Bond Case Briefs

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States’ Anti-ESG Laws Will Harm Taxpayers.

Boycotting financial-services companies over climate investment policies risks raising pension systems’ costs.

The Securities and Exchange Commission is slated to soon release mandatory disclosure rules for environmental, social and governance policies that are expected to require companies to report climate-related risks likely to have a material impact on their businesses. It is unclear whether compliance with these rules will be merely onerous, or absolutely unreasonable. On the flip side, many state policymakers have been crafting proposals to prevent their states from contracting with companies that practice ESG.

Ironically, these policies will have the same effect as the heavy-handed federal government regulations they’re rebelling against: micromanaging US businesses and adding significant, unnecessary costs to achieve ideological aims. Think of it as right-wing ESG.

For example, in 2021 Texas enacted laws prohibiting municipalities from contracting with banks with particular ESG policies, specifically those that prohibited investment in fossil fuel companies. While many supported this policy, believing it would protect Texas’ fossil fuel production, policymakers were less than transparent with voters about the costs — much of which taxpayers will bear. In the aftermath of the Texas law, five of the largest municipal bond underwriters stopped doing business in the state, unable or unwilling to comply with the restrictions.

Continue reading.

Bloomberg Opinion

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