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Investing: Texas Agency Bars Bank From Underwriting Syndicate

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Investing

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Texas Natural Gas Securitization Finance Corp., a state public authority, announced that it had excluded a financial advisor from the underwriting syndicate of a $3.4 billion municipal bond transaction. The underwriters on the deal were initially approved in May. However, UBS Group, along with nine other financial institutions, was **included on a list** of “Financial Companies that boycott energy companies.” The Comptroller claimed that there was a “lack of transparency” and “use of doublespeak” by the companies and that they were acting differently behind closed doors when compared to their “anti-oil and gas rhetoric” in public.

Lee Deviney, executive director of the Texas Public Finance Authority, the state agency overseeing the sale, stated that “Yesterday, the Corporation board adopted a resolution reconstituting the underwriting syndicate for the upcoming natural gas utility securitization bond sale” and that “UBS will not be part of that syndicate. There were no other changes made to the previously appointed underwriting syndicate.” In response, **UBS stated** it “recently met with the Texas Comptroller’s Office to reiterate the importance of the energy industry and Texas to [its] business and provided them with additional information demonstrating that it is both [UBS’s] policy and practice to do business with energy companies, including those in the fossil fuel industry.”

Taking the Temperature: Texas’ decision is just the latest move by a state government or agency to cease certain business with financial institutions deemed not sufficiently supportive of certain segments of the energy industry or overly focused on ESG issues. Other examples include Texas’ decision to require state pension funds to divest shares held in certain U.S. and European financial firms unless they include language in their contracts with state pension funds stating that the asset manager “does not boycott energy companies” and Florida’s resolution directing the state’s fund managers to prioritize “the highest return on investment . . . without considering the ideological agenda of the environmental, social, and corporate governance (ESG) movement.” It

remains to be seen how states and financial institutions navigate what is becoming an increasingly politicized aspect of sustainability investing.