

Monday June 13, 2022

Ms. Vanessa A. Countryman
Secretary
Securities and Exchange Commission
100 F. Street, NE
Washington, D.C. 20549-1090

RE: Proposed Rule “The Enhancement and Standardization of Climate-Related Disclosures for Investors” (“Proposed Rule”), Attention: 87 FR 21334; Docket ID: SEC-2022-06342; File No. S7-10-22

Dear Ms. Countryman,

Thank you for the opportunity to comment on the Security and Exchange Commission’s (SEC) Proposed Rule, “The Enhancement and Standardization of Climate-Related Disclosures.” [Evergreen Action](#) is a national non-profit helping lead the fight to put bold climate action at the top of America’s agenda, implement an all-out mobilization to defeat climate change, and create millions of good jobs in an equitable clean energy economy.

We are writing to commend the SEC’s proposed rule for expanded climate transparency. We view it as a critical first step to equipping investors with key information they need to make well-informed decisions in the face of a rapidly changing climate. We know that the climate crisis is already having a significant impact on our financial system, and investors must be armed with the information they need to protect their investments and financial wellbeing from climate-related financial risks. Thank you for initiating this important rulemaking process.

We urge the SEC to strengthen the proposed rule in the following ways:

Scope 1 and 2 Disclosure:

- **Mandatory disclosure of Scope 1 and 2 GHG Emissions:** We support the proposal’s inclusion of Scope 1 and 2 GHG emissions reporting. We highlight the importance of third-party assurance and “not netting out purportedly avoided or reduced emissions.”
- **Registrants should be required to provide location data (U.S. zip code or country of the location of a fixed point source) for disclosed sources of Scopes 1, 2, and 3 emissions over 25kT CO₂e annually.**

Scope 3 Disclosure:

- **The SEC must require disclosure of Scope 3 GHG emissions for all registrants, with reasonable assurance obtained.** Requiring Scope 3 emissions disclosure in this rule sits squarely within the your agency’s mandate – and it is your duty to ensure investors have the information they need to make smart decisions. As Scope 3

emissions represent the majority of many company's emissions, failing to require their disclosure would result in investors missing this key information. Full disclosure of Scope 3 emissions must be required to fulfill the spirit of this rule and the agency's regulatory responsibility.

- **The SEC should not permit companies to self-determine if their Scope 3 emissions are “material,” as currently proposed by the rule.** Allowing registrants to self-determine materiality will lead to under reporting of emissions and their corresponding risks. In turn, investors would receive inaccurate information about climate risk. Voluntary initiatives have not worked in the past and are insufficient in this instance.
- **The SEC should remove the safe harbor from liability for fraudulent Scope 3 disclosures.** The current proposed rule includes a limited safe harbor from liability for fraudulent Scope 3 disclosures. As outlined in a group public comment letter co-signed by Evergreen Action and led by Americans for Financial Reform Education Fund (AFREF), our organizations believe a safe harbor is unwarranted and will greatly reduce the reliability of the information provided to investors.
- **The SEC should mandate reasonable assurances by independent verifiers.**

Corporate transition plans, targets, metrics, and progress:

Evergreen Action commends the SEC's proposed requirement that all registrants who adopt a transition plan must disclose a description of this plan; and outline relevant metrics, targets, and how registrants plan to mitigate or adapt to climate-related transition risks.

Carbon offsets: Companies often choose to invest in carbon offsets or Renewable Energy Certificates (RECs) rather than investing in reducing their own greenhouse gas emissions. We note that carbon offset markets have major integrity issues, exacerbated by voluntary and often inaccurate disclosure. Moreover, carbon offsets often do not result in meaningful climate benefits or their stated emissions reductions. We note that the Science Based Targets Initiative (SBTI), one of the most prominent standards setting bodies for developing net zero emissions targets, does not permit the use of carbon offsets in short-term targets.

Acknowledging that carbon offsets and RECs are nonetheless widely used by companies, Evergreen Action commends the SEC's recognition of the importance of disclosing carbon offsets to judge the credibility of a company's climate targets and transition plan claims. In answer to the follow question:

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

- Yes, the SEC must require that registrants disclose all carbon offsets and RECs they have purchased, and how these offsets and RECs fit into their climate transition strategies.
- The SEC must require that offset emissions must be reported separately from gross GHG emissions.
- Registrants must also report breakdown of their offset credits based on “avoided” emissions separately from their atmospheric carbon removal.
- For more information and in-depth recommendations, kindly see a group public comment letter co-signed by Evergreen and submitted by Americans for Financial Reform Educational Fund.

Environmental Justice:

Evergreen Action highlights that the current proposed rule does not adequately consider the need to disclose the adverse community impacts of corporate activities, which is a critical indicator of climate-related financial risks. Registrants encounter a number of reputational, legal, political, and operational risks as a result of their negative impact on communities.

- The SEC should consider requiring all registrants to disclose how they manage overlapping climate and community risks, such as risks associated with land use change, harms to public health, deforestation, air and water pollution, and infringement of land rights.

When the 2008 financial crisis brought our economy to the brink, most investors had no idea that their savings were tied up in toxic subprime mortgage assets. Because they didn't understand the real risks associated with their investments, many people lost everything, and some still have yet to fully recover from the crash. Today, climate change threatens the stability of our entire financial system, but many Americans have no idea that their retirement funds or college savings plans are vulnerable to a climate-fueled economic crash. We cannot allow history to repeat itself.

We thank the SEC for issuing this proposal, and warmly encourage further strengthening this proposal in the above ways. Thank you for considering our comments.

Sincerely,
Mattea Mrkusic, Policy Lead & Lena Moffitt, Chief of Staff
Evergreen Action
PO Box 21961, Seattle WA 98111