



## House GOP Widens Probe into Asset Managers' Work with Climate Groups

FundFire

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The House Judiciary Committee sent letters to more than 60 asset managers on Dec. 20 seeking information about their involvement with the Net Zero Asset Managers initiative.

House Republicans have widened their probe into whether asset managers violated antitrust laws by working with climate action groups, a sign that GOP lawmakers have no plans to slow their crackdown on environmental, social and governance initiatives, compliance consultants said.

The House Judiciary Committee led by Republican U.S. Rep. Jim Jordan sent letters to more than 60 U.S.-based asset managers on Dec. 20 – including Invesco, Northern Trust Asset Management, State Street Global Advisors, T. Rowe Price and AllianceBernstein – seeking information about their work with the Net Zero Asset Managers initiative, or NZAM.

The letters were issued just a week after the panel released a report claiming it uncovered evidence that "financial institutions are colluding" with "climate activists" through groups such as NZAM – which the committee described as a "woke ESG cartel" – as well as the Glasgow Financial Alliance for Net Zero, or GFANZ, and Climate Action 100+ to "collectively adopt and impose left-wing environmental, social, and governance (ESG)-related goals," allegedly in violation of antitrust laws.

The firms were asked to answer questions regarding how their involvement with the two groups changed their proxy voting policies and engagement with companies in their portfolios. The committee also asked for all documents related to their participation with the NZAM and the Glasgow Financial Alliance for Net Zero.

The letters are a sign that climate action groups and ESG initiatives "will remain on the radar of Congress" in 2025, said Lance Dial, a partner at K&L Gates. The House committee launched a similar probe in July looking into more than 130 organizations involved in Climate Action 100+. Nearly a quarter of those firms have since left the group, and it is likely that some of the managers swept up in the latest inquiry may leave NZAM, Dial said.

The move is part of a broader backlash against ESG, which has played a role in many asset managers' decisions to break away from such groups. In the past month, Texas and 11 other Republican-led states sued Blackrock, State Street and Vanguard alleging that the firms broke antitrust laws, in part through their involvement with Climate Action 100+ and NZAM.

For many managers, the compliance costs associated with being involved with climate groups also have simply become too expensive, Dial said.

"We've seen a number of high profile [managers] leaving these initiatives, citing that they've developed the ability over time to do the same things, that they don't need structure of the initiative, and they can continue on their [own climate] goals," he said.

GFANZ has already relaxed its membership and compliance requirements in response to the probes. Previously, only companies that were committed to net-zero carbon emissions were allowed join. Now, the group will "allow any financial institution working to mobilize capital and lower the barriers to financing energy transition to participate," GFANZ said in a public statement on Dec. 31.

**Still, all managers should work with their compliance professionals to make sure that their involvement with any climate action group does not violate antitrust laws, said Sean O'Neill, ESG practice chair and partner at Saul Ewing.**

**Attorneys general in Republican-led states could file similar lawsuits in 2025, O'Neill added. Additionally, it is likely that more state and federal laws may be passed around ESG, he said.**

**"I would expect some executive orders and proposed legislation that will be targeted at some of these ESG issues and ESG investments," he said.**

Claims that firms' participation in such groups is illegal would be difficult for any state to prove in court, said Brent Snyder, an antitrust and competition partner at Wilson Sonsini who previously oversaw U.S. antitrust cartel enforcement at the U.S. Department of Justice.

"If anything, the asset managers are encouraging those companies that are competing to supply cleaner, more innovative, products," he wrote in a statement to FundFire. "Under the antitrust laws, that is pro-competitive."

**The Securities and Exchange Commission under President-elect Donald Trump may also target ESG initiatives through enforcement actions, O'Neill said.**

**"Under the Biden administration, we had seen some SEC enforcement actions that were focused more on ESG investments, where [managers] were misrepresenting the nature of what they were doing," he said. "These [new] efforts are in the polar opposite direction, where it is anti-ESG efforts, and it is attacking [a] company for actually advancing ESG goals."**

When it comes to ESG, managers should continue to "act as a fiduciary and make investment decisions that you think meet your client's investment objectives, and then make sure your disclosures align with that," Dial said.