

MEMORANDUM

To: Securities and Exchange Commission, rule-comments@sec.gov

From: Lucy Hargreaves, Public Affairs and Policy, Patch

Date: June 13, 2022

Subject: Comments on the SEC's proposed rule for *The Enhancement and Standardization of Climate-Related Disclosures for Investors* - **File Number S7-10-22**

Patch welcomes the opportunity to provide comments on the Securities and Exchange Commission's (SEC's) proposed rule for "*The Enhancement and Standardization of Climate-Related Disclosures for Investors*."

[Patch](#) is a US-headquartered global software company focused on building software infrastructure for the sustainable economy. Currently, that effort is focused on providing a platform to power climate action across a wide range of use cases. Patch prioritizes collaboration with project developers, carbon credit buyers, certifiers and other stakeholders in order to drive the innovation and investment in climate solutions we all need.

As a platform, Patch has visibility on both the supply and demand sides of the voluntary carbon markets in the US and globally and many of our customers would be subject to this rule, as proposed. Patch believes that strong policy frameworks can enable and support the growth and development of high quality, robust and transparent voluntary carbon markets. Providing clarity and common minimum standards for all actors will raise confidence in the voluntary markets, ensure that carbon removal results in real climate action, and build public trust.

Patch's comments outlined in this document will focus on **the role of carbon offsets in a corporate climate mitigation strategy and how to ensure integrity in offset projects.**

Question 24 (p. 89): If a registrant has used carbon offsets or RECs, should we require the registrant to disclose the role that the offsets or RECs play in its overall strategy to reduce its net carbon emissions, as proposed?

- Patch supports requiring a registrant to disclose the role that offsets or RECs play in its overall strategy to reduce net carbon emissions.
- If a company has used carbon credits for offsetting purposes, Patch supports having the registrant disclose the role that this played in their overall strategy to reduce net carbon emissions.
- However, if the registrant purchased carbon credits as a broader investment in carbon removal / climate action, but did not use them to offset their emissions, this could be included as an optional disclosure rather than a mandatory one.

Should the proposed definitions of carbon offsets and RECs be clarified or expanded in any way?

- Noting that the proposed definition of carbon offsets is:
 - Carbon offsets represents an emissions reduction or removal of greenhouse gasses (“GHG”) in a manner calculated and traced for the purpose of offsetting an entity’s GHG emissions
 - Renewable energy credit or certificate (“REC”) means a credit or certificate representing each megawatt-hour (1 MWh or 1,000 kilowatt-hours) of renewable electricity generated and delivered to a power grid.
- Patch proposes revising the definition of carbon offsets to recognize that offsetting is a practice and a carbon credit is a tradeable certificate / permit that represents 1 ton of carbon dioxide removed from the atmosphere. We would suggest using the language of carbon credits and offsetting in the following way:
 - **Carbon Credits (n.):** a tradeable certificate / permit that represents 1 ton of carbon dioxide [avoided] / removed from the atmosphere.
 - **Offset (v.):** the practice by individuals or entities of using carbon credits to reduce their carbon footprint and “offset” their carbon footprints.

Are there specific considerations about the use of carbon offsets or RECs that we should require to be disclosed in a registrant’s discussion regarding how climate-related factors have impacted its strategy, business model, and outlook?

- Carbon credit purchases direct capital to projects that are mitigating the impact of climate change and, in the case of carbon removal, removing carbon from the atmosphere. We believe that the purchase of high quality carbon credits should therefore be recognized as an act of risk mitigation in a strategy, business model and / or outlook, beyond simple disclosure.

Question 101: Should we require a registrant to exclude any use of purchased or generated offsets when disclosing its Scope 1, Scope 2, and Scope 3 emissions, as proposed? Should we require a registrant to disclose both a total amount with, and a total amount without, the use of offsets for each scope of emissions?

- No comment.

Question 173: (p. 283) If a registrant has used carbon offsets or RECs, should we require the registrant to disclose the amount of carbon reduction represented by the offsets or the amount of generated renewable energy represented by the RECS, the source of the offsets or RECs, the nature and location of the underlying projects, any registries or other authentication of the offsets or RECs, and the cost of the offsets or RECs, as proposed?

- Patch supports the disclosure of the amount of carbon reduction represented by the offsets, along with the other information that is proposed.

- Regarding the cost of the offsets, it would be helpful to understand if the proposed disclosure would include the cost of the credit (net of fees); an all-in cost of credits (including all fees distributed evenly across all credits); or one line item for the cost of credits (net of fees) and a separate cost item in the P&L statement.
- For comparability purposes, it would also be helpful for disclosure to include not only the total carbon reduction represented by the offsets, but also the duration of this carbon reduction based on technology type.

Are there other items of information about carbon offsets or RECs that we should specifically require to be disclosed when a registrant describes its targets or goals and the related use of offsets or RECs?

- As noted above, for comparability purposes, it would also be helpful for disclosure to include not only the total carbon reduction represented by the offsets, but also the duration of this carbon reduction based on technology type.