

Bond Vigilante Calls Out ‘Dead Fish’ Credit Investors on Climate

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by Alastair Marsh

Ulf Erlandsson isn't your typical climate campaigner: He prefers the trading desk to the picket line.

He pushed Amundi SA, Europe's largest asset manager, into divesting bonds in an Indian bank that was financing a coal mine, shamed HSBC Holdings Plc for failing to hold that same bank to account, and pressured a Japanese lender to announce it would stop funding coal power.

Erlandsson sees his particular brand of activism, shaped by almost two decades working in the debt markets, as a new form of bond vigilantism. He now spends his time pushing fixed-income investors and bankers to face up to the risks posed by climate change and their role in underwriting a warmer planet. He wants them to use their financial heft to increase the cost of capital for polluters and pressure companies to reinvent themselves for a low-carbon future.

After setting up a nonprofit last year backed by Rockefeller money, the former credit derivatives strategist at Barclays Plc and bond fund manager has become an outspoken critic of the financial establishment, lambasting companies including his former employer Barclays for failing to do enough to fight global warming.

His unconventional methods involve a combination of public shaming, typically on social media, and back-door diplomacy. Using contacts built up over years of buying and selling bonds, he cajoles and persuades investors or lenders to exit planet-warming positions. And he's not bashful in enlisting lawyers, other nonprofits or journalists in his campaigns. He knows people see him as a troublemaker.

"I have a low threshold for generating trouble when I see something that I think is wrong," said Stockholm-based Erlandsson. "There's a saying here that goes 'only dead fish flow with the stream.' I'm definitely not one of the dead fish."

Late last year, Erlandsson, 45, learned that India's largest bank, State Bank of India, planned to lend about \$650 million to help Adani Enterprises Ltd. fund a controversial coal mine in northern Australia. As an early investor in green bonds — debt raised to fund specific environmentally-friendly projects — Erlandsson recalled that the Indian bank had sold such notes back in 2018. He also knew that one of the most high-profile funds investing in green bonds, Amundi's Planet Emerging Green One fund, held the bonds.

He jumped at the contradiction that a bank issuing bonds to finance wind and solar projects across India also was funding the high-polluting Carmichael mine in Australia. So he called investors in the EGO fund to flag the impending loan and remind them of the reputational risk for a green investor to be associated with the deal.

"I see a lot of stuff that's just intellectually inconsistent," Erlandsson said. "When people are saying they're doing the right thing and they're not, then it really irks me."

By the time he called Amundi, several of the investors he spoke to had already raised the issue with the money manager and threatened to sell their shares in the EGO fund unless Amundi either divested its stake in State Bank of India or persuaded the company to withdraw its planned loan. Within weeks Amundi sold its roughly \$20 million bond holding.

Joakim Blomqvist, head of fixed income and foreign exchange at Swedish pension fund AP3, was one of the EGO fund investors contacted by Erlandsson. Blomqvist said Erlandsson's call triggered a number of events that ultimately led to Amundi's divestment and that his lobbying of investors probably was instrumental in the French fund manager's decision.

A spokesman for Amundi declined to comment, while a spokesman for State Bank of India hasn't responded to requests for comment.

Separately, Erlandsson slammed London-based HSBC in an open letter that was published by ESG news site Responsible Investor for "failing to engage" with the State Bank of India over the Carmichael financing, since it was one of the lead underwriters of the Indian lender's green bond.

In another instance, Erlandsson called out state-owned Japan Bank for International Cooperation for financing a coal plant in Vietnam. He criticized the bank's lenders, HSBC and Barclays, for not disclosing the obvious climate risks to bond investors. Just two months after Erlandsson suggested investors blacklist it, the Japanese bank said in March that it had no plans to finance any new coal-power projects.

Officials at HSBC and Barclays declined to comment.

In his anti-greenwashing fervor, Erlandsson risks missing the mark.

Again writing in *Responsible Investor*, Erlandsson said in February that Adani Ports & Special Economic Zone Ltd., part of the Adani group, had unduly profited from understating climate risks in its disclosure to environmental nonprofit CDP. A few weeks later, CDP responded with an article in the same publication calling his note "both unhelpful and misleading to anyone involved in the business of encouraging markets to use ESG data to make better investment decisions."

Erlandsson got his first taste of how financial markets can impact climate change while working as a portfolio manager at Swedish pension fund AP4, where he was an early investor in green bonds.

Having since concluded that shorting the debt of polluters has at least as much, if not more, impact than going long climate do-gooders, he's spent the last several years trying to launch a climate-focused credit hedge fund. He said seed investors had pledged to back him, but the fund management platform he planned to use decided at the onset of the Covid-19 pandemic that the operational and legal structures were too challenging for such a product.

With that plan on ice, Erlandsson launched a research and advocacy firm with financial backing from the Growald Family Fund, a foundation set up by Rockefeller family members focused on climate change.

Erlandsson's *Anthropocene Fixed Income Institute* is like a climate activist that speaks the language of financial markets. It publishes everything from technical research on relative value climate trades using credit derivatives to opinions on how the European Central Bank should structure its bond purchases to avoid financing carbon emissions. It's also his soapbox to expose anything that smells of greenwashing.

While he loves to expose hypocrisy, such as a company selling bonds to fund green projects while also lending to planet-destroying projects, he understands that being too confrontational could undermine his efforts to encourage fixed-income managers to support the climate transition.

"At some point you become too much of a troublemaker that people don't even listen to you: You become some sort of a Cassandra or a Boy Who Cried Wolf," said Erlandsson. "I don't want to be perceived as a blue-eyed Scandinavian pointing fingers at everyone else."