

Submitted via email: [rule-comments@sec.gov](mailto:rule-comments@sec.gov)

June 16, 2022

The Honorable Gary Gensler, Chair  
U.S. Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090

**RE: Comments on Proposed Rule S7-10-22: *Enhancement and Standardization of Climate-Related Disclosures for Investors***

Dear Chairman Gensler,

First Environment, Inc. (First Environment) is pleased to submit the following comments regarding the Securities and Exchange Commission's (SEC's) Proposed Rule S7-10-22: *Enhancement and Standardization of Climate-Related Disclosures for Investors*.

**About First Environment**

The president of First Environment, Dr. Tod Delaney, is an internationally recognized expert in climate change. His work facilitating consensus among international country experts gives him a unique understanding of the challenges the SEC faces in proposing unifying climate disclosure rules such as this one. Having recognized early on the necessity for accurate metrics in this field, he has spent the past 20 years in elected and appointed leadership roles – both in the U.S. and globally – in the development of international standards under the auspices of the International Organization for Standardization (ISO). His standards work has addressed measuring and reducing greenhouse gas (GHG) emissions and carbon footprints; life cycle assessment; short term climate forcers; climate adaptation strategies; and requirements for auditing and accreditation of GHG emissions and other environmental attributes.

As a firm, First Environment has been active in the field of climate change and GHG management since the 1990s—longer than most other companies in the industry. As our name implies, we were present for many “firsts” in the industry: we were the first company approved to provide GHG report certification services to members of the California Climate Action Registry; we were among the first GHG verification bodies accredited by both the Climate Action Reserve and California Air Resources Board (ARB); and we completed two of the first GHG verifications of facility reports under ARB's Mandatory Reporting Rule. Most recently, we completed the first two verifications of fuel pathway applications under California's Low Carbon Fuel Standard.

Our experts continue to be ahead of the curve when it comes to GHG measurement and verification. We provide GHG services for a variety of organizations, from small municipalities to global corporations. We work across industries, from power generation and transportation to manufacturing and waste management. We understand the complexities of measuring and reporting emissions of all scopes in all types of organizations. In 2017, we lent our expertise to George Washington University, preparing course material and providing instruction for their graduate level Greenhouse Gas Management certificate program, offered internationally. We participate in regional and global industry groups, providing thought leadership on the subjects of environmental, social, and governance (ESG); climate finance; circular economy; and related topics.

As an accredited Validation and/or Verification Body (VVB) under the American National Standards Institute (ANSI) National Accreditation Board (ANAB) program for ISO 14065, we perform GHG verifications under all major North American programs. We've seen everything that could possibly go wrong with a GHG inventory and understand the common pitfalls and challenges organizations face. Our experts' knowledge and experience are also broadly recognized and acknowledged in the industry - First Environment has been voted “Best Verification Company” for North American Carbon Markets by readers of *Environmental Finance* for multiple years, most recently in 2019.

## First Environment Supports the SEC's Focus on ESG and Climate-Related Disclosures

First Environment supports SEC's efforts to enhance and standardize climate-related disclosures, specifically, the requirement to disclose Scope 1 and Scope 2 emissions. This is a major step forward in providing investors important information in a standardized form. In reviewing the proposed rule, we identified several opportunities for greater accuracy and transparency, based on our industry experience. First Environment appreciates the opportunity to share its comments on the proposed climate-related disclosures rules.

## Third-Party Verification for Scope 1 and 2 Emissions

Critical review, transparency, and third-party independent verification and validation is a necessity for the robustness of this SEC proposed rule. First Environment has extensive experience with ISO global standards such as those for life cycle assessment (ISO 14040/14044), carbon footprint for products (ISO 14067), and GHG Reporting (ISO 14064), to name a few – where the disclosure and environmental claims documentation from such independent reviews are key to the credibility and acceptance of the results. Unlike accounting standards such as ISAE3000, which only consider backward looking non-financial information, ISO standards are specific to GHG accounting and can validate forward-looking information, such as the Task Force on Climate-related Financial Disclosures (TCFD's) scenario analysis.. Third party auditing of greenhouse gas emissions – similar to financial audits – ensures the accuracy of reported data and is a critical step to identify any gaps or redundancies, further increasing investor confidence. Qualified U.S.-based verifiers have been providing these services for over a decade at competitive costs commensurate with an organization's operations. Based on our experience, we urge the SEC to require third party verification for public climate disclosure reports to internationally recognized standards specific to GHG accounting and reporting; this will ensure their accuracy without putting undue financial hardship on the companies reporting.

## Accreditation for Entities Completing Third-Party Verification

Accredited greenhouse gas verifiers follow stringent, externally reviewed quality control standards similar to those in the accounting industry. In order to ensure true transparency and accuracy of reported climate disclosure data, we recommend that companies be required to engage a verifier accredited by a reputable organization, such as ANAB.

## Disclosure of Scope 3 Emissions

Major corporations today are facing ESG reporting requirements in many parts of the world that include the full value chain. No longer can manufacturers only look at their own facility emissions for reporting purposes. In fact, life cycle assessment studies have always included the full scope of upstream and downstream processes, including end of life disposal. New circular economy standards under development will also include a full value chain approach. Including specific Scope 3 emissions as a separate category will ensure that all heat-trapping emissions associated with corporate operations, products, and supply chains are included in reports and the organization's GHG footprint more fully disclosed. Scope 3 emissions can account for 80-90 percent of companies' total emissions in some sectors. For this rule, the SEC should clarify only categories under Scope 3 that are relevant and material to a company's business be required to be included in reporting.

First Environment appreciates the opportunity to provide comments on Proposed Rule S7-10-22. Should you have any questions, please contact Kristy Cerullo at [REDACTED]

Sincerely,

FIRST ENVIRONMENT, INC.



Bernard T. Delaney, PhD, PE, BCEE, President