



June 17, 2022

Submitted via [sec.gov/cgi-bin/ruling-comments](https://www.sec.gov/cgi-bin/ruling-comments)

Chairman Gary Gensler
U.S. Securities and Exchange Commission
100 F St., NE
Washington, DC 20549

**re: The Enhancement and Standardization of Climate-Related Disclosures for Investors –
File Number S7-10-22**

Dear Chairman Gensler,

The Petroleum Association of Wyoming (PAW) represents the oil and natural gas industry in Wyoming, including large and small companies in upstream exploration and production, midstream transmission and distribution, service and consultants¹. PAW is concerned about the cumbersome and expansive nature of the Securities and Exchange Commission's (SEC) proposed rule, especially since the SEC lacks statutory authority to become a major regulator of climate change.

The sheer size and complexity of this proposal makes it difficult to contemplate how companies will accurately adhere to the myriad provisions. This also elicits concern about how the SEC will utilize its enforcement tools towards companies unable to meet the unreachable bar set by this proposal. Many of the disclosure requirements need hundreds or thousands of input data points to develop hypothetical future scenarios. Companies then have to bring that back to a present value in order to show substantive financial effects to its operations. In many instances, the SEC will require companies to disclose information at a more granular level than even the most sophisticated models are able to predict. To collect this information on an annual basis, the SEC estimates this rule will drain \$10.3 billion from companies bottom lines, funds that would be better utilized on a business's core functions. This is an unnecessary action by the SEC considering it has already issued guidance for companies to disclose their climate-related business activities².

There are many sophisticated, voluntary initiatives³ established that have frameworks for companies to disclose this information. It is unnecessary for the SEC to create a massive new regulation while market

¹ Recent studies show this industry supports over 19,000 jobs in Wyoming and contributes \$5 billion in economic activity. In 2020, our industry generated \$1.23 billion in tax revenue to the state of Wyoming, funding state and local government operations, education and public infrastructure. Eighty-five percent of the oil and gas companies operating in Wyoming are classified as small businesses.

² Federal Register, Vol. 75, No. 25, page 6290-6297

³ SEC lists a number of initiatives in the proposal, including on page 21340

forces are already proving successful without government interference. If this information is truly demanded in the marketplace, then presumably companies not disclosing this information would see investor confidence and investment decline. Disclosure of this information is becoming a reality through the operation of an efficient, free market and for investors or companies that find it relevant.

The SEC's current financial disclosure requirements provide a level playing field for all companies – disclosing profits, losses and substantive business activities. The SEC is upending this objective disclosure framework by dictating that climate change and a company's ability to operate in a theorized future is the preeminent investment decision for market participants. This will immediately tip the scales in favor of companies that do not generate significant greenhouse gas emissions and heavily disfavor those that do.

The U.S. currently consumes 20 million barrels of oil per day and 85 billion cubic feet of natural gas. If finalized, the SEC's rule will immediately put financial pressure on companies producing these resources. This will in turn create difficulty providing domestic supply of these resources. Putting continued downward pressure on supply while demand continues to grow will exacerbate the severe economic and social consequences Americans are already experiencing.

There are many instances where the SEC is requiring a company to disclose information only if that information has already been compiled internally. If not already compiled, the SEC requires no disclosure. For instance, the SEC will require companies with climate change transition plans to make those available to the public. Instead of simply releasing the plan already developed, the SEC is prescribing a company conduct new analysis and reformat the report so reports across companies are presented consistently. With this one-size-fits-all approach, these reports may no longer accurately reflect how a company intends to address future activities. It seems the SEC is incentivizing companies to stop transition planning to lessen regulatory burdens created by the SEC.

The proposed rule requires that publicly traded companies report their Scope 2 emissions (from purchased power) and Scope 3 emissions, which accrue from activities upstream and downstream of a company's primary operation. This will inherently lead to a gross overestimate in cumulative GHG emissions as one company's Scope 3 emissions are the Scope 1 or 2 emissions of another organization. Further, public companies required to report Scope 2 and 3 emissions will have to develop far-reaching assumptions about how their products are consumed and the efficiencies associated with the combustion of their product; manufacturing and transportation processes associated with myriad companies that comprise their supply chain; and the mix of energy sources and control efficiencies for their purchased power. Without some detailed guidance around scope 2 and 3 methodology, the sheer volume of assumptions that companies will have to make will render their scope 2 and 3 disclosures meaningless.

Conversely, EPA has undergone rigorous and extensive regulatory processes to develop the Greenhouse Gas Reporting Rule which describes emission factors and estimation methodology for Scope 1 emissions. These rigorous and extensive regulatory processes were necessary because estimating emissions is not a trivial task – even for companies' direct (Scope 1) emissions, for which much more is known about the inputs needed to accurately characterize them.

The SEC is using this proposed rule to drive a political agenda and is an end-run around Congress, which has not given SEC climate change disclosure authority, has not set net-zero targets, nor mandated

an energy transition. This lack of climate law is not a void for SEC to fill but rather reflects a legitimate policy divide. PAW does not share many of the same policy views as those being advocated for in this rule. Congress has not passed any law requiring the elimination of fossil fuels. Advocates have failed to convince a majority of the American people that the sacrifices necessary to do so are prudent or even realistic. This proposed rule is designed to achieve that political goal without going through the democratic process.

The SEC is misguided in this rulemaking. PAW recommends it be withdrawn.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Colin McKee', with a stylized, cursive flourish.

Colin McKee
Regulatory Affairs Director
Petroleum Association of Wyoming