



Energy Discrimination

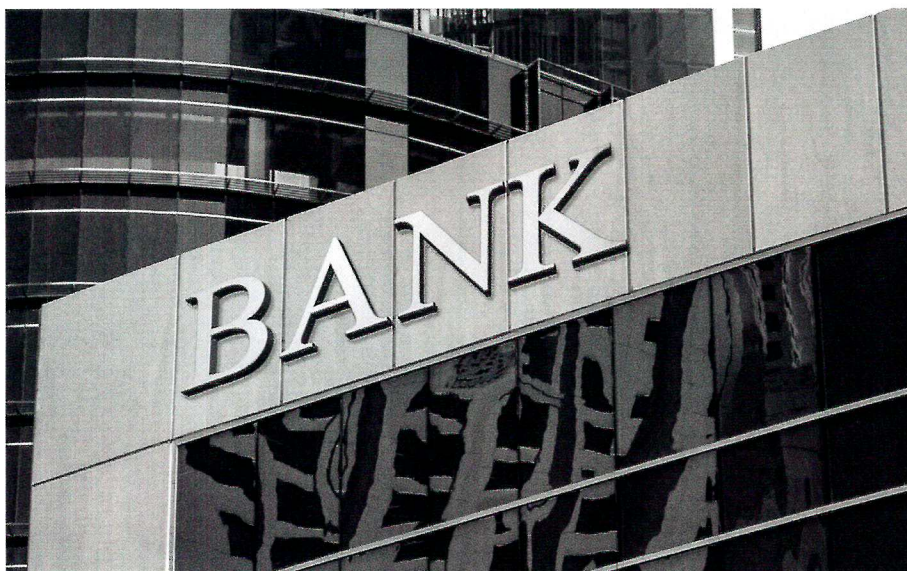


**A THREAT TO CAPITALISM,
PROSPERITY, & FLOURISHING**

Bud Brigham for Life:Powered

What is the greatest threat to capitalism today?

Is it strangulation by the regulatory state, government spending sprees, or excessive taxation? Some experts believe **an emerging “energy discrimination” movement may actually be the greatest threat to capitalism, property rights, and even human flourishing.**



WHAT IS ESG INVESTING?

Chances are you have never heard of stakeholder capitalism or environmental, social, and governance (ESG) investing. It is a new trend in finance, pushed by the United Nations and wealthy investment firms like BlackRock, that is already transforming our pensions, investment funds, and perhaps your own employer — without most of us ever knowing it.

At the heart of this energy discrimination movement is ESG investing, which prioritizes investing in corporations that advertise commitment to progressive political causes. Activists are

pressuring corporations to adopt social and cultural agendas in order to appease a vocal minority and even go so far as to coerce divestment from industries considered politically unpopular — particularly fossil fuels, agriculture, forestry, mining, and petrochemicals. Having a single eye toward profit and shareholder returns is viewed as reprehensible.

Energy discrimination activists claim to be promoting the environment, equality, and transparency. Nearly everyone agrees with these goals. So what's the problem?

en·er·gy

dis·crim·i·na·tion (n)

'e-nər-jē di-skri-mə-'nā-shən

The practice of bullying corporations and investment firms into divesting from fossil fuels.

SUMMARY

- Investment and pension managers who invest based on political trends undermine their fiduciary duty and threaten our workers' and retirees' futures.
- The climate catastrophist view is based on questionable science and ignores vast improvements in health, life expectancy, economic freedom, individual liberty, and quality of life around the world thanks to access to energy.
- Fossil fuels have helped America become a world leader in many arenas, including environmental quality.
- Divesting from fossil fuels will not improve the environment or affect climate change. It will, however, increase the cost of energy (which harms the poor the most) and cede power to foreign competitors who don't share our commitment to the environment and fair labor practices.
- Our elected, business, and community leaders must oppose energy discrimination and allow free-market capitalism to continue driving human flourishing.

The constitutional, moral, and ethical problem

It was 50 years ago that famed economist Milton Friedman published the Friedman doctrine of capital theory. Friedman argued that the main responsibility of business managers is to create profits for their shareholders — in other words, to cultivate and grow their business by running it well and providing an outstanding product or service — and that the shareholders can then decide for themselves what social initiatives they wish to take part in.

"...the rights of property, are the objects for the protection of which government was instituted."

-James Madison

Economic freedom — our right to spend, invest, and donate our hard-earned money as we choose — is one of our most cherished rights. Today, many investors are investing their own personal capital not just to generate a financial return, but also to reflect and project their environmental or societal concerns and beliefs. Freedom to do just that is obviously a very good thing, as is the

freedom to not invest in enterprises that don't reflect our values.

But what if they are investing someone else's money? Maybe yours? This is where energy discrimination becomes a problem, especially for workers who assume (rightfully so) that their retirement funds are being managed with their best interests — not political whims — in mind.

That is the problem with these campaigns to bully businesses into divesting from fossil fuels. They go much farther than encouraging individuals to invest in environmental issues. The groups hostile to fossil fuels generally have no desire to own these companies, but exercising their right not to participate in ownership is not enough for them. These movements are working to change these companies, primarily from the outside, at the expense of the shareholders who rely on their

manager's dedication to their fiduciary obligations. It's a co-opting of ownership and control, deeply penetrating and affecting the behavior of corporations and pension funds who are investing and risking other people's money. Is that right? Do you really own the property if special interests are able to exercise control and even seek to destroy it?

Our Founding Fathers set forth a clear vision for a nation thriving on the firm foundation of individual liberty, the right to private property, and the right to freedom of association. James Madison wrote, "The rights of persons, and the rights of property, are the objects, for the protection of which government was instituted." Or as stated by my favorite author Ayn Rand, "The right to life is the source of all rights — and the right to property is their only implementation. Without property rights, no other rights are possible."



The energy discrimination movement, having penetrated the board rooms and pension funds, seeks to undermine these fundamental principles. Even if elevating political agendas over return on investment is viewed as legal, it's certainly not moral or ethical. Investment managers have a fiduciary responsibility to act in their clients' best interests — and business leaders should as well.

A recent study debunks the widely touted idea that ESG investment outperforms traditional funds by examining university divestment

strongly feel the need to address climate change."

For those caught up in the movement, their intentions may be good. For example, most of us support clean air and water. However, as polling consistently shows, Americans don't agree on how best to achieve that goal. Similarly, not all Americans share the perspective of climate catastrophists, particularly in light of the fact that climate-related deaths are down 98% over the last century. There are also serious environmental consequences of renewable



campaigns. The costs, including compliance costs, limited diversification, and higher fees, are significant enough to impede the schools' investment goals. "Any benefits from fossil fuel divestment are likely to be nonexistent," writes Daniel R. Fischel. "There is no basis to believe that divestment can affect the stock prices or business decisions of targeted firms. Moreover, there is broad agreement among financial professionals and academics that simple investment rules like divestment from fossil fuel companies cannot generate superior returns. Finally, divestment seems unlikely to affect the public debate or provide an effective tool even for those who

energy that activists have yet to address. Many of us recognize that, thanks to abundant and affordable energy and the associated human flourishing, this is the best time in human history to be alive. We can adapt and protect ourselves better than ever. So we do not all agree that fossil fuel divestment is a responsible move — and it would be irresponsible for investment managers to act on that assumption. Despite the lack of consensus on these matters, pressure from energy discrimination activists has become so intense that many American oil and gas companies are including in their filings statements about transitioning to "low-carbon energy sources." While

"Any benefits from fossil fuel divestment are likely to be nonexistent."

-Prof. Daniel R. Fischel

business executives may feel they have no choice, this capitulation cements the public's misunderstanding of how ineffective renewable energy really is.

Fossil fuels are responsible for approximately 80% of worldwide energy utilization. The consequences of forcing American energy companies to surrender to their foreign competitors with lax environmental and labor standards — not to mention unstable and even hostile governments — would be disastrous. The world will still need oil, gas, and coal; American producers going under would only give foreign competitors license to pollute and drive up prices.

Public companies are owned by thousands of shareholders, and many have hundreds or even thousands of employees. Activists pushing this special interest are an extremely small but vocal segment seeking to co-opt these enterprises for their own social agendas, and it comes at the expense of the owners who don't necessarily agree with those agendas, often against their better financial interests. Tragically, at times it's also at the expense of their employees, since companies that don't optimize their returns are in danger of shrinking or even failing altogether. **Energy discrimination is therefore not just a violation of property rights, but also a threat to our energy supply, jobs, and economic opportunity.**

Capitalism, uncorrupted, creates human flourishing

The genius of the United States of America is empirically and unquestionably evident in a vast array of fields, from technology and medicine to music and the arts. The rest of the world combined does not nearly match America's diverse contributions to the advancement of society and human flourishing. **American fossil energy companies have revolutionized energy markets by producing abundant and clean fuels, reducing energy costs to the benefit of the entire world (particularly the poor and middle class), and making the world safer and less vulnerable to supply disruptions.**

What differentiates America's impact on human civilization? Why, despite all the advancements of other countries and societies, is America still so exceptional?

It comes down to one attribute: economic freedom. American businesses have generated historic advancements over the last century because of their relentless pursuit of excellence, benefitting from lightly regulated and largely free markets.

Stated another way, capitalism has been fundamental to American exceptionalism. For American companies to grow and thrive over the long term, they must generate attractive outcomes for all their stakeholders. What the energy discrimination movement fails to recognize is that companies will not be successful if they treat their employees poorly, fail to be good stewards to their communities, or

spoil the environment that they operate in. We are all on the same team. I have been blessed to have founded and built five successful companies thus far, including two that have successfully gone public. Our achievements were only possible because we rewarded all our stakeholders, and it was a direct consequence of our intense focus on providing an outstanding, profitable service that delivers value to our shareholders. These are virtuous relationships in a virtuous cycle — the beauty, the harmony, of true and uncorrupted capitalism.

When it comes to the environment, the United States is a world leader. We've slashed air pollution by 77% in the last 50 years — far outpacing almost every other developed nation — and are ranked number one in the world for access to clean water. These accomplishments can be credited almost exclusively to innovation in the

private sector, especially pollution control technology, horizontal drilling, and fracking. American energy companies produce the cleanest energy of any country in the world, and partly as a result, the United States has the cleanest environment of any major country. Furthermore, our exports are displacing dirtier energy produced overseas that are polluting our shared air and water resources. **This environmental exceptionalism is a fundamental product of the American energy industry's pursuit of shareholder value** — not ESG investing.

Meanwhile, fossil fuels are helping to fight poverty around the world. While almost half the world's population lived in what economists call "extreme poverty" as recently as 1980, that number is now less than 10 percent. Affordable, reliable energy begets clean water, modern medicine, warmth and light, safe cooking fuels, and



the basic necessities that make a healthy, comfortable, and self-actualized life possible. The prosperity we enjoy in the United States will be spread across the globe thanks to natural gas, oil, and clean coal.

The American success story is an irrefutable demonstration of the symbiotic and critical relationship between economic freedom, capitalism, and human flourishing. By focusing intensely on share-

holder returns, American companies have created positive outcomes for their stakeholders, and the world is the beneficiary. The energy discrimination movement is like a cancerous threat to politicize the engine of our prosperity, poised to undo decades of progress. It is therefore a fundamental danger to human flourishing, which has lifted billions out of poverty and extended lifespans for the entire globe. For many involved, it is well intended.

But for all of us, it is a grave danger and incalculable threat.



Bud Brigham
*Chairman, Brigham Minerals,
Brigham Exploration & Atlas Sand*



Life:Powered is a national initiative of the Texas Public Policy Foundation to raise America's energy IQ. We believe maximizing human flourishing should be the goal of America's energy and environmental policies. Economic freedom and abundant, reliable, affordable energy are the only path to lasting prosperity and environmental quality.

Visit Life:Powered.org to learn more and sign up for Facts:Powered, a weekly jolt of news and commentary delivered to your inbox.