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Testimony Before the Indiana House Financial Institutions and Insurance Committee Regarding HB 1224

The Heartland Institute

January 25, 2022

Chairman Carbaugh and members of the committee:

Thank you for the opportunity to present testimony on HB 1224. I am James Taylor, president of The Heartland Institute. The Heartland Institute is a non-profit, non-partisan public policy organization with a mission of discovering, developing, and promoting freedom-oriented solutions to public policy issues. Heartland primarily focuses on state-level issues throughout the country.

HB 1224 addresses a topic of crucial importance to the people of Indiana. In the past few years, there has been rapidly growing momentum for investment banks and the finance industry to coerce public policy by making capital available for some businesses and industries and denying capital to others, based on political and social factors. This has taken the form of requiring businesses to meet Environment, Social, and Governance (ESG) scores, or simply refusing to make financing available for conventional energy projects like oil and coal projects. The United Nations is spearheading the ESG effort, along with the World Economic Forum and left-leaning think tanks.

Despite this effort from global governance bodies to steer investment banks and the finance industry to set national and state public policy in the United States, it is the people through their elected representatives, not the United Nations or multinational corporations, who are empowered in a democracy to set public policy. Nobody in Indiana elected Blackrock or Goldman Sachs to set public policy and social standards in Indiana.

The price of building an average-sized coal or natural gas power plant runs in the hundreds of millions of dollars – typically more than $500 million. Coal mining, oil drilling, or natural gas drilling projects can also require large amounts of initial investment. Large finance companies are often the only entities with such large amounts of money available to finance such projects. With the ability to strangle certain segments of the economy, the largest financial institutions have begun coordinating with each other to coerce public policy by refusing to loan money for conventional energy production. These decisions and coordinated actions are anti-competitive and beyond the scope of the traditional business model.

Even if we ignore the troubling public policy implications of unelected financial corporations setting or deliberately coercing public policy, financial institutions that categorically refuse to invest in profitable conventional energy companies are depriving investors and shareholders of profit opportunities. Financial institutions who boycott certain businesses or industries on political grounds are doing so to the financial detriment of their shareholders.

To the extent that the State of Indiana is investing in, or considering investing in, companies that boycott energy companies based on a coercive political agenda, such investments merely serve to subvert democratic institutions, harm many Indiana businesses that provide jobs and economic benefits to state residents, and restrict profitable investment opportunities for state funds.