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New Scorecard Shows Private Equity's Race to the Bottom on Climate

Carlyle ranks last, earns an 'F'

The Carlyle Group, Warburg Pincus, and KKR are the top three offenders on climate among private equity firms, continuing to invest in polluting industries and exposing investors to significant climate-related risk, according to a new scorecard developed by the Private Equity Stakeholder Project (PESP) and Americans for Financial Reform Education Fund (AFREF).

The Private Equity Climate Risks Scorecard offers details on eight of the largest private equity firms in the world and their collective holdings of around $216 billion in energy and fossil fuels – similar to the sum of all financing by the world's top five banks to the fossil fuel industry last year. Private equity's capital comes from endowments, wealthy people and especially pension funds for public employees such as teachers, nurses, and firefighters.

"This report highlights the need for substantial changes in private markets," **said Riddhi Mehta-Neugebauer, PESP climate research director**. "The growth in private equity firms is changing the finance sector, and with billions invested in energy, these firms have a significant role in propelling the climate crisis. Because of the lack of regulation of private markets, many blind spots arise around the hazards these firms pose to investors. Private equity firms have created large climate risks for the investors providing their capital, especially as these firms act as fiduciaries of public sector workers' retirement savings. As societal sentiment grows in support of a clean energy economy, the environmental risks of doubling down on dirty energy assets are becoming clear."

The climate scorecard ranks the private equity firms based on metrics around their energy holdings and emissions, as well as their efforts to mitigate the damage of their investments on the changing climate. **The Carlyle Group** ranks last with an "F" grade, due to its surpassingly dirty portfolio of fossil fuel holdings and weak climate policies. Following it are **Warburg Pincus**, **KKR**, **Brookfield** and its subsidiary **Oaktree**, **Ares**, **Apollo**, **Blackstone**, and **TPG**. Collectively, these eight firms oversee a combined $3.6 trillion in assets under management.

"The scorecard is the first of its kind to shine a light on the climate harms of major private equity firms' polluting investments by collapsing several quantitative and qualitative metrics into a single score for each private equity firm," **said Oscar Valdés Viera, research manager at Americans for Financial Reform Education Fund**. "Because they take advantage of gaps in law and regulation to hide so much of what they do, the full extent of private equity fossil fuel investments and the harms they are causing remains unknown. But the scorecard provides important information and analysis that can help investors and communities understand what these firms are doing. And it makes it very clear that the climate commitments of the firms profiled are largely empty words, and their investments are becoming a major obstacle to limiting global warming."

In recent years, private capital has continued its rapid growth with nearly $10 trillion in assets. Private equity firms have boosted their investments in energy, with over $1 trillion invested in the sector since 2010. The lion's share of these energy investments have been in conventional forms like oil, gas, and coal – and in many cases, dirty assets that public companies have offloaded. Troublingly, private equity works mostly beyond the oversight of financial regulators because private markets are exempt from most financial disclosures. This lack of transparency deprives the public and investors of a true picture of private equity's damage to the climate, impacts on human health.

The report also contains a set of demands for the industry to hold private equity accountable for its impact on investors and the public:

1. *Align with Science-Based Climate Targets to Limit Global Warming to 1.5^{0}C*
2. *Disclose Fossil Fuel Exposure, Emissions and Impacts*
3. *Report Portfolio-Wide Energy Transition Plan*
4. *Integrate Climate and Environmental Justice*
5. *Provide Transparency on Political Spending and Climate Lobbying*

Eleven organizations – Action Center on Race and the Economy, Climate Finance Action, Food & Water Watch, Friends of the Earth, Greenpeace, Little Sis, NRDC, Public Citizen, Sierra Club, Stand.earth, and The Sunrise Project—have joined PESP and AFREF in endorsing these demands that aim to improve transparency, ensure alignment with science-based climate targets, and spur commitment to transition plans that include impacted communities and workers.

"Private equity giants are profiteering from climate chaos and environmental racism by investing in fossil fuel corporations that emit toxic air pollutants and accelerate climate change. This is a massive environmental justice issue. Private equity groups—like Carlyle Group and KKR—finance oil and gas pipelines, coal plants, and offshore drilling sites linked to Indigenous land violations. We endorse this [Private Equity Stakeholder Project] scorecard and its demands because the private equity industry needs to clean up its act and repair the harm it has inflicted on frontline communities, who bear the brunt of toxic emissions and climate disaster," **said Erika Thi Patterson, Campaign Director, Climate & Environmental Justice, Action Center on Race & the Economy.**

"Increasingly, banks and asset managers are being forced by advocates, investors and regulators to grapple with the climate risks they face and the ones they create," said **Yevgeny Shrago, Public Citizen's climate program policy director**. "Private equity firms may have found ways to avoid much of this scrutiny, but that doesn't mean they can avoid climate risk. The firms may be private, but the public deserves to know about the threats their activities pose to our communities and our financial system. That's why PE firms need to disclose all fossil fuel holdings. Additionally, investors and impacted communities deserve to know all direct and indirect emissions and climate-related impacts of those holdings."

"This list of climate demands is vitally important, especially in our commitment to respecting and supporting the rights of Indigenous People," said **Amy Gray, senior climate finance strategist at Stand.earth**. "Structural racism and systemic inequalities are woven throughout the climate emergency, and people who bear the greatest toxic burdens are low-income communities and communities of color. Our planet just cannot afford anymore stalling tactics. Frontline communities can't wait for private equity firms to appease the fossil fuel industry while our homes burn and flood—while our bodies are polluted and our children's futures are destroyed for profit. It's time to set the standard. Private equity firms who own fossil fuel assets must develop portfolio-wide climate transition plans immediately."

Visit the website (www.PEClimateRisks.org) for more information and contact Shravya Jain-Conti (Climate Nexus), sjain@climatenexus.org, for questions and to schedule interviews.

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About Americans for Financial Reform Education Fund

Americans for Financial Reform Education Fund is a nonpartisan and nonprofit coalition of more than 200 civil rights, consumer, labor, business, investor, faith-based, and civic and community groups. It was founded in the wake of the 2008 financial crisis and its mission is to fight to create a financial system that deconstructs inequality and systemic racism and promotes a just and sustainable economy.

About the Private Equity Stakeholder Project

The Private Equity Stakeholder Project is a nonprofit organization with a mission to identify, engage, and connect stakeholders affected by private equity with the goal of engaging investors and empowering communities, working families, and others impacted by private equity investments.

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