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Anti-Environmental Investing Law Costing Texas Taxpayers $445 million a Year

Vindictive and meaningless political gestures costing Texas taxpayers

Over the past decade, many industries have placed more emphasis on managing their ESG (environmental, social and governance) risks and investors have been rewarding firms that use ESG data in their investing with increased capital inflows and higher equity valuations. Investment firms also have added offerings that avoid environmentally dangerous industries or invest in companies that are focused on energy efficiency, water conservation, or wildlife protection. To maximize shareholder value, some banks have also adopted ESG investing practices that evaluate companies on how well they are managing relevant risks including climate risk and governance practices as compared to their peers.

Because of Texas' large oil and gas industry, some Texas lawmakers have chosen to interpret this as an attack on the state, rather than a shift in the priorities and preferences of a functioning market. In 2021, legislators introduced Senate Bill 13, which banned banks that had divested from the oil and gas sector from participating in public finance markets in the state. A similar bill, Senate Bill 19, banned state and local governments from contracting with lenders that are limiting business in the firearms industry. Both laws took effect in September 2021.

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FEBRUARY 9, 2023

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