The New York Times https://www.nytimes.com/2021/10/27/business/dealbook/schwarzman-energy-crunch.html

DEALBOOK NEWSLETTER

Why This Billionaire Is Worried About Green Investing

The world is facing an energy credit crunch in part because of Wall Street's E.S.G. focus, warned Steve Schwarzman of Blackstone.

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Going green too fast is leading to an energy crunch, Steve Schwarzman of Blackstone warned. Gian Ehrenzeller/European Pressphoto Agency

Are do-gooders driving the energy shortage?

Steve Schwarzman, Blackstone's billionaire co-founder, became the latest financier to sound the alarm about an energy crunch. (The most recent sign: U.S. oil prices hit $85 a barrel this week, a seven-year high.) Speaking at the Future Investment Initiative conference in Saudi Arabia, he warned that an energy shortage could lead to "real unrest" across the world — and put forward a provocative culprit.

A focus on E.S.G. is driving a credit crunch for oil and gas companies, Schwarzman and others say. So-called environmental, social and corporate governance investing principles have spurred investment giants to divest their holdings in oil and gas companies. That, according to Schwarzman, has made it hard for the industry to invest in new wells and other sources of capacity. "If you try and raise money to drill holes, it's almost impossible to get that money," he said. (Blackstone has invested in both fossil-fuel and renewable energy companies.)

- Some think the energy shortfall could be huge. JPMorgan analysts wrote this year that as much as $600 billion must be invested in oil by 2030 to meet continued demand.

Schwarzman isn't alone in his thinking. Even Larry Fink of BlackRock, who has been among the biggest advocates for Wall Street adopting E.S.G., is worried that outflows from the fossil-fuel industry may be overdone. "We have these visions we could go from a brown world and we could wake up tomorrow there'd be a green world," he said at the F.I.I. conference. "That is not going to happen."

Governments need to intervene, Schwarzman said, particularly to help manage the transition into greener energy. "There's unanimity something should be done, but how you get from where we are today to a green world is utterly undefined," Schwarzman said. Otherwise, political troubles await: "You're going to get very unhappy people around the world, in the emerging markets in particular but in the developed world," he added.

Of note: Leaders of Exxon Mobil, BP, Chevron and Royal Dutch Shell will testify before Congress tomorrow about what they knew about their companies' role in climate change and when they knew it.

HERE'S WHAT'S HAPPENING

A corporate minimum tax is on the table. Democratic lawmakers unveiled a plan to impose a 15 percent levy on the 200 biggest U.S. companies to help fund President Biden's social spending plans. The proposal has an important backer: Senator Kyrsten Sinema, Democrat of Arizona, who has rejected other potential tax increases to pay for the Biden package.

An F.D.A. advisory panel recommends Covid shots for children. Experts said the agency should authorize the Pfizer-BioNTech vaccine for 5- to 11-year-olds, putting 28 million children closer to getting inoculated. The Biden administration sees children's vaccines as a way to keep schools open and the economy running.

What blowout tech quarterly earnings reports tell us. Microsoft reported its biggest quarterly profit, again, as the pandemic helped spur huge demand for its cloud software. And Alphabet surpassed analyst expectations as it largely shrugged off effects from Apple's limiting of ad-tracking on iPhones. (Twitter also said it had suffered less than it had feared.)

A sharp drop in crypto trading hits Robinhood. The trading platform's third-quarter revenue fell well below expectations, as a surge in cryptocurrency transactions earlier in the year petered out. Robinhood warned that the fourth quarter won't get better, expecting lower retail trading to continue.

A revolt at McKinsey over advising huge polluters. More than 1,100 employees signed an open letter to the consulting giant's top partners, asking them to disclose the carbon footprint of the firm's clients, which include BP, Exxon Mobil and Saudi Aramco. Several of the letter's authors have resigned over the matter, The Times reports.

Supply-chain kinks aren't going away

The shortages of components and difficulties in shipping goods that have plagued global supply chains haven't eased as quickly as people had expected. That's worrying corporate leaders, as shown by yesterday's earnings reports — and is putting more of a focus on rising inflation, to boot.

Here's what companies said yesterday:

- **G.E.:** "We're feeling the impact of supply-chain disruptions in many of our businesses, with the largest impact to date in health care," said Larry Culp, the conglomerate's C.E.O.

- **Sherwin-Williams:** The availability and cost of raw materials led the paint company to report a 30 percent drop in quarterly profit from a year ago.

- **Hasbro:** "Our airfreight expense was much higher in the third quarter than it typically is, and we do expect it to be higher in the fourth quarter," said Deborah Thomas, the toy maker's C.F.O.

Those issues are feeding into rising inflation. Companies across the board have been raising prices. For example, The Times's Kim Severson reports, nearly every part of Thanksgiving feasts — from baking tins to turkey — will cost more this year. But a big question is how much companies can raise prices without hurting sales. (Hasbro, for one, isn't planning on big hikes despite its higher shipping costs and forecasts of high demand for holiday gifts.)

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- Catch up: Amazon reports disappointing results and Facebook changes its name.
- Exxon Mobil and Chevron continue to report higher profits, helped by rising oil prices.
- The Fed's favorite inflation index remained at 30-year high as pay surged.

The markets expect inflation to last awhile. Bond investors, who were initially skeptical that higher prices would endure, are now betting on it, The Times's Matt Phillips reports. The break-even inflation rate, a key measure of where investors expect inflation to average over the next five years, briefly hit 3 percent last week, its highest level in over a decade. That said, investors aren't expecting higher interest rates yet, betting that the Fed will keep rates low to prevent twisted supply chains from slowing the U.S. economy.

Exclusive: The next Bitcoin-linked E.T.F. is coming

Volt Equity will launch a Bitcoin-linked exchange-traded fund on the N.Y.S.E. tomorrow, DealBook is the first to report. It's the latest — but far from the last — example of a fund meant to let mainstream investors bet on Bitcoin without holding the cryptocurrency itself.

Volt's fund is focused on the Bitcoin industry. It will invest in a range of businesses — including eco-friendly cryptocurrency miners as well as companies like Tesla, the payments company Square and Twitter — that hold Bitcoin or help people use the cryptocurrency. "We believe Bitcoin is more than just a coin," Tad Park, Volt's C.E.O., said in a statement. "It's a revolution."

- Behind the E.T.F. is the belief that ordinary investors want to be able to invest in Bitcoin, but want professionals to manage the complexities of investing in such a volatile asset. (Funds that actually hold the crypto have yet to be approved by the S.E.C.)

Its debut will follow the big splash of the first Bitcoin-linked E.T.F. More than 5.5 million shares of the Proshares Bitcoin fund, which is linked to futures tied to the crypto, traded hands yesterday alone. (Its launch helped push the price of Bitcoin to a record last week.)

"This is going to be perhaps the most difficult tax we have ever seen, in terms of trying to plan to minimize it."

— Robert Willens, one of Wall Street's top tax accountants, on the challenge of finding loopholes in the Democrats' plan to tax billionaires' unrealized capital gains.

Meet the latest power player in luxury

Frédéric Arnault may be only 26, but the relatively new C.E.O. of the watchmaker TAG Heuer has both the last name — he is the fourth child of Bernard Arnault, the chairman of LVMH and the world's third-richest man — and the ambition to become a force in the industry that his family dominates, The Times's Vanessa Friedman writes.

Frédéric joined three other siblings in entering the family business, with TAG Heuer being one of LVMH's 70-odd brands and a jewel of the conglomerate's watches operations. He can claim some success already, with TAG Heuer having grown its e-commerce business 329 percent last year and signing the actor Ryan Gosling as a spokesman. And he has assembled a list of advisers and mentors, including Kim Jones, the artistic director of Dior Men, and the iPod inventor Tony Fadell.

He also shares his family's penchant for competitiveness. Frédéric often plays doubles tennis against his father (and a pro), and claims to win more of their matches now. "He hates losing," a school friend told Vanessa. LVMH watchers believe Frédéric is destined to rise up the company's ranks.

Just don't mention "Succession," the hit HBO show about the machinations of a powerful and unimaginably rich family. "Not unless you want to invite a lot of eye rolls and annoyance," Vanessa writes.

THE SPEED READ

Deals

- Sequoia Capital is drastically overhauling its business, and perhaps venture capital as a whole. (Axios)
- Rent the Runway, the clothing rental company, will begin trading on the Nasdaq today after pricing its I.P.O. at the top end of expectations. (NYT)
- DraftKings is abandoning a £18.4 billion ($25 billion) takeover bid for a British rival, Entain. (FT)
- Evercore named John Weinberg as its sole C.E.O.; Ralph Schlosstein, his current co-C.E.O., is stepping down in February. (WSJ)

Policy

- How a broad deal to overhaul global taxes got done. (NYT)
- Facebook is reportedly struggling to hire top Democratic lobbyists. (WSJ)
- The private lending market poses a systemic risk to the U.S. financial system, according to Moody's. (FT)
- Offering people money to get vaccinated doesn't work, a new study found. (Bloomberg)

Best of the rest

- "The World's Top Business Cities Are Still Failing Working Women" (Bloomberg)
- What's inside Facebook's multibillion-dollar bet on the so-called Metaverse. (WSJ)
- Netflix wants to turn a crumbling Army base in New Jersey into a huge movie and TV production hub. (NYT)
- How to manage your back-to-the-office anxiety. (Harvard Business Review)
- Are people choosing Peloton or the gym? Yes. (CNBC)

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