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A storm in an (oat milk) teacup?

Plant-based milk company Oatly has seen a backlash from activists and consumers over claims it is contributing to deforestation, after it sold a 10% stake for $200M to a consortium including private equity firm Blackstone in July. Blackstone holds investments in Brazilian infrastructure firm Hidrovias, which has been linked to deforestation in the Amazon rainforest.

While highlighting the dangers of companies making corporate decisions that are misaligned with their brand values, the Oatly controversy raises questions around ethical investments – and why money from firms with “bad” reputations can compromise the reputation of a company with “good” intentions.

Some consumers are boycotting Oatly’s products after news of Blackstone’s July investment went viral among Twitter users in late August. In response to the backlash, Oatly said the investment from Blackstone, combined with an additional $200M secured from a green-deal bank loan, will enable the firm to push its plant-based, sustainable products into the mainstream and scale globally.

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It could be argued that pushing the leading environmentally sustainable milk alternative into the mainstream (which will benefit not just Oatly but other oat milk brands) is in itself a good thing – regardless of the nature of the funding. Blackstone’s capital could have just gone toward other less-green commercial investments, said Oatly, adding that the firm’s investment may also inspire other investors to shift capital to greener causes.

We can draw a parallel here to the UK electric vehicle (EV) sector in 2018, when bp, a firm that often attracts criticism and protest, acquired the EV charging company Chargemaster. Since bp’s acquisition, the firm’s charging network has more than doubled in size and usage with its power supply tripling to “fuel” around 1.5 million EV miles weekly. These miles are lower carbon and come with lower air pollution, and were made possible with bp’s backing.

More broadly, sustainability-focused businesses that stick completely to their moral code may be acting to cap their growth potential if they refuse to engage with large private equity firms.

It is evident that to meet environmental targets, global capital markets will have to fundamentally shift to fund activities that are greener in nature. Climate change will only be solved with the backing of all large financial institutions. Blackstone’s investment in Oatly is one iteration of this happening.

Lateral thought from Curation – Corporates are under increasing stakeholder pressure to show transparency in all aspects of business operations. Carbon labelling, for instance, is one aspect picked up by many brands such as Oatly, Quorn and Unilever to openly disclose emissions of products. Disclosing investors and investment firms, however, seems to be absent from the conversation. Interestingly, part of Oatly’s successful brand strategy embodies open conversations with consumers – so if the brand had boldly announced its investment from the beginning, would it have faced the same reaction?

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