

DEALBOOK NEWSLETTER

Why This Billionaire Is Worried About Green Investing

The world is facing an energy credit crunch in part because of Wall Street's E.S.G. focus, warned Steve Schwarzman of Blackstone.

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Going green too fast is leading to an energy crunch, Steve Schwarzman of Blackstone warned. Gian Ehrenzeller/European Pressphoto Agency

Are do-gooders driving the energy shortage?

Steve Schwarzman, Blackstone's billionaire co-founder, became the latest financier to sound the alarm about an energy crunch. (The most recent sign: U.S. oil prices hit \$85 a barrel this week, a seven-year high.) Speaking at the Future Investment Initiative conference in Saudi Arabia, he warned that an energy shortage could lead to "real unrest" across the world — and put forward a provocative culprit.

A focus on E.S.G. is driving a credit crunch for oil and gas companies, Schwarzman and others say. So-called environmental, social and corporate governance investing principles have spurred investment giants to divest their holdings in oil and gas companies. That, according to Schwarzman, has made it hard for the industry to invest in new wells and other sources of capacity. "If you try and raise money to drill holes, it's almost impossible to get that money," he said. (Blackstone has invested in both fossil-fuel and renewable energy companies.)

- Some think the energy shortfall could be huge. JPMorgan analysts wrote this year that as much as \$600 billion must be invested in oil by 2030 to meet continued demand.

Schwarzman isn't alone in his thinking. Even Larry Fink of BlackRock, who has been among the biggest advocates for Wall Street adopting E.S.G., is worried that outflows from the fossil-fuel industry may be overdone. "We have these visions we could go from a brown world and we could wake up tomorrow there'd be a green world," he said at the F.I.I. conference. "That is not going to

happen.”

Governments need to intervene, Schwarzman said, particularly to help manage the transition into greener energy. “There’s unanimity something should be done, but how you get from where we are today to a green world is utterly undefined,” Schwarzman said. Otherwise, political troubles await: “You’re going to get very unhappy people around the world, in the emerging markets in particular but in the developed world,” he added.

Of note: Leaders of Exxon Mobil, BP, Chevron and Royal Dutch Shell will testify before Congress tomorrow about what they knew about their companies’ role in climate change and when they knew it.