



**Xpansiv Comments on Securities and Exchange Commission’s Proposed Rule:  
The Enhancement and Standardization of Climate-Related Disclosures for Investors**

June 17, 2022

Xpansiv Ltd. (“Xpansiv”) respectfully submits the following comments to the Securities and Exchange Commission (“SEC” or “Commission”) in response to the Commission’s proposed rules regarding the Enhancement and Standardization of Climate-Related Disclosures for Investors.<sup>1</sup>

The Commission’s proposed rules requiring registrants to provide climate-related information in their registration statements and annual reports will dramatically improve the transparency of climate risk and mitigation data to the market and drive consistency with which such data is prepared, presented, and audited. This innovation will enable more prudent and insightful capital allocation and create a robust climate risk disclosure framework for meaningful comparability among public company performance. Companies are navigating an interconnected global economy in which they will be subject to comparable disclosure requirements in other jurisdictions, so the proposed rules serve to level the playing field for all U.S. companies. The private sector increasingly recognizes that climate-related business and financial risks are material to the health and economic value of a public company and should be rendered transparent and measurable to investors. The Commission’s proposal is a natural outgrowth of private sector demand to play a vital role in mitigating material and systemic climate-related risks. For these reasons, and as described more fully below, Xpansiv strongly supports the Commission’s proposed rules in their entirety.

**Introduction**

Xpansiv is a global marketplace for registering, transacting, and managing environmental market commodities, including digital Scope 1 and Scope 3 claims based on standard environmental, social, and governance (“ESG”) data.<sup>2</sup> We operate the largest voluntary carbon offset spot market exchange in the world and maintain a network of partnerships with public companies, Fortune 500s, all major environmental registries, non-governmental organizations, third-party certification bodies, and trade organizations across multiple industrial sectors.

Xpansiv is also an infrastructure provider. Our rules-based market architecture interconnects and binds stakeholders together to deliver transparent, credible, and auditable environmental claims that can be used to address the growing demand from consumers and investors for accountability on climate action and ESG performance. We use networked digital solutions to collect, process, and contextualize real-time data as registered digital assets. These asset portfolios enable auditable, verifiable environmental claims to be transacted as digital assets that package and convey not only the rights to the claims but also a full payload of decision-useful information that substantiates such claims.

Xpansiv believes financial markets increasingly demand that environmental impacts and risks be priced into commerce and investments. More—and more harmonized and more credible—ESG and climate-related data need to be rendered accessible, transparent, and transferable within current financial

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<sup>1</sup> Securities and Exchange Commission, The Enhancement and Standardization of Climate-Related Disclosures for Investors, 87 FR 21334 (published Apr. 11, 2022).

<sup>2</sup> Xpansiv Ltd., formerly Xpansiv CBL Holding Group, represents a family of entities including CBL Markets (USA), LLC, CBL Markets Australia Pty Ltd., and Xpansiv Data Systems, Inc.



market modalities in order to adequately support near- and long-term business decisions in a rapidly warming world. The foregoing vision, however, relies on normative trust in both the data itself, its provenance, and its governance. It is on these bases that Xpansiv offers the following comments for the Commission's consideration.

## Recommendations

Data-driven insights and intelligence are the core of every macroeconomic, sector-based, and company-specific decarbonization pathway. The collection and disclosure of decision-useful environmental data is a necessary step to address and price climate-related business and financial risks. Other jurisdictions are simultaneously moving to issue more robust standards related to such data collection and disclosure. For instance, the European Union currently has a suite of draft sustainability reporting standards out for public consultation, which is designed to streamline reporting of, and improve comparability and usability of, environmental data to ensure that there is adequate publicly available information about the risks that sustainability issues present for companies and the impacts of companies themselves on people and the environment.<sup>3</sup> As various jurisdictions move to require disclosure of material, decision-useful environmental data, the Commission's proposed rules help to level the playing field for U.S. companies and create greater consistency for global investors.

Data collection and disclosure by themselves, however, are not sufficient. A first prerequisite is building a digital foundation of data governance to enable the private sector to rally and organize around a common set of climate-related risk accounting methodologies that share standardized ESG and climate impact definitions, datapoint requirements, and derived risk or environmental claim formulae. The Commission should work collaboratively with global accounting standards—e.g., the IFRS Foundation's International Sustainability Standards Board ("ISSB"), the Task Force on Climate-Related Financial Disclosures ("TCFD"), and the Partnership for Carbon Accounting Financials ("PCAF")—in building and evolving such a framework for climate risk disclosure requirements and market-driven governance.

Independent organizations such as these seek to harmonize the various classification systems and taxonomies needed to standardize information and reportable data flows to companies and governments.<sup>4</sup> These efforts are a critical first step to providing accurate and comparable data to investors and consumers regarding sustainability and climate-related risks.

A second prerequisite is developing a foundation of market governance, whereby public companies are able to reliably track and quantify the environmental data as a matter of standard best practice and business operating procedure. Despite some argument to the contrary, this task is achievable, increasingly inexpensive, and inevitably important to driving optimal decision-making. At present, there exist several established industry-led metrics, standards, and methodologies for every sector that are

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<sup>3</sup> European Financial Reporting Advisory Group, *Public consultation on the first set of Draft ESRS* (last accessed May 11, 2022), <https://www.efrag.org/lab3>. This public consultation is open until August 8, 2022.

<sup>4</sup> For instance, the recently published ISSB Exposure Draft for Climate-related Disclosures "was developed in response to calls from users of general purpose financial reporting for more consistent, complete, comparable and verifiable information, including consistent metrics and standardized qualitative disclosures, to help them assess how climate-related matters and the associated risks and opportunities affect [their performance and strategy]." International Sustainability Standards Board, Exposure Draft ED/2022/S2, *Climate-related Disclosures* (March 2022). This Exposure Draft is also open for public comment until July 29, 2022.



used by companies to classify, measure, report, and verify the climate-related and environmental data associated with each stage in the lifecycle of raw materials, commodities, commercial products, processes, and services (collectively known as “measurement, reporting and verification” or “MRV”).<sup>5</sup> The Commission and other government entities play a key role in defining the duties and obligations of public companies to share and render such material MRV data transparent.

Through the collective use and governance of various digital technologies (e.g., IoT, AI, DLT, 5G), automated systems can be employed to meet the data storage and scalability requirements necessary to compile and process the contemplated volume of MRV data. Such solutions can securely collect, store, and certify static and dynamic data on emission intensity, embedded or avoided carbon, water use, and many other environmental attributes. Understanding the newfound ability to utilize and network a global digital communications infrastructure for “digital MRV” resources is critical to help power the market’s ability to “see” climate-related risks for what they are: material inputs to financial decision making. Consumers, investors, and governments will have a more complete, timely, and credible ecosystem of data on the climate-related or other environmental impacts of a particular commodity, product, facility, or public company. In a world where the climate is dynamically changing the way economies are built, energized, and operate, the availability and networking of decision-useful climate and ESG data are as important as financial data.

A major goal of market-led efforts to build out digital MRV is to empower disinterested parties with the ability to collect and process data related to environmental attributes, risks, and impacts in a predictable, auditable, and replicable manner. Ultimately, this will allow public companies to make sustainability-related claims that are auditable and certified by assurance providers as (i) applying the standard(s) and metrics being employed, (ii) utilizing all applicable primary and secondary datasets deemed best practice for a given product or company, and (iii) meeting the highest standards of data fidelity and accuracy to substantiate environmental claims and climate-related disclosures.

Xpansiv is at the forefront of developing the underlying infrastructure to perform digital MRV. Our platform allows for precision in the timing and quantification of environmental data in respect of climate-related risk and associated corporate claims. ESG data and attributes are tracked from their source, thereby enabling market differentiation of physical commodities on the basis of particular environmental attributes (e.g., carbon intensity) and sustainability-related claims (e.g., net-zero energy consumption). Xpansiv enables parties to package and refine decision-useful data as transactable digital assets. These nonfinancial intangible commodities physically settle in real-time just like any other environmental commodity and can be managed by companies on a portfolio basis. As climate-related risk disclosures develop, having such an integral accounting and corporate management tool to record, report, and manage environmental claims as both assets and liabilities will help finally realize objectives to truly price climate into financial markets.

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<sup>5</sup> Generally, there are two components of MRV: (1) the technical component, i.e., inputs and outputs being measured; and (2) the contextual component, i.e., the derived measurement or meaning of those technical findings based on some normative context (i.e., sustainability, “clean” energy, or superlative environmental performance relative to a base case).



Xpansiv therefore fully supports the Commission’s proposal and encourages all digital infrastructure developers and operators to work with the Commission, other federal regulators, and sustainability accounting frameworks to utilize solutions such as digital MRV to provide full transparency to end-users and enable greater linkage and system-wide integrity between environmental data and relevant reporting requirements.

The time is ripe for mandating standardized reporting on climate-related risk. The harmonization of global accounting frameworks and the proliferation of digital MRV tools to establish robust audit trails will make it substantially easier for companies to report their greenhouse gas emissions as well as information on climate-related risks that are reasonably likely to have a material impact on their business, results of operations, or financial condition. By establishing a compliance framework for disclosing these metrics, the Commission’s proposed rules will provide investors and consumers with a greater degree of confidence that reported climate-related risks and mitigation efforts are accurate and reliable, thereby building trust and enabling the market to more consistently value sustainability efforts. Further, the Commission is well-positioned to require and manage such reporting. Climate risks are material to companies’ financial performance and providing regulators and investors with transparent, auditable data related to such risks will empower companies to financially manage such risks, develop new financial risk strategies, and improve how markets operate, allocate capital, and define the monetary value of minimizing climate risk.

Respectfully submitted,

/s/ Cameron Prell

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