

State AGs Combat ESG: Multistate Coalition Sues BlackRock, State Street, and Vanguard for Alleged Antitrust & Consumer Violations in Coal Markets

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December 6, 2024

Texas Attorney General Ken Paxton, joined by ten other Republican-led states, filed a lawsuit in the U.S. Eastern District of Texas against BlackRock, State Street, and Vanguard, accusing them of illegally conspiring to manipulate coal markets. The [104-page complaint](#) alleges that these investment firms leveraged their substantial ownership stakes in major U.S. coal producers to "artificially" constrain the supply of coal, resulting in diminished competition, higher energy prices for consumers, and "cartel-level profits" for the defendants.

The suit alleges that coal producers scaled down production as part of the firms' coordinated efforts, but still saw their revenues and profits increase because the reduced supply drove coal prices higher. The complaint further claims that this coordinated reduction in coal production was aimed at advancing the firms' Environmental, Social, and Governance (ESG) goals, while simultaneously misleading investors by marketing certain funds as "non-ESG" despite pursuing ESG-driven strategies. Specifically, the AGs contend that BlackRock marketed financial products, such as mutual funds and ETFs to consumers "in a way that would lead a reasonable consumer to conclude that these funds will not...promote the ESG agenda."

All of the states included causes of action pursuant to the Clayton and Sherman Acts, but only Montana, Texas, and West Virginia included claims pursuant to state antitrust law. Of interest, only Texas included claims pursuant to its UDAP law, the Texas Deceptive Trade Practices Act (DTPA), asking for civil penalties of up to \$10,000 per violation. Also of interest, the DTPA claims were only against BlackRock and not the other two defendants. The complaint also requests injunctive relief to "restrain Defendants from using the stock they have acquired" to "restrain output and limit competition" in coal markets, including measures such as divestiture to restore fair market conditions. In a [press release](#), Attorney General Paxton stated that the firms' conspiracy has "harmed American energy production and hurt consumers" in a "stunning violation of state and federal law."

Following the announcement of the suit, Utah Attorney General Sean Reyes [praised](#) the action and explained his exclusion, because the companies did not mine coal in Utah. He noted he would "aggressively investigate" the Utah coal company landscape to see if the same harms were taking place. He also explained that a group of about 20 AGs have been "part of a group...who have

repeatedly warned ... asset management companies that their partisan activities may violate the law” citing a “series of open letters” from the AGs that caused some of the companies to “quit activist groups.”

This case and the follow up press underscore the ongoing effort by many Republican AGs to challenge ESG initiatives that they argue conflict with market principles, and again show a willingness to apply UDAP in perhaps unexpected ways. Environmental issues remain a [hot topic](#) for state AGs on both sides of the aisle—but with differing priorities.