Fund Managers are the New Punching Bag...

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There's a mismatch in timeline focus of politicians, fund managers and climate responsible proponents

Interlaced cycles of political promises and lawmakers' actions, scientific facts and generations of activists have been mismatched over the last 50 years. And it's not looking likely to improve any time soon. US-conservative groups and fossil fuel companies are lobbying against ESG and sustainable investing, driven by fear of a reduction in billion-dollar political support and revenue. And the recent decision taken by the US Supreme Court to restrict the EPA's ability to enforce emissions targets, has also been a disappointing retrograde step.

There's always room for a multitude of opinions on both sides of any argument, but the antagonistic anti-ESG movement in the US (and elsewhere) is highlighting another mismatch in the sustainable investment and regulatory landscape.

Even before the Supreme Court EPA restrictions were announced, Texas Senators were being lobbied by fossil fuel industry players to block large corporate and private wealth asset managers from managing funds or making investment in their local industries if the manager was favouring sustainable investment policies. The Texas legislature is not alone in being pressured by lobby groups to protect the fossil fuel industry at all costs: even if it costs the earth. Many other states are seeing this groundswell of support in the anti-ESG and anti-climate crisis movement.

With US states, Federal governments and industry regulators being at odds in their view of what constitutes climate responsibility, a timeline mismatch is continuing between the future focus length of the main protagonists supporting (or not yet supporting) ESG-regulation:

> **Politicians**: With hard-working US Senators spending 25-30 years in office, one might think they would take a longer-term view of the environmental damage from pulling fossil fuels from the ground. But these politicians have a short-focus lense of 3 to 4-years when gauging their own popularity as well as support for new legislation.
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> Likewise in the UK, MPs also represent their local constituency as best they can, which means some stand in the way of future legislation that would allow the UK renewable energy industry to thrive.

The situation on both sides of the pond is a complex web of politics that seems, from afar, almost impossible to unravel.

Fund managers are facing a new regulatory environment but remain cautious in reporting their data for fear of any subsequently perceived errors resulting in action against them (whether by regulators or investors).

They need to appease a mixed bag of activist investors and conservative shareholders whose investment demands must co-exist. They may be in danger of being barred from asset rich US states and lambasted in the press for greenwashing.

All the while, these asset managers are required to take a 5- to 10-year view on investment decisions with confidence of strong returns.

Climate responsible investors worry about the next 25 to 50 years and want to invest for their retirement future – and for the future of the next generation – in sustainable options that fit with their key values and climate responsibility intent. In these pessimistic times, investors are craving optimism but it’s thin on the ground with the world’s attention distracted first by a pandemic and now a war in Europe.

As a result, markets are volatile, investors are jittery and fund managers are feeling the pressure.

Add to this, **the entire ESG regulation agenda running out of sync, with delayed announcements of deadlines by regulators and policymakers but no flexibility of movement in sight, and big data providers struggling to output the third-party data which is so urgently needed,** and it’s easy to see why fund and asset managers feel like the new punching bag.

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Verena Charvet MBA | Consultant | Lawyer | MD at Merlys

Connect: www.linkedin.com/in/verenacharvet/
Email: verena.charvet@merlys.uk
Call us +44 (0)20 7821 0191
Follow us: www.linkedin.com/company/merlys/
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