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House Committee Chair Announces Probe into Bank ESG Practices

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Attacks on “ESG investing” in the U.S. continues to intensify as additional Republican lawmakers take aim at financial institutions’ alleged “ESG agenda.” Citing an effort to “promote the depoliticization of our capital markets” and to ensure that our financial institutions “provide equal access to capital to all kinds of businesses,” [Representative Andy Barr \(R-KY\)](#), chair of the House Financial Services Subcommittee, announced that Congress will probe the employment and lending practices of banks. He added that lawmakers will also be on the lookout for any attempts by the Federal Reserve to set climate-related goals for financial institutions and discouraged the inclusion of climate risk in its annual stress testing of banks. Any such actions would “kick [Republicans’ reform agenda] into high gear.” These warnings arise from concerns that the central bank will pursue policies that fall outside of the scope of its dual mandate of price stability and employment. Barr also reintroduced a Congressional Review Act (CRA) measure to nullify the [Department of Labor’s \(DOL\) recently finalized rule](#) regarding consideration of ESG factors in employer-sponsored retirement plans. U.S. Senator Mike Braun (R-IN) is leading a companion measure in the U.S. Senate.

This announcement comes on the heels of the [launch](#) of the Congressional Sustainable Investment Caucus—which has set out to promote responsible and transparent ESG investing—and is another piece of a broader challenge to various aspects of ESG-related issues in the financial services industry, including [Congressional inquiries](#) into financial industry climate collaborations such as Climate Action 100+ and the [recent lawsuit](#) filed by certain Republican state Attorneys General to set aside the DOL ESG rule.

Taking the Temperature: The stark contrast between Representative Barr’s actions with respect to ESG versus the formation of the Congressional Sustainable Investment Caucus highlights the deep partisan divide in the U.S. on this subject, particularly concerning whether or how financial institutions should consider climate-related matters in investment or lending decisions. With respect to the Federal Reserve, Chair Jerome Powell already has [said publicly](#) that the central bank will not be a “climate

policy maker,” but that “[t]he Fed does have narrow, but important, responsibilities regarding climate-related financial risks” and that “[t]hese responsibilities are tightly linked to our responsibilities for bank supervision.” It is hard to conceive how banks could in the exercise of prudence and due care not consider climate-related material risks and opportunities in running their businesses, just as financial institutions in Europe and around the globe report that they are making (and in some jurisdictions are required to make) those [same assessments](#).