

HOW PRIVATE EQUITY PROPELS CLIMATE CHANGE

WHAT IS PRIVATE EQUITY?

Private equity is a massive class of investments that, despite its size, typically operates out of sight. The private funds industry has grown dramatically in recent years, and in 2021 reached [over \\$9.8 trillion](#). That's about the same size as the [entire economies](#) of Japan and Germany combined. In 2021 private market funds raised a record of almost [\\$1.2 trillion in new funds](#).

But private funds are barely regulated and have been shielded from the public disclosures that have helped shed light on the destructive financing of fossil fuels [by banks](#) or the [insurance industry](#).

Private equity firms collect large sums of money from institutional investors like pension funds and endowments, which they use to buy companies across every industry, load them up with debt and flip to another buyer in a few short years.

Many of us are connected to private equity without even realizing it. Private equity's vast supplies of capital to invest across the global economy come largely from institutional investors, including public and private pension funds.

The Guardian recently wrote "How workers unknowingly fund the climate crisis with their pensions," noting that "workers' retirement savings go into funds that are buying up fossil fuel assets and squeezing them for profit in their final breaths." Indeed, in 2020, state owned institutions, like public pension funds and sovereign wealth funds, [invested over 20 percent of the trillions in their portfolios](#) in private equity.

In 2021, private equity firms had a blockbuster year, [reaching \\$1 trillion in deals](#) buying up stakes in companies. On top of the debt private equity firms use to buy up companies, they often add even more debt after they take control. In 2021 private equity firms also added [record amounts of debt](#) to the balance sheets of companies they already own to finance dividend recapitalizations, essentially cash payments to owners.

While private equity executives make millions, their aggressive tactics [often leave a wake of wreckage for workers and communities](#) to deal with after the firm walks away. Private equity's destructive impacts have been felt across the economy in areas like [retail](#), [restaurants](#), [health care](#), [incarceration](#), [disaster recovery](#) and the [meatpacking industry](#).

HOW PRIVATE EQUITY DRIVES CLIMATE CHANGE

Despite the shroud of secrecy surrounding these investments, recent reports reveal that private equity has invested billions in fossil fuels. Private equity firms are [fueling the climate crisis and environmental injustice](#) with investments in fracked gas, oil pipelines, coal plants, and offshore drilling.

“As the oil and gas industry faces upheaval amid global price gyrations and catastrophic climate change,” the [New York Times](#) reported, “private equity firms — a class of investors with a hyper focus on maximizing profits — have stepped into the fray.”

Private equity has been called a “[billionaire factory](#)” for its creation of eye-popping wealth for the executives perched at the top of the firms.

These tycoons are some of the most influential people in the world. They are chummy with powerful elected officials, to whom they donate piles of money. They hold prestigious trusteeships at elite universities and cultural institutions. Buildings are named after them. They own professional sports franchises. They are fêted and celebrated by polite society.

Between their yachts, mansions and private jets, these private equity executives live some of the lushest lives of anyone on the planet. But in many cases, they sustain their wealth and status by steering their firms’ investments into – among other dubious things – dirty energy.

A recent report, [Private Equity’s Dirty Dozen](#), co-authored by [LittleSis](#) and [Private Equity Stakeholder Project](#) profiles some of the most destructive fossil fuel investments of the world’s top private equity firms and the huge fortunes, luxurious lives, prized possessions, powerful connections and prestigious positions that these firms’ top executives have accumulated through those dirty investments.

