Texas' Answer to 'Woke' Investing Looks Kind of Woke.

The state's anti-ESG plan to punish financial firms deemed hostile to fossil-fuel producers is the same values-based approach it claims it is retaliating against.

One of the more surprising aspects of Texas' anti-ESG law, just unleashed on the likes of BlackRock Inc., is that it turns out to offer a great lesson on environmental, social and governance investing's cousin, socially responsible investing, or SRI. Not intentionally, of course.

ESG investing is often conflated with SRI. Both get lumped together as financial piety or under that term now so overused and abused your dad probably says it, "woke." They are not the same thing. SRI is based on values and most commonly exclusionary: "I don't want to fund X undesirable sector, so I won't give it my money." ESG is based on risk and more nuanced: "I foresee risks related to ESG issues that may either impair or enhance a security's value, take account of measures to address those, and then under or overweight it accordingly." SRI is about maximizing virtuousness; ESG is about maximizing wealth.

Can ESG labels be used to mask other intentions? Of course; as with any other investing theme, there is ample potential for hucksterism or simple sloppiness. Even Larry Fink, BlackRock's chief executive officer, has been known to mix up ESG with SRI.

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