

# SYNOVIA Capital

June 10, 2022

Ms. Vanessa A. Countryman  
Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549 - 1090

Reference: File Number S7-10-22.

Dear Ms. Countryman,

We are writing to strongly support the SEC's recent proposed rule for the enhancement and standardization of Climate-Related disclosures for investors.

## **Background on Synovia Capital**

Synovia Capital is an early stage venture capital firm working in the Information Technology sector. We specifically invest in and co-develop companies that are focused on quantifying, verifying and reporting the financial impacts, risks, and solutions of Climate Change and unsustainable natural resource use within the land sector. The goal of our work is to enable globally sustainable commercial activity supporting healthy ecosystems.

**We focus on the land sector.** Our work prioritizes the ~30%+ of all global GHG emissions that are derived from anthropomorphic activities within the land sector (vs 70%- from fossil fuels and building materials). We have a diverse portfolio of companies represented within the land sector aimed at measuring the impact of commercial activities within forests, agriculture, grasslands, coastal areas, livestock and the atmosphere.

A significant portion of our work is aimed at defining corporate accountability of these activities including providing national carbon accounting systems and GHG emissions data for governments as well as companies (including specific Nature Based Solutions, climate projects, green bonds, supply chain elements, and deforestation related commodities).

**We know that companies want to quantify their climate risk.** A recent example of a product by one of our companies is provided by The Climate Service, which offers a Climate Change impact assessment system for companies to quantify their financial risks of future Climate Change's physical hazards ([www.theclimateservice.com](http://www.theclimateservice.com)). This company was acquired earlier this year by S&P Global.

## **Timing of Regulatory Disclosure**

**We agree that now is the time to require disclosures of these Climate related risks.**

We see the SEC's proposed rule is a welcome step following the European (EU / UK) initiatives with the use of the TCFD and GHG protocol guidelines. In addition, the complement of the Science Based Targets Initiative (SBTi) provides further guidance on the critical underpinnings for healthy ecosystems.

But there is still a big gap in the practical, large scale adoption of impact measurement for companies which need a catalyst like your proposed rule to ensure timely progress. The GHG protocol's anticipate Land Sector GHG Inventories and Removals Initiative due out in Q1 - 2023 will hopefully offer guidance to fill this gap, specifically around the methods for determining GHG inventories. There will need to be further work done to augment the full range of land use risks to companies from Climate Change beyond the core emissions inventory quantification and monitoring.

**We believe your proposed rule will meet important needs of the investment community and dramatically move it towards full and fair disclosures of relevant climate risk and impact activity.** It is critical that these disclosures are co-located within the existing financial statements along-side of the MD&A and other material investment risk factors now customary and helpfully provided through your agency's earlier work in developing and standardizing risk disclosures.

## **Attribution of GHG Risks to Companies**

Up to now, direct quantification and attribution of land sector impacts has been in a tight tug of war between the company on one side who often has limited motivation, confidence and access to relevant data about their activities at one end (especially once they are separated by obscure layers within their supply chains) and their customer's private use of their product at the other end...the current upstream/downstream fog.

**We fully support a mandatory disclosure of GHG emissions by all registrants.** A practical start can be achieved by structuring certain inclusion thresholds of materiality (e.g. SBTi's 40% of emissions for Scope 3 inclusion), which will immediately start the visibility process of specific 'daisy chain' responsibility allocation. We have seen first-hand the reluctance of large public companies in the food or consumer goods sectors lag their disclosures of GHG emissions to expose only what is the minimum 'voluntary' data or peer established norms despite having derived far greater information about their Scope 1, 2, and 3 activities.

Especially complex are the steps to resolve the historical lack of the accounting systems that are needed to avoid double counting of such impacts (GHG emissions particularly) and ensure

accurate nesting of a company's own activities within a myriad of overlapping perspectives and constituent behaviors. Fortunately, during the past 10 years, advances have led to the creation of such systems at a national, jurisdictional and project scale to properly account for the components of Climate Change impacts and supply chain attribution. It makes sense to have a regulated requirement for companies to take the steps possible today and improve on them over time.

The costs of implementing the 'accessible' disclosures now is relatively low compared to the costs of continued disruption and degradation to our natural world which in turn affects business success. We strongly believe companies will do more to provide up and downstream clarity if required to disclose their own risks within a reasonably well curated area of Climate Change's known impacts. The costs of such emissions and risk determination and reporting will enjoy the benefits of proven economies of scale over time, and ultimately disappear for those 'impacts' who's risk disclosure force mitigation solutions and business practice modifications.

**We therefore urge you to initiate your focus on the reporting areas that have well supported technology and accounting systems underpinning a sector, like forests, and the related impacts of deforestation.** Targeting deforestation risk as an initial requirement would be a leading note in a long symphony which could later include the more challenging areas of agriculture and direct livestock emissions.

### **The Need for Gradual Standardization**

One important point to consider in the longer-term effects of your proposed rule, is the state of the land sectors carbon accounting methodologies. There are and will always be in our view a wide range of methodology interpretations within the IPCC's guidelines by country, by jurisdiction, by company and by project. If you then include the competing methodologies presented by the voluntary offset credit, NGO community and compliance methodologies (like the ETS or CARB), the alternatives become overwhelming to even a sophisticated rancher, farmer or forester. Companies often default to aggregating information around less prominent items in a disclosure where there is less clarity or confidence about the accuracy or relevance. Therefore, **considerable care should be taken about how to segment the GHG risks and emissions data by type and 'Scope' components.**

It is important to note the lack of standardization of land sector accounting approaches is not due to unresolved science about how to measure GHG emissions, but rather due to the wide range of different land sector activities and 'site specific' conditions influencing impacts, and the historic lack of any entity capable of standardizing these approaches to a useful level (within credible geospatially explicit areas).

For example, the GHG emissions from a specific site in an agricultural area depend highly on the climate, environmental conditions, and what has happened to the land you are trying to measure. Such smaller site information is often poorly correlated to larger area averaging when trying to see impacts of use. Even upon reaching the ability to report accurate information by scale, several of the carbon pools that include soils, only demonstrate measurable 'fluxes' or changes supporting

GHG emissions over very long time periods, which are much longer than the rhythm of financial disclosures.

It is our view that a successful standardization of land sector emissions accounting must be driven by either (1) a regulatory entity such as yourselves (to facilitate capital market development backing the monetization of carbon), or as a distant second option, (2) a financial entity (who places a large financial purchase in place to drive conformity of counting and process for their own benefit). It should be done in gradual steps that match the leading edge of the current capabilities of the majority of reporting companies.

It is important to recognize that non-governmental organizations and the scientific community are not in position to develop a globally implied system of standardization that could easily arise from a disclosure mandate by a regulatory agency.

### **Biodiversity is a Critical Component**

Our comments would not be complete without the inclusion for a specific request for consideration of the nature related impacts, especially on biodiversity, in your current or future proposed rules. We recognize that measuring and monitoring biodiversity risks and the impact of their activities on the health of ecosystems is a much more challenging task for companies than the immediate task of GHG emissions reporting and mitigation. Therefore, we would suggest starting with basic proximity scoring for a company's risk disclosures as a practical way to advance this issue. Knowing which companies are operating near ecologically sensitive areas offers very valuable information for investors.

We appreciate your consideration of these comments.

Sincerely,



B. Holt Thrasher  
Synovia Capital LLC