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

June 17, 2022

Re: File No. S7-10-22: The Enhancement and Standardization of Climate-Related Disclosures for Investors

Dear Ms. Countryman,

Third Generation Environmentalism ("E3G")[1] is thankful for the opportunity to comment on the above referenced Proposed Rule (the "Proposal") by the Securities and Exchange Commission (the "SEC" or the "Commission") to require mandatory, standardized climate-related disclosures from public companies.

We welcome and support the Proposal. In this letter, we highlight in particular the following positive aspects of the Proposed Rule: (1) the Proposal's positive steps toward meeting investor's needs for reliable financial reporting to enable them to assess companies' climate-related financial risks; (2) the significance of the inclusion of some Scope 3 emissions; (3) the important steps entailed by the Proposal in moving toward international standardization; and (4) the clear consistency of the Proposed Rule with the SEC's mandate. While we also (5) welcome the requirement for some registrants to disclose transition plans, we believe that this mandate should be extended to all registrants; and (6) we believe that climate-related financial disclosures should be extended to private markets, including private equity, hedge funds and private debt.

1. Meeting Investors' Needs

Climate destabilization and the global energy transition are two crucial factors shaping the long term performance of individual firms, markets, sectors, and the wider economy. Investors are reasonably seeking information that will enable them to better assess and account for the climate risks and opportunities of individual registrants. This includes risks posed by both physical and transition risks inherent to climate destabilization and the ongoing process of decarbonizing the global economy. Therefore, investors need registrants to disclose their climate-related financial risks and their strategies for managing such risks; their greenhouse gas (GHG) emissions; their plans to remain viable or thrive in a low-carbon future economy; and their financial resilience across these dimensions.

2. Significance of Scope 3 Disclosures

We support the Proposal's inclusion of Scope 1 and 2 GHG emissions reporting, in absolute and intensity terms (i.e. not netting out purportedly avoided or reduced emissions), and with third-party assurance. Climate risk disclosure rests on GHG emissions reporting because it is a prime and comparable indicator of transition risk. However, we urge the Commission to make Scope 3 disclosure mandatory for all registrants. The Proposal's treatment of Scope 3 would allow many registrants to evade Scope 3 disclosures by requiring them only if a registrant deems them "material" or the registrant has publicly announced a Scope 3 target. Self-determination of whether Scope 3 emissions are material will lead to underreporting of those emissions and their associated risk. Moreover, Scope 3 disclosure is feasible for all large registrants and not unduly burdensome.

3. Alignment with Global Standards

In a global context, regulators have recognized that voluntary disclosure has proven insufficient towards such ends. The Group of Thirty (G30) in 2020 recommended that authorities mandate TCFD-aligned disclosures by 2023.[2] The Proposed Rule will bring US disclosure requirements into closer alignment with global best practice standards.

In addition, international standardization of climate-related financial disclosures is vital to reduce administrative and reporting requirements for firms and financial institutions working across multiple jurisdictions. Standardization also enhances global market transparency and data comparability for investors. In recognition of these demands from investors, significant steps toward international standardization have recently been made with the establishment of the International Sustainability Standards Board (ISSB) and other related standardization and harmonisation initiatives.

4. Consistency with SEC Mandate

The SEC has clear and specific authority and responsibility to require standardized, comparable climate-related disclosures in furtherance of its mandate to protect investors; ensure fair, orderly, and efficient markets; and facilitate capital formation.[3] The SEC has not only the authority but also the responsibility to require standardized disclosure of climate risks and opportunities. Failing to mandate such disclosure would deny investors the information they need to protect themselves and would undermine fairness and efficiency in the capital markets.

5. Disclosure of Paris-Aligned Transition Plans

We support the Proposal's requirement that all registrants who have adopted a transition plan must disclose a description of the plan, including relevant metrics and targets, and how the registrant plans to mitigate or adapt to transition risks. As proposed, all registrants should disclose GHG emissions-related targets, the scope of activities and emissions included in the targets, whether the targets are absolute or intensity-based, the time horizon for achievement, the baseline time period and baseline emissions level, and how the registrant intends to meet the targets.

However, we urge the Commission to strengthen this framework by mandating the disclosure of climate transition plans for net-zero by 2050 for all registrants as part of disclosure on material climate-related risks and opportunities. This would require all registrants to demonstrate that they have robust science-based strategies in place to transition to a low carbon future, a key step if the US is to meet its target of reducing greenhouse gas emissions by 50-52% from 2005 levels by 2030, and its net zero target by 2050.

There is emerging best practice on what disclosure on science-based climate transition plans should include. This includes methodologies such as the Science Based Targets Financial Sector methodology,[4] Climate Action 100+ Net Zero Benchmark,[5] and the IIGCC Paris Aligned Investment Initiative.[6] Based on this emerging best practice, we urge that all registrants should be required by the SEC to disclose on the following within the proposed mandatory climate transition plans:

- Five-year plans for near-term emissions reductions targets
- Longer-term net-zero target or end goals
- Any strategies for (relating prior items with) Paris Alignment

Additionally, all registrants should be required to disclose whether they have set targets regarding climate-linked factors like energy usage, water usage, conservation or ecosystem restoration, and details of how they plan to meet those targets and progress to date.

6. Expand Disclosure Requirements to Private Markets

Climate-related financial risk is also pervasive in private markets, with little regulatory oversight. Increasingly capital is moving out of public equity markets through regulatory exemptions. We urge the Commission to revise its rules to encompass all large companies (including large private companies owned by private equity firms and hedge funds) and large offerings of securities into its public market reporting regime.[7] Climate disclosures for private debt offerings in particular are important for assessing risks. Without information from private market participants, investors will be unable to fully and accurately assess their portfolio risks.

We thank the SEC for issuing this thoughtful Proposal, and urge you to strengthen, finalize, and enforce the rule quickly.

Sincerely,

Third Generation Environmentalism (E3G)

cc: The Honorable Gary Gensler, Chair
The Honorable Allison Herren Lee, Commissioner
The Honorable Hester M. Peirce, Commissioner
The Honorable Caroline A. Crenshaw, Commissioner

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[1] E3G is an independent climate change think tank with a global outlook. We work on the frontier of the climate landscape, tackling the barriers and advancing the solutions to a safe climate. Our goal is to translate climate politics, economics and policies into action. E3G builds broad-based coalitions to deliver a safe climate, working closely with like-minded partners in government, politics, civil society, science, the media, public interest foundations and elsewhere to leverage change. More information is available at www.e3g.org.

[2] G30, October 2020, Mainstreaming the Transition to a Net-Zero Economy, p.29.

[3] Securities and Exchange Commission, 2014, Agency and Mission Information.

[4] Science Based Targets Initiative, April 2022, Foundations for Science-Based Net-Zero Target Setting in the Financial Sector.

[5] Climate Action 100+, Net Zero Company Benchmark.

[6] Institutional Investors Group on Climate Change, Paris Aligned Investment Initiative.

[7] Tyler Gellasch and Lee Reiners, February 2021, *From Laggard to Leader: Updating the Securities Regulatory Framework to Better Meet the Needs of Investors and Society*, Global Financial Markets Center at Duke University School of Law.