

Group sues to block Texas anti-ESG law

By Jordan Wolman

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A left-leaning business group [filed a lawsuit](#) Thursday to stop Texas from penalizing financial companies that the state deems unfriendly to the fossil fuel industry.

Details: The American Sustainable Business Council, a Washington-based organization that represents companies including Patagonia and Ben & Jerry's, is suing Texas Attorney General Ken Paxton and Comptroller Glenn Hegar in federal court in Austin. The group, which advocates for stricter environmental regulation, argues that [the 2021 Texas law](#) at issue is preventing two of its investment firm members from competing for business in the state, violating the First and 14th Amendments.

The law restricts financial firms from serving state entities, including its retirement systems, if the companies are deemed to be "boycotting" the energy industry. The policy has impacted Wall Street giants including BlackRock, JPMorgan Chase and Goldman Sachs despite their continued investments in oil and gas companies.

The American Sustainable Business Council said the law has likewise held back its members Etho Capital and Sphere from operating in Texas. They offer funds that don't invest in fossil fuel ventures "to satisfy market demand and to practice sound investment strategy," according to the lawsuit.

The group said the law "muzzles" companies that take climate risk into consideration and attempts to "coerce financial companies to chill their expression if they want to compete for investments."

Democracy Forward, a nonprofit legal organization, is representing the group.

Context: The lawsuit is the latest salvo in the ongoing battle over environmental and social investing practices, driven in part by crackdowns from Republican-leaning states like Texas. West Virginia and Kentucky have enacted similar policies.

Critics of an Oklahoma anti-ESG law [succeeded in blocking it in court](#) last month.