represent with the support BlackRock has given to Climate Action 100+[41], a coalition of global investors that commit to, among other things, work "with the companies in which we invest to ensure that they are minimising and disclosing the risks and maximising the opportunities presented by climate change and climate policy."[42]

A PROBLEMATIC RECORD ON ESG

Despite all this, BlackRock says it is about to integrate ESG – Environmental, Social and Governmental factors – into all investment processes, and a letter from to clients in early 2020 promised that sustainability would be the new standard.[43] But how will this be done? A closer look gives little encouragement. BlackRock markets about 109 different "sustainable exchange traded funds". While investors are presented with 109 options to prioritise their investments in particular areas, there are no investment guides, nor results to further the impression that the BlackRock approach gives a systematic and transparent impetus for sustainable investments.

A search of BlackRock's funds on a database developed by Fossil Free Funds gives a sobering image: of about 450 funds only 17 have reported a "sustainability mandate".[44] And the track record, measured by a fossil fuel grade", is not impressive, with a "C" grade (with A as the best), as the average result.

So what exactly is the 'new' standard, that BlackRock has promised clients? Documents available from the company itself, suggests that 'sustainability' comes easy for BlackRock. And when it comes to the big sustainability issue, climate change, the documents from BlackRock show an asset manager keen on spotting how climate change could spark new risks for investors,[45] which implies that investors should be aware of a need to adapt to climate change. What we still need to see from BlackRock is a concept of how we mitigate climate change.

Despite BlackRock being the key consultant on this very topic to the Commission, there is little to suggest it has much to offer: the approach so far has been one of extreme flexibility. Blackrock's mandate for exchange traded funds have a few, limited ways to include ESGs in their mandates; these range from "Greater weighting given to companies with higher ESG scores" or "Companies that strive to minimise controversy" to a long list of excluded sectors. According to the first two criteria oil companies ENEL, Chevron, and Lukoil are deemed acceptable investments. In their ESG guide Blackrock makes it clear that it is not running a standardised approach: every fund manager has free reign in the assessment of the ESG implications of a particular investment.[46]

What this leaves us with is an approach to ESG that can give astonishing results. For instance, recently a new big data tool was developed that is capable of identifying funders of companies that drive deforestation. One of the first runs identified BlackRock's ESG funds as the top financiers of companies that drive deforestation.[47]

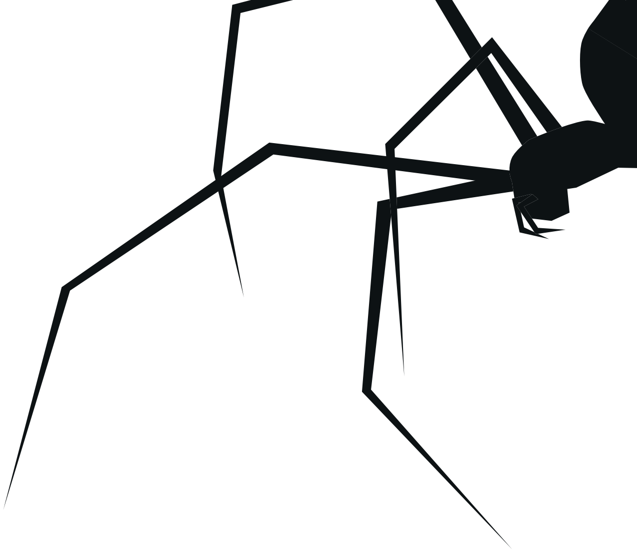
That makes it less credible that BlackRock has much to offer when it comes to developing a model for integration of climate-risk into banking. Even more so when the approach of BlackRock seems to favour "climate adaptation" over "climate mitigation".[48]

THE COMMISSION IGNORES THE ELEPHANT IN THE ROOM

While it seems like a no-brainer that a financial corporation with a vested interest would not be the right choice for a job that is about developing new regulation, this was not an issue for the committee in the European Commission that made the call. When quizzed by the European Ombudsman about whether BlackRock's economic interests could have a bearing on the findings, the Commission's representatives had little to say. According to a report from the Ombudsman's office, the Commission remarked: "given the size of BlackRock's investment portfolio, it is likely to cover many diverse sectors including substantial investments in renewables as well as in fossil fuels".[49]

But that remark was not the outcome of any research or investigation. And there are no signs that BlackRock has sizeable investments in renewables, or even sustainable assets. In one comprehensive review of BlackRock's portfolio from 2019, the World Resources Institute concluded that only around two-and-a-half percent of BlackRock's US domiciled funds can be considered sustainable.[50] This seems to be all the US$7.8-trillion-dollar-investment fund has to show for itself in terms of green financing.

Earlier this year, BlackRock made an attempt to boost its image as an investor with ambitions to contribute to fighting climate change. It did so by reducing its investments in coal and by announcing a multi-billion dollar renewable fund. It also tried to highlight that since 2011, the fund has channelled a mere US$5.5 billion into 250 wind and solar projects.[51] But looking at coal alone, BlackRock manages at present US$17.6 billion invested in coal plant developing companies[52] – investments that will not be affected by its policy to scale down on investments in coal mining companies.



4. CONFLICTS OF INTEREST IGNORED

How the Commission broke all relevant ethics rules

Whenever the Commission is to award a contract, it is bound by internal rules and by the Financial Regulation that cover all institutions, to assess whether a bidder has a conflict of interest. This includes identifying whether there is any suggestion that a conflict of interest might negatively affect the final outcome. But the Commission never bothered to look at BlackRock's economic interests, nor its work with finance lobby groups. The report from the evaluation committee[53] merely addresses a different kind of conflict of interest: whether giving the contract to BlackRock might enable the study group to release sensitive information about the strategies of other financial institutions to other parts of BlackRock. This is a very narrow interpretation of a conflict of interest.

When it came to considering economic interests at stake, there is no indication whatsoever that the Commission even looked at this aspect – in breach of the rules.

According to article 167 of the Financial Regulation,[54] the existence of such a conflict of interest is grounds for exclusion from the tender, if there is reason to believe that the bidder, in this case BlackRock, is "subject to conflicts of interest which may negatively affect the performance of the contract," sometimes called a professional conflicting interest. According to the Commission's own procedures (specified in a voluminous document, the so-called Vademecum) all contractors should be screened for "professional conflicting interest". The Commission has consistently claimed, both in a letter to the Change Finance coalition[55] and during an inspection by the European Ombudsman's office, that it did consider the issue to the extent necessary.

Such an investigation could have made an interesting read, if the Commission had set out to explore what impact new rules on banking could have had on BlackRock. Also, had the Commission tried to explore the approach developed by BlackRock – and many other financial giants in for example the lobby group of the biggest global banks, the IIF – it would have had a hard time explaining why that would not represent an obstacle for BlackRock's consultancy role, in that the IIF's work on ESG factors is supposed to be considered when preparing the report. According to the Commission's rules on conflict of interest, an "operator" cannot be hired to evaluate a project in which the operator played a role – and that is exactly what BlackRock is asked to do, when it is to consider the merits of the IIF's proposals.

It has been argued that the unit responsible for the project could be considered independent, but whether that is the case, was not an issue for the Commission. When asked by the Ombudsman, the Commission fully acknowledged that the unit in question is "an integral part of BlackRock Investment Management".[56]

It is not that there were no warning signs about the tender, and one of them was price: BlackRock provided an offer far lower than all other bidders. It would have made sense for the Commission to ask why that was, as the job barely gives BlackRock any short-term financial gain. According to the internal documents,[57] eight other bids were made for the contract, seven of which were between €500,000 and the budget for the job, €550,000 with the last at €400,000. These are all in stark contrast to the very modest offer from BlackRock at a mere €280,000. There is nothing to suggest that the BlackRock study gives way on quality to reach such a low number. According to a letter from the Commission to Change Finance, "it would have been the most economically advantageous offer even had the price been much higher".

It is quite striking to see such a low offer for a job claimed to be of highest quality, and it did make the Commission think. According to a letter from the Commission to the Change Finance coalition,[58] it did ask BlackRock questions about some details. In a letter the Commission claimed, "the low price would not result in BlackRock not being able to deliver the technical quality if the service that it has offered in the tender".[59]

Clearly, what the Commission was worried about was if BlackRock had deliberately underestimated the costs to win the contract. That appeared not to be the case, there appeared to be no dirty tricks at play to win the competition. What the Commission did not consider was if there could be another value to BlackRock, other than the modest income from consultancy work. It is hard to escape the conclusion that BlackRock stands to gain something far more valuable than the bidding price from doing this work: an opportunity to shape the business environment in which it operates.

In sum, this gives us a disturbing picture of a Commission that does not seem to care about conflicts of interest, or even worse, that see it as a natural thing for a financial corporation to prepare the ground for the next steps on sustainable finance, even if that corporation has an economic interest in the outcome.

CONCLUSION

To prevent the worst of dangerous, runaway climate change, we need to reform the financial system. Perhaps the most urgent measure is to stop the flow of money to activities that contribute the most to global warming, including fossil fuels and deforestation. To do that we need a strong set of rules that facilitate divestment from harmful environmentally damaging assets and investment in 'green assets'. In the EU we are standing on the threshold of that challenge, as banking regulation in a context of climate catastrophe is now about to emerge on the political agenda. There are many obstacles ahead, and one of them is that the financiers of oil, gas, deforestation, unsustainable transport, and more, are all primed for a vigorous fightback. We have already seen with the debate on taxonomy how big banks and asset management funds are pushing for less ambitious rules and less forceful implementation.

One of their objectives is to allow financial corporations to take the initiative, and to stick to concepts and ideas they themselves develop. That is what is behind their talk of the need to avoid 'prescriptiveness', and the need to have 'stakeholders' deeply involved. One of the counter-arguments is this: who is best placed to assess the risks from climate change? Surely no one would argue that it would be the banks themselves – the very institutions that helped fund the climate crisis to this dangerous point, and that proved so incapable of handling risks in their own area of expertise only a little more than a decade ago.

The strong presence of the finance lobby in the upcoming debate is probably inevitable. But inviting BlackRock to prepare the ground for decision-making in the EU on banking and climate change, risks derailing the initiative from day one. Not only does BlackRock have substantial economic interests in the dossier, it has become one of the outstanding representatives of global financial corporations on the lobbying scene. The only sensible thing for the Commission to do is to simply cancel the contract and start over. If that does not happen, there is a need for concerted action sooner rather than later, to work in other ways to bring about the useful proposals that can help us mitigate or prevent climate change at one of its key sources: finance. To let BlackRock set the agenda, should not be considered an option.

Should the Commission decide to press ahead, there will be an even stronger need for others to start pushing for ambitious models of banking regulation, and to ensure that this debate is not left to a few people in the EU institutions alone. We need to build up public pressure on our politicians to have them opt against climate change, and have them make the banks do the same.

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