The Numbers BlackRock Won't Crunch

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As the planet's biggest investor, with $9 trillion in assets under management and an army of tech-savvy analysts trained on the scent of easy money, numbers are BlackRock's bread and butter. A giant with such an enormous appetite should find room for all kinds of facts and figures – but this one's a bit of a picky eater.

The BlackRock Annual General Meeting is on May 24th, and resolutions submitted by shareholders will be going to a vote. The board advocates for or against those resolutions in a statement released last month. One resolution they unanimously recommend shareholders vote against is Item 7 – the 'Impact Report for Climate-Related Human Risks of iShares U.S. Aerospace and Defense Exchange-Traded Fund' resolution, submitted by CODEPINK.

The resolution simply calls on BlackRock to research and publish the climate impacts of this industry-wide investment offering (ticker code ITA). Among the dozens of companies represented in ITA are Raytheon, Lockheed Martin, Boeing – companies that profit directly from mass killings. Lockheed Martin developed the bombs Saudi Arabia used on a Yemeni school bus full of children in 2018, and Raytheon is the contractor behind the expansion of the US' nuclear arsenal.

But the significant climate impact of these companies often goes unmentioned. By providing ballistic missiles and aerospace tech to the Pentagon, these companies fuel the latter's carbon emissions – making the U.S. military the planet's largest institutional emitter of greenhouse gasses, and thus a leading cause of our present climate crisis. This is one of many reasons that BlackRock's continued acknowledgement of the severity of the climate crisis is at serious odds with the investment platforms it sells.

If BlackRock's CEO and chairman Larry Fink has a catchphrase, it's "we are a fiduciary to our clients." In the guise of displaying the firm's humble loyalty to investors, this line is usually delivered with an exculpatory tenor: “Sure we call the shots, but it’s our investors who pull the trigger.” For a corporation that is second only to the US and China in terms of the financial power it wields, this is an extremely convenient way to pass the buck. But Fink’s M.O. is to publicly play both roles – on one hand a duty-bound servant, on the other, a super-powerful arbiter of global financial affairs.

For years, activists have worked to expose the problem with these incongruencies, and it’s paid off. In his 2020 letter to investors, Fink underscored the reality of the climate crisis, stating plainly that “climate risk is investment risk” in order to highlight [the trillions of dollars in damage and lost revenue] that will stem from fossil-fueled disasters. After coming under intense fire for the firm’s continued investment in the dirtiest fossil fuel sector, Fink pledged to cut thermal coal from some of its offerings. Climate activists got a glimmer of hope. Could this signal the beginning of the end for climate-killing investments?

But since 2020, BlackRock has shown that Fink was full of hot air. The firm included gaping loopholes in the new coal rules, rendering them moot. The total of those thermal coal investments now hovers around $110 billion, and BlackRock is the planet’s second-biggest funder of fossil fuels. Climate-conscious language has evaporated from Fink’s annual letters and public statements. But that performative display of climate goodwill in 2020 exposed the truth: BlackRock is capable of partially decarbonizing the global economy. It’s not a question of ability, as it tends to claim, but one of will. Its board’s statement against CODEPINK’S resolution is a case study in the firm’s duck-and-weave approach when faced with this fact.

In short, the board argues that ITA’s information page already provides all the “sustainability characteristics” an investor could possibly want to see. The board points out that the “implied temperature rise,” or ITR, associated with the operation of the companies is clearly displayed. What the board leaves out speaks volumes: the ITR is listed as “>3.0° C.” In other words: the sector is slated to exceed emissions levels that are consistent with global warming of 3 degrees Celsius. This is a stunning figure for several reasons.

A temperature rise above 3 degrees Celsius won’t produce “more-April-beach-days” weather. Three degrees means melted ice caps, the death of the Amazon rainforest, mass migration of climate refugees, global food shortages – that “>3.0° C” means the end of life as we know it. The board kindly informs us that ITR shows whether the index is “progressing toward the temperature goal of the Paris Agreement.” But the Paris goal is 1.5 degrees Celsius, and you’d never know that from reading the board’s statement.

A popular ethics thought experiment goes like this: You are presented with a button. If you press it, a random person will be killed; but you’ll be a million dollars richer. Do you press it? In obscuring the effects of a greater-than-3-degrees future, BlackRock omits the catch. The question BlackRock poses to its clients is: “Would you press a button for a million dollars?” The response is predictable and perilous.

Further, the board’s statement says that the ITR metric is provided by “third party” research – that third party in this case is Morgan Stanley, another notoriously major player in the financial sector. Morgan Stanley also provides an ESG (or Environmental, Social, and Governance) score for the fund. It assigns ratings from “AAA” – “leaders” in ESG – to “CCC” – “laggards.” In a move that would be laughable were it not so troubling, Morgan Stanley recognizes that ITA will help to produce an apocalyptic level of warming of at least 3 degrees – yet gives ITA the triple-A score, a blue ribbon for ethical investment.

Setting aside a much-needed investigation of Morgan Stanley's methodology, it is abundantly clear that investors are being seriously misled by the presentation of ITA as "sustainable." BlackRock, per its opposition statement to CODEPINK's resolution, believes it has no obligation to remedy the issue. For a company that prides itself on providing accurate numbers to clients so they can make informed investment decisions, it is shocking how intent BlackRock is to underplay the climate impacts of ITA.

Few people would choose to sit idle in a house that is burning – but statistically few people, I'd wager, truly understand their home is burning. It remains to be seen whether I'm right across the board – whether erstwhile investors in ITA (nukes and all) would reallocate their money if they knew what a "greater than 3" world will look like.That isn't my decision to make, but neither is it BlackRock's.

BlackRock's clients deserve to know the climate impact of ITA. This isn't just a reasonable request, one that is well within BlackRock's wheelhouse and purview – it's a moral obligation to investors.

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