US Composting Council®

Compost: Nature's Way to Grow!

June 16, 2022

Chair Gary Gensler
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Dear Chair Gensler,

The US Composting Council strongly supports the SEC's Proposed Rule S7-10-22.

The USCC is the only organization representing the U.S. compost industry; our 2,000 members foster the large-scale production and use of compost to transform food waste into economic opportunity, improve soil health and water quality, and prevent harmful methane emissions. As the climate changes rapidly, the need is increasingly urgent to reorient the global economy and corporate practices around circular principles. On top of "mandatory reporting of GHG emissions result[ing] in reduced aggregate reported emissions among affected firms,"[1] [2] this Rule would and could advance decarbonization in several ways—for example, by encouraging companies to compost the waste produced by their operations. These include:

1. Use of the GHG Protocol as the standard for all climate disclosure reporting

The USCC endorses the use of the GHG Protocol as the required standard for the disclosures detailed in this proposal. By mandating a robust standard that is employed globally, the SEC will improve both the comparability and accuracy of corporate climate disclosures. The GHG Protocol also relies upon the framework of Scope 1, 2, and 3 emissions, which helps clarify a firm's various sources of, and degrees of extricability from, climate risks and impacts.

2. Define and provide examples of transition risks

Beyond the physical risks that companies face from climate change, the USCC approves of the SEC's definition of "risks associated with a potential transition to a less carbon-intensive economy" as "legal liability, litigation, or reputational risks." The USCC concurs that the SEC should mandate the disclosure of these transition risks by companies, as well as provide firms with examples of this category of risk exposure.

3. Mandate that every firm disclose Scope 3 value chain emissions, without exception

While Scope 3 emissions can be complex and difficult to measure, they are vital to assessing the climate risks faced by a company. Scope 3 emissions can be up to 90% of a firm's total emissions: without them, climate disclosures are misleading at best, and greenwashing at worst. In addition, without the Scope 3 disclosures, companies could submit improved climate reporting while simultaneously moving polluting processes to more distant and less visible parts of their supply chain, thus negating the environmental benefits implied by their disclosures. The USCC recommends that the SEC require every publicly traded company to disclose Scope 3 emissions. In addition, the current Proposed Rule allows companies to evade reporting Scope 3 emissions with the subjective evaluation of "materiality." The USCC advocates that the SEC remove this provision to avoid offering companies a loophole, and improve reporting quality across sectors.

4. Provide examples of both Scope 3 emissions and ways that firms can lower them

Because Scope 3 emissions are indirect and less intuitive, the USCC advises the SEC to provide examples of both Scope 3 upstream and downstream emissions, and of tactics firms can employ to reduce these emissions. One powerful way firms can lower their Scope 3 emissions is to compost at their work sites.[3] The USCC recommends the SEC include the composting of waste resulting from registrants' operations in its list of strategies to cut upstream Scope 3 emissions.

5. Require firms to disclose climate-related targets and strategies; Give examples of each

Following the transparency that is promulgated by the rule, the USCC urges the SEC to mandate that companies disclose any climate-related goals and plans—for emissions reductions, resource use, habitat protection, or otherwise—and to supply firms with examples of both possible targets and relevant strategies to meet them. The USCC suggests the SEC ***include composting and organics diversion***, and the prudent use of compostable products throughout supply chains, in that list of options.

The USCC welcomes the SEC's financial reform to aid investors and boost US economic competitiveness for the future. The USCC hopes for swift passage of Proposed Rule S7-10-22.

Sincerely,

Frank Franciosi
Executive Director, USCC