

December 15, 2022

Testimony of Bud Brigham
Chairman, Anthem Ventures
Before the
Texas Senate State Affairs Committee

Chairman Hughes and Members of the Committee:

The genius of the United States of America is empirically and unquestionably evident in a vast array of fields, from technology and medicine to music and the arts. The rest of the world combined does not nearly match America's diverse contributions to the advancement of society and human flourishing. **American fossil energy companies have revolutionized energy markets by producing abundant and clean fuels, reducing energy costs to the benefit of the entire world (particularly the poor and middle class), and making the world safer and less vulnerable to supply disruptions.**

But there's a great threat to our society and capitalism. I believe that the energy discrimination we are seeing through the ESG movement may **actually be the greatest threat to capitalism, property rights, and even human flourishing, and I am not alone.** Activists are pressuring corporations to adopt social and cultural agendas in order to appease a vocal minority and even go so far as to coerce divestment from industries considered politically unpopular — particularly fossil fuels, agriculture, forestry, mining, and petrochemicals. Having a single eye toward profit and shareholder returns is viewed as reprehensible.

Energy discrimination activists claim to be promoting the environment, equality, and transparency. And while we all care about the environment, it's thanks to our exercising the Friedman doctrine, and our respect for property rights, that we have the most prosperous citizenry in the world, along with the cleanest and safest air and water of any major country. **The problem we are faced with today, is that ESG, Stakeholder Capitalism, and Conscious Capitalism are all veiled attacks on private property rights and economic liberty, those very American elements that have differentiated our country and enabled our unprecedented prosperity.**

Our Founding Fathers set forth a clear vision for a nation thriving on the firm foundation of individual liberty, the right to private property, and the right to freedom of association. James Madison wrote, "The rights of persons, and the rights of property, are the objects, for the protection of which government was instituted."

Economic freedom — our right to spend, invest, and donate our hard-earned money as we choose — is one of our most cherished rights. Today, many investors are investing their own personal capital not just to generate a financial return, but also to reflect and project their environmental or societal concerns and beliefs. Freedom to do just that is obviously a very good thing, as is the freedom to not invest in enterprises that don't reflect our values.

But what if they are investing someone else's money? Maybe yours? This is where ESG and these climate catastrophist political movements become a problem, especially for workers who assume that their retirement funds are being managed with their best financial interests — not political whims — in mind. These movements are political, working to change these companies, primarily from the outside, at the expense of the shareholders who rely on their manager's dedication to their fiduciary obligations. It's a coopting of ownership and control, deeply penetrating, and affecting the behavior of corporations and pension funds who are investing and risking other people's money. Is that right? Do you really own the property if special interests are able to exercise control and even seek to destroy it?

From the beginning, I made the mission of my businesses to improve human beings' access to hydrocarbons that empower our lives. It is by pursuing this mission that we fulfill our core responsibility, which is to maximize cumulative profits for our shareholders.

In 1970, Milton Friedman wrote a NYT essay, and he said, "The social responsibility of business is to increase its profits." The energy discrimination movement, having penetrated the boardrooms and pension funds, seeks to undermine that fundamental principle. Even if elevating political agendas over return on investment is viewed as legal, it's certainly not moral or ethical. Investment managers have a fiduciary responsibility to act in their clients' best interests — and business leaders should as well.

Even further than testimony and principle, there is empirical validation to what I am saying. When it comes to the environment, the United States is a world leader. We've slashed air pollution by 78% in the last 50 years — far outpacing almost every other developed nation — and are ranked number one in the world for access to clean water. These accomplishments can be credited almost exclusively to innovation in the private sector, especially pollution control technology, horizontal drilling, and fracking. American energy companies produce energy more responsibly than any country in the world. Furthermore, our exports displace dirtier energy produced overseas from countries with poor human rights and environmental records. **This environmental exceptionalism is a fundamental product of the American energy industry's pursuit of shareholder value — not ESG investing.**

Meanwhile, fossil fuels are helping to fight poverty around the world. While almost half the world's population lived in what economists call "extreme poverty" as recently as 1980, that number is now less than 10 percent. Affordable, reliable energy begets clean water, modern medicine, warmth and light, safe cooking fuels, and the basic necessities that make a healthy, comfortable, and self-actualized life possible. The prosperity we enjoy in the United States can be spread across the globe thanks to natural gas, oil, and clean coal.

But today, we see energy prices rising in Europe with no end in sight because of country leaders who are waging war on fossil fuels. Power prices in most countries are 10x what they were last year. If your business spent 4% of their revenue on electricity, it's now 40% and you can say goodbye to profits and keeping the doors open. The UK is implementing price caps on

residents, Switzerland is considering jailing anyone who keeps their house warmer than 67 degrees Fahrenheit, Paris has set thermostats to 60 degrees Fahrenheit at night, and the EU is considering a mandatory energy reduction. Learn from history or you're doomed to repeat it. We are not learning from Europe's mistakes, and so we are headed down the same track that has brought them to record prices and freezing deaths on the rise.

For those caught up in the movement, their intentions may be good. For example, most of us support clean air and water. However, as polling consistently shows, Americans don't agree on how best to achieve that goal. Similarly, not all Americans share the perspective of climate catastrophists, particularly in light of the fact that climate-related deaths are down 99% over the last century. We continue to deal with a hostile climate better and better. Thanks to abundant and affordable energy and the associated human flourishing, this is the best time in human history to be alive.

There are also serious environmental consequences of renewable energy that activists have yet to address. Therefore, we do not all agree that fossil fuel divestment is a responsible move — and it would be irresponsible for investment managers to act on that assumption. Despite the lack of consensus on these matters, pressure from energy discrimination activists has become so intense that many American oil and gas companies are including in their filings statements about transitioning to “low-carbon energy sources.” While business executives may feel they have no choice, this capitulation cements the public's misunderstanding of how ineffective renewable energy really is.

I have had several experiences with the ESG corruption affecting our companies. For example, after working for months on a potential transaction, I was told by Credit Suisse that if I tweeted several points of agreement and alignment, including with the Paris Climate Accord and Net Zero by 2050, that they would consider facilitating a transaction we had been working on. I don't agree with either initiative, which are clearly political in nature. The Paris Climate Accord was not ratified as a treaty, and even attempting to achieve Net Zero by 2050 would be massively destructive to humanity - Europe is evidence of that. Therefore, we chose to work with another bank. In my view they missed out on a very attractive potential transaction due to their political agenda, at the expense of their clients. I found it personally offensive, as an attempt to stifle my freedom of speech and use their financial wherewithal to coerce us in support of their political agenda. And although Credit Suisse may not be around much longer, I assure you the need for fossil fuels will be.

These movements are terribly destructive. Today, fossil fuels are responsible for approximately 80% of worldwide energy utilization. The consequences of forcing American energy companies to surrender to their foreign competitors with lax environmental and labor standards — not to mention unstable and even hostile governments — would be disastrous. The world will still need oil, gas, and coal; American producers going under would only give foreign competitors license to pollute and drive-up prices.

And even if ESG investors were actually thinking about society and the environment, it is obvious that they are not. ESG firms are rating slave-using Chinese firms higher than clean American energy producers. A firm in China relying on slave labor for key portions of its supply chain has a better social score than an American firm that pays landowners who sell them mineral rights. That's not right.

So called "green energy" can even be tragically inhumane. Children in the Congo are used to mine cobalt for Chinese companies. Many children become serious injured, and some have died in the mines. Lithium is mined in the Xinjiang region, where over 1 million Uyghurs and other minority groups are being held in concentration camps. The fact that ESG helps Chinese companies and hurts American companies is enough of a reason to fight it.

Public companies are owned by thousands of shareholders, and many have hundreds or even thousands of employees. Activists pushing this special interest are an extremely small but vocal segment seeking to co-opt these enterprises for their own social agendas, and it comes at the expense of the owners who don't necessarily agree with those agendas, often against their better financial interests. Tragically, at times it's also at the expense of their employees, since companies that don't optimize their returns are in danger of shrinking or even failing altogether.

Energy discrimination is therefore not just a violation of property rights, but also a threat to our energy supply, national security, jobs, and economic opportunity.

America is the freest, most prosperous place to live in the world. American businesses have generated historic advancements over the last century because of their relentless pursuit of excellence, benefitting from lightly regulated and largely free markets. Stated another way, capitalism has been fundamental to American exceptionalism. For American companies to grow and thrive over the long term, they must generate attractive outcomes for all their stakeholders. What the energy discrimination movement fails to recognize is that companies will not be successful if they treat their employees poorly, fail to be good stewards to their communities, or spoil the environment that they operate in. We are all on the same team.

I have been blessed to have founded and built five successful companies thus far, including two that have successfully gone public. Our achievements were only possible because we rewarded all our stakeholders, and it was a direct consequence of our intense focus on providing an outstanding, profitable service that delivers value to our shareholders. These are virtuous relationships in a virtuous cycle — the beauty, the harmony, of true and uncorrupted capitalism.

The American success story is an irrefutable demonstration of the symbiotic and critical relationship between economic freedom, capitalism, and human flourishing. By focusing intensely on shareholder returns, American companies have created sustainable positive outcomes for their stakeholders, and the world is the beneficiary. The climate catastrophist and ESG movements are like a cancerous threat to politicize and destroy the engine of our prosperity, poised to undo decades of progress. It is therefore a fundamental danger to human

flourishing, which has lifted billions out of poverty and extended lifespans for the entire globe. For many involved, it is well intended, but for all of us, it is a grave danger and incalculable threat.

Sincerely,
Bud Brigham
Chairman, Anthem Ventures