

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

BlackRock, Inc.

Docket No. EC16-77-002

Protest of Public Citizen, Inc.

On February 18, 2022, BlackRock, Inc. applied for authorization under Section 203 of the Federal Power Act for an extension of its blanket authorizations to acquire and vote the voting securities of certain utilities and utility holding companies.

BlackRock is the world's largest asset manager, with **\$9.5 trillion** worth of assets under management.¹ BlackRock's gargantuan role as a manager of voting securities is unparalleled in the history of modern capitalism. Not only is it impossible for a fund manager of BlackRock's size and scope to remain a passive investor, scholarly research demonstrates that BlackRock's accumulation of voting securities constitutes control over utilities, and its horizontal power over competing utilities harms competition.

Public Citizen therefore requests that the Commission set the matter of blanket reauthorization for hearing in order to comprehensively assess the circumstances by which BlackRock's unprecedented control and influence over utilities may be undermining competition and threatening just and reasonable rates, as the current record in this proceeding fails to provide justification for granting blanket authorizations to BlackRock to vote the voting securities of public utilities.

In less than a generation, investment managers like BlackRock have come to dominate the financing the architecture of the U.S. economy, as management funds control over \$11 trillion in the U.S., exceeding the value of so-called active funds for the first time in history. Just three companies—BlackRock, Vanguard and State Street—together control 82% of all assets flowing into all investment funds (both active and passive) over the last decade, and command as much as 80% of the global ETF

¹ Saqib Iqbal Ahmed and Sohini Podder, "BlackRock profit beats as assets grow to a record \$9.5 trillion," *Reuters*, July 14, 2021, www.reuters.com/business/blackrock-quarterly-profit-jumps-28-2021-07-14/

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market. While often erroneously described as “passive”, in actuality they influence and control corporate governance and decision-making:

Today, scholars of finance are increasingly raising concerns that the rise of mutual fund ownership of U.S. corporations is “reminiscent of the early 20th century system of finance capital when business was under the control of tycoons such as J.P. Morgan and J.D. Rockefeller.” Antitrust experts argue that the “historic trusts that motivated the creation of antitrust law were horizontal shareholders[,]” where a common set of investors own significant shares in corporations that are competitors in a market. In this sense, asset management firms have become a part of a new “money trust”—a system of financial architecture dominated by a few large banks, private equity firms, and hedge funds ... For a sense of the scale of the problem, the “Big Three” asset management firms—BlackRock, Vanguard and State Street—manage over \$15 trillion in combined global assets under management, an amount equivalent to more than three-quarters of U.S. gross domestic product. The outsized footprint of a few large financial companies poses new issues for the governance of corporate America, the competitiveness of our economy, the concentration of political power, and the stability of financial markets. Consider the example of BlackRock, the largest asset manager, and its current entanglements in our economy and our government:

- *It currently holds a 5% or greater stake in more than 97.5% of the S&P 500 companies;*
- *It operates a technology platform that contains trade and ownership information for about 10% of global stocks and bonds;*
- *Its investments are driving some of the key social and economic challenges of our time; for example, it manages over \$87 billion worth of shares in fossil fuel companies and has opposed, or abstained from, over 80% of climate-related shareholder motions at fossil fuel companies between 2015 and 2019.²*

The American Antitrust Institute notes that managed funds like BlackRock frequently take controlling stakes in companies across an entire sector, directing millions of voting shares in numerous market competitors—and that this horizontal control across market rivals is harming and stifling competition.³

Benjamin Braun of the Max Plank Institute for the Study of Societies argues that BlackRock’s “asset manager capitalism” constitutes a distinct corporate governance regime, where BlackRock and other fund managers operate as “strong shareholders with considerable control over corporate management”.⁴

² Graham Steele, *The New Money Trust: How Large Money Managers Control Our Economy and What We Can Do About It*, November 23, 2020, www.economicliberties.us/our-work/new-money-trust/

³ Diana L. Moss, *What Does Expanding Horizontal Control Mean for Antitrust Enforcement? A Look at Mergers, Partial Ownership, and Joint Ventures*, November 4, 2020, www.antitrustinstitute.org/wp-content/uploads/2020/11/Moss_Horizontal-Control_11.4.20.pdf

⁴ *Asset Manager Capitalism as a Corporate Governance Regime*, May 12, 2021, <https://osf.io/preprints/socarxiv/v6gue/> at page 4.

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Granting blanket authorizations to BlackRock to acquire up to 20% of a utility's voting securities without any analysis of the impact this blanket authorization has on competition, just and reasonable rates and regulation violates the public interest. We request that the Commission set for hearing whether granting BlackRock blanket authorization to control up to 20% of a utility's voting securities violates the public interest, and threatens competition and just and reasonable rates.

Respectfully submitted,

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