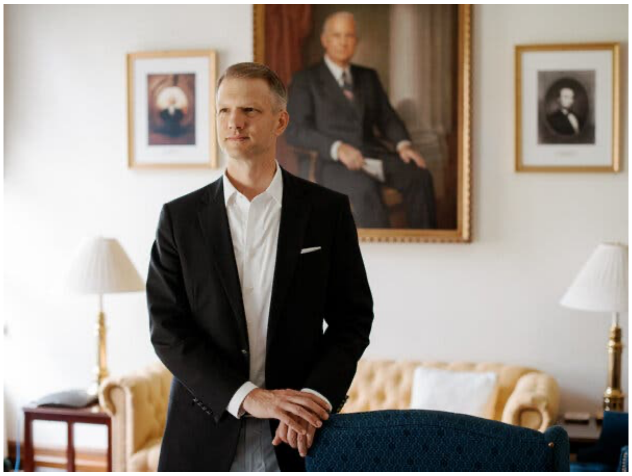
The New York Times

# *How Republicans Are 'Weaponizing' Public Office Against Climate Action*

*A Times investigation revealed a coordinated effort by state treasurers to use government muscle and public funds to punish companies trying to reduce greenhouse gases.*



*Riley Moore, the West Virginia treasurer, announced last week that several major banks would be barred from government contracts with his state. Credit...Kristian Thacker for The New York Times*

By David Gelles, Gelles reviewed more than 10,000 pages of documents and emails while reporting for this article.

Aug. 5, 2022

Nearly two dozen Republican state treasurers around the country are working to thwart climate action on state and federal levels, fighting regulations that would make clear the economic risks posed by a warming world, lobbying against climate-minded nominees to key federal posts and using the tax dollars they control to punish companies that want to reduce greenhouse gas emissions.

Over the past year, treasurers in nearly half the United States have been coordinating tactics and talking points, meeting in private and cheering each other in public as part of a well-funded campaign to protect the fossil fuel companies that bolster their local economies.

Last week, Riley Moore, the treasurer of West Virginia, announced that several major banks — including Goldman Sachs, JPMorgan and Wells Fargo — would be barred from government contracts with his state because they are reducing their investments in coal, the dirtiest fossil fuel.

Mr. Moore and the treasurers of Louisiana and Arkansas have pulled more than $700 million out of BlackRock, the world's largest investment manager, over objections that the firm is too focused on environmental issues. At the same time, the treasurers of Utah and Idaho are pressuring the private sector to drop climate action and other causes they label as "woke."

And treasurers from Pennsylvania, Arizona and Oklahoma joined a larger campaign to thwart the nominations of federal regulators who wanted to require that banks, funds and companies disclose the financial risks posed by a warming planet.

At the nexus of these efforts is the State Financial Officers Foundation, a little-known nonprofit organization based in Shawnee, Kan., that once focused on cybersecurity, borrowing costs and managing debt loads, among other routine issues.

Then President Biden took office, promising to speed the country's transition away from oil, gas and coal, the burning of which is dangerously heating the planet.

The foundation began pushing Republican state treasurers, who are mostly elected officials and who are responsible for managing their state's finances, to use their power to promote oil and gas interests and to stymie Mr. Biden's climate agenda, records show.

The New York Times reviewed thousands of pages of internal emails and documents obtained through public records requests by Documented, a watchdog group, that shed light on the treasurers' efforts since January 2021.

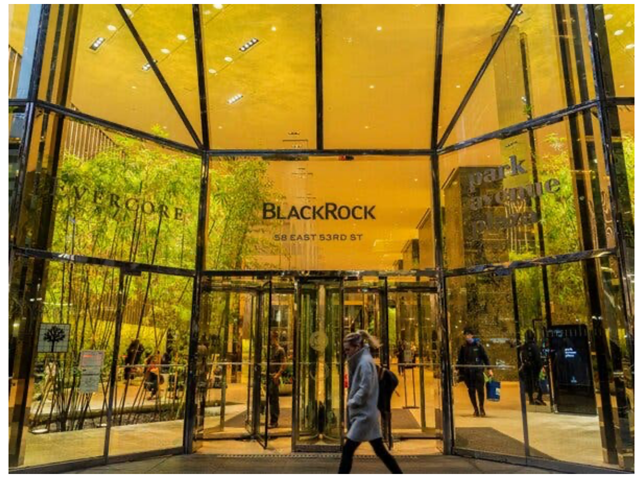
At conferences, on weekly calls, and with a steady stream of emails, the foundation hosted representatives from the oil industry and funneled research and talking points from conservative groups to the state treasurers, who have channeled the private groups' goals into public policy.

The Heritage Foundation, the Heartland Institute and the American Petroleum Institute are among the conservative groups with ties to the fossil fuel industry that have been working with the State Financial Officers Foundation and the treasurers to shape their national strategy.

Many Democratic state treasurers support efforts to combat climate change and want banks and investment firms to be clear about risks posed to returns for retirees and others. Democratic lawmakers in California and New Jersey are working on legislation that would require their state pension systems to divest from fossil fuels. But Democrats have not mounted anything like the national campaign being orchestrated by the State Financial Officers Foundation.

The Republican treasurers skirt the fact that global warming is an economic menace that is damaging industries like agriculture and causing extreme weather that devastates communities and costs taxpayers billions in recovery and rebuilding. Instead, they frame efforts to reduce emissions as a threat to employment and revenue, and have turned climate science into another front in the culture wars.

"This is a departure from their traditional roles," said Robert Butkin, the former Oklahoma treasurer and a professor at the University of Tulsa. "There used to be a strong nonpartisan and bipartisan ethic among treasurers, but you've seen a lot of that erode over the past several years."




*Mr. Moore's office pulled $20 million out of BlackRock funds after the asset management firm's chief executive, Larry Fink, called for action climate change. Credit...Hiroko Masuike/The New York Times*

In November, as major banks and corporations at a global summit in Glasgow were promising to take climate action, the Republican state treasurers were huddling at a State Financial Officers Foundation conference in Orlando, Fla., talking about ways to stop them.

At the meeting, the group's chief executive, Derek Kreifels, made a presentation about a new law that had been signed by Gov. Greg Abbott of Texas, a Republican. It prohibited state agencies from investing in businesses that have cut ties with fossil fuel companies.

**The Biden Administration's Environmental Agenda**

- **Inflation Reduction Act:** The new law, which invests billions into climate and energy programs, represents America's largest investment to fight climate change.
- **Climate Team Changes:** John Podesta, who led the Obama White House on climate strategy, will oversee $370 billion in clean energy funds as Gina McCarthy, President Biden's top climate adviser, gets ready to step down.
- **Executive Action:** Following his signing the climate bill, Mr. Biden is planning a series of

measures to further reduce greenhouse gas emissions.

Within weeks, Mr. Moore was working with legislators in West Virginia to write a similar bill, which became law in March. While Texas officials have been slow to enforce their law, Mr. Moore was quick to put it into action.

Last week, he notified five major financial institutions — Goldman Sachs, BlackRock, Wells Fargo, JPMorgan and Morgan Stanley — that they are barred from doing business with West Virginia because they have intentionally wound down their dealings with coal companies.

"If a bank, for instance, decides to say they have a no-lending policy as relates to thermal coal, well, then we'll find a bank that doesn't have that policy," Mr. Moore said in an interview.

Mr. Moore went on to offer a classic denial of the overwhelming scientific consensus that the continued burning of oil, gas and coal will lead to planetary catastrophe.

"The climate has been changing in the world since Earth was created," Mr. Moore said. "Whether these greenhouse gas emissions are contributing to the warming of the globe, I'm not sure I necessarily agree with that."

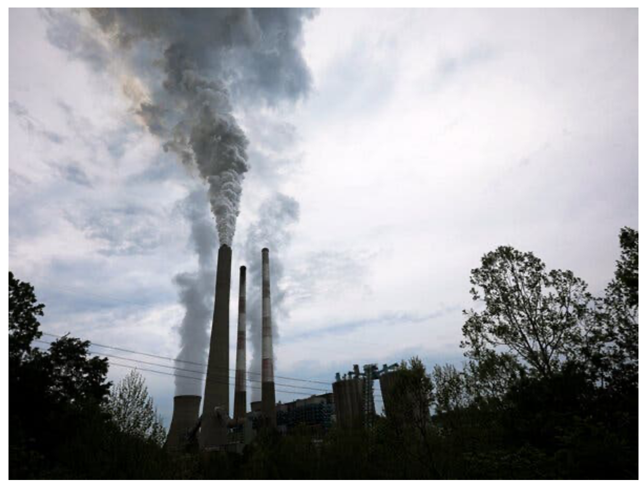
The banks targeted by Mr. Moore say they are not boycotting the fossil fuel industry. All of them still do substantial business with oil and gas companies, but in the long run, they say, moving away from fossil fuels makes economic sense. West Virginia, for example, is the second-largest coal-producing state in the country, but production has declined significantly during the past two decades.

"He's trying to counter pressure that's coming from progressives on the left," said Loren Allen, general counsel of the West Virginia Bankers Association, which lobbied against the new law celebrated by Mr. Moore. "Our banks are tied up in the center of a battle that no one can really win."

Mr. Kreifels declined an interview but said in a statement that concerns over issues like climate change were "putting politics over profits, and likely reducing shareholder value."

Kentucky, Tennessee and Oklahoma have passed similar laws this year. "Kentucky joins our growing coalition of states that have taken concrete steps to push back against the woke capitalists who are trying to destroy our energy industries," Mr. Moore said in a news release praising the moves by the states.

Republican lawmakers in more than a dozen other states, including New York, Oregon and Virginia, are trying to advance similar legislation.



*The Harrison Power Station, a coal-fired plant in Haywood, W.Va. Banks contend that divesting from fossil fuels makes economic sense. Credit...Brian Snyder/Reuters*

The laws could cost taxpayers. A recent study found that Texas cities, where some financial institutions have voluntarily left the market because of laws targeting companies that embrace environmental, social and governance priorities, collectively known as E.S.G., are likely to incur up to $532 million in higher interest costs in less than a year because of the legislation.

"These officials are using the public finance market to make political statements," said Daniel Garrett, a finance professor at the Wharton

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School at the University of Pennsylvania and one of the authors of the study. “They can use these laws as a carrot or stick as they desire, but the costs can be potentially quite large.”

The treasurers are increasingly going after individual financial institutions.

In addition to the banks targeted by Mr. Moore, the treasurers of Utah and Idaho are criticizing plans by S&P Global, the ratings agency, to integrate climate risk into its credit ratings of states. And BlackRock, which manages some $8.5 trillion, has been the target of withering attacks for its stance on environmental issues.

Larry Fink, the BlackRock chief executive, has been outspoken in his desire to steer away from fossil fuels and toward what he considers a more sustainable, greener economy.

“Every government, company, and shareholder must confront climate change,” Mr. Fink wrote in a public letter in 2020 in which he described the integration of climate risk into investment decisions as “a fundamental reshaping of finance.”

In response, Mr. Moore’s office stopped using BlackRock to help manage West Virginia’s operating funds, withdrawing about $20 million.

“Larry Fink has stated it very clearly that he thinks capitalism has the power to shape society,” Mr. Moore said. “But my state doesn’t want the same shape of society that Larry Fink does.”

Other treasurers followed suit. In March, the Arkansas treasurer, Dennis Milligan, pulled $125 million from BlackRock. And in April, the treasurer of Louisiana, John Schroder, emailed Mr. Moore and Marlo Oaks, the Utah treasurer, and boasted about withdrawing more than $600 million from BlackRock accounts. Mr. Schroder said he had also blocked Citibank, Bank of America and JPMorgan from almost $1 billion in bond financing.

“That’s excellent, John!!!” Mr. Moore replied, according to emails reviewed by The Times. “Great work!!!”

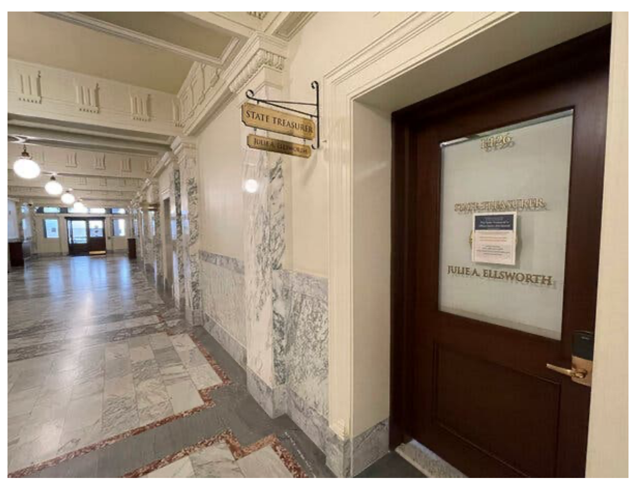
BlackRock declined to comment.

Mr. Milligan, the Arkansas treasurer, emailed a statement in which he said, “I feel a strong sense of responsibility to do my part in not allowing the liberal ‘woke’ agenda to disadvantage the very people I was elected to serve.” Mr. Schroder and Mr. Oaks declined requests for interviews.

Withdrawals by a few states represent a tiny slice of BlackRock’s business. But inside banks and investment firms, there is mounting concern that the state bans could spread to pension funds, which account for nearly $4 trillion in investments across the country.

“We already have a lot of divisions in this country,” said Noah Friend, the former general counsel for the Kentucky treasurer. “I don’t like the idea that if you’re a Republican you have to bank with this company and if you’re a Democrat you have to bank with that company. Everything becomes this politicized decision about who you do business with.”

## ‘A coordinated attack’




*Julie Ellsworth, the Idaho treasurer, asked the State Financial Officers Foundation to distribute a memo that misrepresented the position of banks on environmental, social and governance issues.Credit...Keith Ridler/Associated Press*

The New York Times



Behind the treasurers and the State Financial Officers Foundation is a complex web of conservative groups linked to the fossil fuel industry, as well as some of the biggest names on Wall Street.

In March, Julie Ellsworth, the Idaho treasurer, asked Mr. Kreifels to distribute a memo about the fossil fuel boycott bills to other state treasurers, according to the emails.

The memo had been prepared using research from the Heartland Institute, a think tank with a history of denying climate science, and it misrepresented how banks and other financial institutions were implementing their E.S.G. strategies.

"If you're a small-business owner with a gasoline powered car, you're eventually going to be phased out of banks' portfolios, unless you switch to electric vehicles, of course," the memo said in a section about how banks would use E.S.G. to force businesses to change. "Similarly, if you want to buy a house in the future that runs on natural gas, you, too, won't be able to get a mortgage until you put solar panels on the roof."

No banks have proposed such measures. Ms. Ellsworth declined to comment.

The Heartland Institute has also worked to amplify the treasurers' message and connect them with influential conservative media personalities including Glenn Beck, records show.

Other groups supporting the treasurers' efforts include the Heritage Foundation, a think tank that has long opposed action to combat climate change and that has received substantial funding from the oil billionaires Charles G. Koch and David H. Koch.

The State Financial Officers Foundation this year hired CRC Advisors, a conservative strategy firm that was founded by Leonard Leo, who has led a multiyear effort to stack federal courts with judges who oppose climate action. In recent months, CRC Advisors has helped coordinate media responses for treasurers, including Mr. Oaks of Utah, according to emails reviewed by The Times.

And the State Financial Officers Foundation shares many ties with the American Legislative Exchange Council, or ALEC, a conservative group with longstanding ties to the Koch brothers.

The American Legislative Exchange Council chief executive, Lisa Nelson, is on the State Financial Officers Foundation board, and ALEC's chief economist, Jonathan Williams, is a senior policy adviser to the foundation.

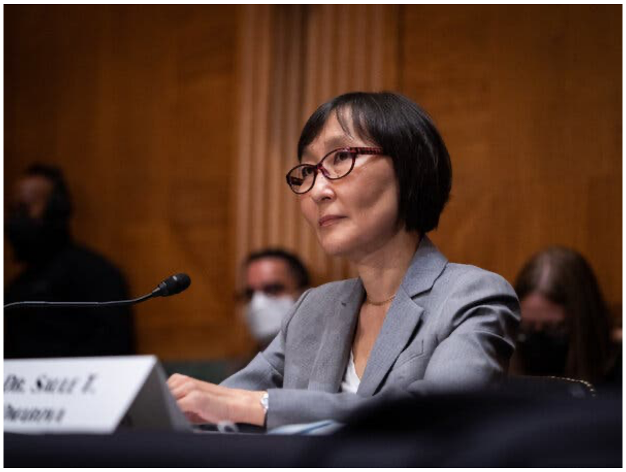
Last July, the State Financial Officers Foundation hosted a conference in conjunction with ALEC, and the two groups have even shared blocks of discounted hotel rooms for their event. Mr. Moore and Mr. Kreifels were among the treasurers attending ALEC's annual meeting in Atlanta last week.

"The State Financial Officers Foundation is a key node in a network of political groups waging a coordinated attack on climate policy," said Jesse Coleman, a senior researcher at Documented, the watchdog organization that obtained the emails. The group is working "to weaponize state treasurers' offices against federal appointees, regulations, and corporate policies that address climate change," he said.

As a nonprofit organization, the State Financial Officers Foundation is not legally required to disclose its funders. A partial list of the organization's financial supporters on its website shows that it gets funding from not only conservative groups but also from some of the biggest companies in the world, many of which say they are committed to reducing greenhouse gas emissions. They include JPMorgan, Wells Fargo, Visa, Mastercard, Fidelity, Federated Hermes and SAP — all of which have publicly embraced E.S.G. principles.

Most of the sponsors declined to comment, and many of their contributions were relatively small. In a statement, Beth Richek, a Wells Fargo spokeswoman, acknowledged the bank's support for the group. "While we may not agree with every position they take, our mutual engagement is important for our company, employees, and customers," she said.

## Blocking federal appointees



*Saule Omarova, President Biden's first nominee to lead the Office of the Comptroller of the Currency, withdrew after treasurers portrayed her as a "radical extremist." Credit...Sarahbeth Maney/The New York Times*

Mr. Biden came to office with a vision: the entire federal government would be focused on reducing the country's emissions, with new rules implemented across federal agencies staffed by political appointees who embraced the effort.

Among the obstacles Mr. Biden didn't anticipate were the state treasurers.

An early sign of turbulence came in May 2021, when 15 treasurers sent a letter to John Kerry, Mr. Biden's climate envoy, raising concerns about what they said was the administration's hostility toward the oil and gas industry.

"Reckless attacks on the fossil fuel industry ultimately cut off paychecks for workers and take food off the table for hard-working middle-class families," the letter read.

By the end of the year, the treasurers were publicly lobbying against a bevy of proposed rules and nominees.

Among their first targets was Saule Omarova, Mr. Biden's nominee for comptroller of the currency. Ms. Omarova was heavily criticized by Republican senators, some moderate Democrats and the banking industry for her desire to limit speculative trading by banks and to open the Federal Reserve to retail banking.

But she drew the ire of the treasurers for saying that if fossil fuel companies went bankrupt it would help fight climate change. The State Financial Officers Foundation issued a letter signed by more than 20 financial officers calling her a "radical extremist."

When Ms. Omarova withdrew her nomination in December, Mr. Kreifels sent an email to the treasurers congratulating them. "It's an honor to work along side you all," he said in an email titled "VICTORY!"

Two months later, the treasurers focused on another nominee: Sarah Bloom Raskin, whom Mr. Biden had nominated to be the Federal Reserve's head of bank oversight. Ms. Raskin, a former Federal Reserve and Treasury official, has argued that financial regulators should police climate risks more diligently.

Mr. Kreifels urged the treasurers to speak out against Ms. Raskin, describing her as an "anti-energy climate change alarmist."

In emails to state treasurers, the foundation provided draft tweets and other messaging strategies. "We must make as much noise about this as possible," Mr. Kreifels wrote. "Make this THE 'kitchen table' issue in your state for the week."

Like Ms. Omarova, Ms. Raskin withdrew her nomination. "Sarah was subject to baseless attacks from industry and conservative interest groups," Mr. Biden said in a statement.

The treasurers have also set their sights on new federal rules and regulations intended to strengthen the government's ability to act on climate change.

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Late last year, the State Financial Officers Foundation worked with the Heritage Foundation to respond to proposals from the Financial Stability Oversight Council, a government panel assigned to minimize risk in the financial sector, on ways to reduce the threats posed by climate change, records show.

And soon after that, Mr. Oaks, the Utah treasurer, drafted a letter opposing a potential Department of Labor rule that would allow retirement plans to consider risks from global warming in their investment strategy. Mr. Kreifels distributed the draft to the foundation's members, and more than a dozen treasurers signed the final letter. The Department of Labor has not decided whether to implement the rule.

This year, the treasurers targeted the Office of the Comptroller of the Currency. After the agency proposed a rule to require banks to consider climate-related financial risk, executives from the Heritage Foundation sent Mr. Kreifels and Mr. Oaks a memo outlining their opposition. Within weeks, dozens of state treasurers and attorneys general from Republican-led states submitted comments objecting to the proposed rule.

"This special concern for and attention to climate-related risks is irrational," one comment read.

And in May, Mr. Kreifels organized a call with the treasurers to discuss regulations proposed by the Securities and Exchange Commission that would require companies to publicly disclose climate risks to investors. The featured guest was a representative from the American Petroleum Institute, the lobbying arm of the fossil fuel industry.

The next month, the State Financial Officers Foundation sent a 20-page letter signed by more than a dozen treasurers, calling the S.E.C.'s proposed rule, which has not yet been enacted, "irrational climate exceptionalism, elevating climate issues to a place of prominence in disclosures that they do not deserve."

David Gelles is a correspondent on the Climate desk, covering the intersection of public policy and the private sector. Follow him on LinkedIn and Twitter. @dgelles

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