June 17, 2022

Submitted via Commission's internet comment form

Vanessa A. Countryman, Secretary
Securities and Exchange Commission
100 F Street NE
Washington DC 20549-1090
Docket No. 2022-06342

Re: "The Enhancement and Standardization of Climate-Related Disclosures for Investors," 87 Fed. Reg. 21,334 (Apr. 11, 2022) (File No. S7-10-22)

Clean Air Task Force and Green Strategies, Inc. are pleased to offer comments on the proposed rule "The Enhancement and Standardization of Climate-Related Disclosures for Investors," 87 Fed. Reg. 21,334 (April 11, 2022) (File No. S7-10-22) (the "Proposed Rule"). Clean Air Task Force is a global nonprofit organization working to safeguard against the worst impacts of climate change by advocating methods and policies that can catalyze the rapid deployment of low-carbon energy and other climate beneficial technologies. CATF brings over 25 years of policy, legal, and technical expertise and commitment to exploring all potential solutions to the climate and clean energy space. CATF has offices in Boston, Washington, D.C., and Brussels, Belgium. Green Strategies, Inc. is a strategic business consulting firm with deep expertise in the energy, environmental, and clean technologies marketplace, including carbon-free energy solutions to allow 24/7 electricity provision in a carbon-constrained world.

Summary of Comments

The Securities and Exchange Commission ("SEC" or "Commission") proposes to require registrants to disclose certain climate-related information, including climate-related risks likely to have a material impact on the registrant's business, strategy, and outlook. We fully support the Commission in this effort to adopt required disclosures and offer suggestions on ways the Commission can strengthen the Rules as they are finalized, to better achieve their purpose.

The proposed disclosures include a registrant's Scopes 1, 2, and 3 greenhouse gas (GHG) emissions as well as information about a registrant's climate-related targets and goals. These comments focus solely on the proposed disclosure requirements that are related to electricity procurement and use, including the reporting of Scope 2 emissions (indirect emissions arising from the generation of electricity, steam, heat, or cooling that a registrant purchases). *We conclude that those portions of the Proposed Rule must be strengthened in order for the final rule to achieve the Commission's objective of providing pertinent climate-related information to investors and the marketplace.* We offer suggestions to strengthen the final rule's provisions to address these inadequacies through requirements to disclose additional information on material

climate-related risks and registrants' efforts to consider GHG reduction benefits in making their electricity procurement decisions and their own climate-related Scope 2 goals.

The Commission correctly notes that the *Greenhouse Gas Protocol's Corporate Standard*[1] and subsequent *Scope 2 Guidance*[2] (hereinafter "the *Protocol*") currently serve as the most widely used framework for calculating Scope 2 inventories. However, we urge the Commission not to finalize a rule that simply requires registrants to disclose their Scope 2 inventories calculated according to the *Protocol* as that will *not* provide to investors complete material climate-related information regarding electricity procurement and use. There are two reasons for this.

First, while the *Protocol* lays out clear rules for calculating Scope 2 emissions, it does not convey adequate information from which investors can assess a registrant's exposure to climate-related risk arising from electricity procurement. In fact, current Scope 2 reporting under the *Protocol* can actually obscure the extent to which a registrant is exposed to risks associated with its reliance on fossil fuel-generated electricity. Because registrants' reported Scope 2 inventories often reflect reductions to those inventories resulting from electricity procurement transactions that do *not* necessarily represent any reduction in registrants' exposure to this risk, the Commission should require the disclosure of additional information that better informs investors and the market as to the climate and financial risks associated with a registrant's reliance on and use of fossil generation.

Second, the Proposed Rule appropriately asks registrants to disclose information about their climate goals, their progress against those goals, and strategies to achieve them. Central to most goals are strategies to procure renewable or carbon-free electricity and achieve decarbonization impact. However, the *Protocol's* Scope 2 disclosures do not include any information whatsoever on the actual decarbonization impact of registrants' transaction decisions for renewable or other clean electricity sources—that is, the actual extent to which GHG emissions decreased in the real world—which is information that many investors would consider material. We suggest the SEC in its final rule require modest additional disclosures that would better serve investor interests by providing information that more completely explains the actual impact of registrants' electricity procurement decisions.

To be clear, it is appropriate for the Commission to require disclosure of registrants' Scope 2 inventories, calculated pursuant to the *Protocol*.[3] Requiring specific metrics for calculating

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[1] *A Corporate Accounting and Reporting Standard*, The Greenhouse Gas Protocol (Mar. 2004), https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf.

[2] *GHG Protocol Scope 2 Guidance*, Greenhouse Gas Protocol (2015), https://ghgprotocol.org/sites/default/files/standards/Scope%202%20Guidance_Final_Sept26.pdf.

[3] If the *Protocol* is used, the Commission should require the disclosure of *both* location-based and market-based Scope 2 inventories. This would add no meaningful burden and would further the objectives of consistency and comparability. We also note that the Proposed Rule allows registrants to use methods other than the *Protocol* to calculate inventories. While the *Protocol* has important shortcomings in its Scope 2 methodologies which limit its usefulness to investors (shortcomings which can be addressed as we propose in these comments), allowing the use of other methodologies will actually *undercut* the consistency and comparability of information that the Proposed Rule otherwise seeks to achieve.

Scope 2 emissions for disclosure will help the Commission achieve the comparability and consistency it strives to achieve and enable investors to make informed comparisons between companies. However, disclosure of Scope 2 emissions calculated via current practices under the *Protocol* is not sufficient, without the disclosure of additional information, to fulfill the objectives of the Proposed Rule and address the problems identified above. The Commission should require *additional and differentiated* disclosures related to electricity procurement, as suggested below.[4]

I. Better Disclosure of Risks Associated with Electricity Procurement

A. Risks Associated with Reliance on Fossil Generation Assets

Many registrants face some degree of climate-related risks (potentially including power price risk, reputational risk, capital market risk, and carbon-pricing risk) arising from the transition away from fossil-based electricity generation.[5] Some such risks could come from future regulatory interventions at national or sub-national levels that directly put a price on carbon or that otherwise disadvantage fossil generation. Other risks may arise from non-regulatory changes in the marketplace that either make fossil generation less economically competitive and/or lead to the early retirement of fossil generation assets. Exactly how such direct economic costs will be passed on to electricity consumers is not always clear.[6] Nevertheless, it is highly possible that registrants' levels of price/cost/reputational risks will in part be related to the extent to which they continue to rely on fossil generation for the electricity they procure for use. Procured electricity has Scope 2 emissions implications. As explained below, using the *Protocol*'s method for calculating Scope 2 inventories alone does *not* adequately convey the risks associated with electricity procurement decisions or how registrants are mitigating these risks.

[4] While an overwhelming majority of registrants rely on the *Protocol,* the additional disclosures we recommend in order to convey better information about risk and impact are needed regardless of whether the registrant uses the *Protocol* or some other standard, as we know of no calculation and reporting system that calls for such information. While our recommendations apply regardless of the underlying methodology used, for the purposes of simplicity, we refer to the *Protocol* and its *Scope 2 Guidance*.

[5] In the Proposed Rule, the Commission identifies types of transition risk arising from "reduced market demand for carbon-intensive products leading to decreased prices or profits for such products, the devaluation or abandonment of assets, risk of legal liability and litigation defense costs, competitive pressures associated with the adoption of new technologies, reputational impacts (including those stemming from a registrant's customers or business counterparties) that might trigger changes to market behavior, consumer preferences or behavior, and registrant behavior." 87 Fed. Reg. at 21,466.

[6] The extent to which registrants incur direct transition costs will depend on several factors. Certain registrants may have existing contracts, or may execute new transactions, for electricity procurement that will fix prices over a multi-year period and potentially blunt the ability of electric suppliers to pass along costs. In the face of higher electricity prices, registrants may also improve electricity conservation or efficiency and/or invest in self-generation options. In addition, in certain markets, the regulation of electricity prices may also limit the ability of electricity suppliers to fully pass along costs.

B. Disclosing Scope 2 Inventories based on the *Protocol* Alone Does Not Adequately Inform on the Risks Associated with Reliance on Fossil Generation

In its Proposed Rule, the Commission states that "[a] common reason asserted by commenters for requiring GHG emissions disclosure is that quantitative data, such as GHG emissions data, is useful for assessing a registrant's exposure to climate-related risks and accordingly its ability to transition to a lower carbon economy."[7] The Commission's proposed new Subpart 1500 to Regulation S-K "would require a registrant to disclose certain climate-related information, including information about its climate-related risks that are reasonably likely to have material impacts on its business or consolidated financial statements, and GHG emissions metrics that could help investors assess those risks."[8]

However, "GHG emissions disclosure" and "GHG emissions metrics" that are based only on the disclosure of Scope 2 inventories calculated according to the *Protocol* will not serve the purposes of allowing investors to assess climate-related risks associated with electricity procurement decisions. The *Protocol*'s methods for calculating Scope 2 inventories do not fully or accurately reflect the emissions from a company's electricity procurement decisions. They therefore provide only a limited perspective on a registrant's exposure to any corresponding climate-related risk.

These limitations arise from the two ways that companies are asked to calculate their Scope 2 inventories according to the *Protocol*: the location-based and market-based methods.[9]

- The *Protocol*'s location-based method simply requires companies to calculate their inventories by multiplying their electricity consumption by an emissions factor reflecting the average annual carbon intensity of the regional grid where the consumption takes place.[10] Typically, these grid region calculations are aggregated and reported on a company-wide basis. And these inventories do not take into account any company procurement decisions or any specific retail electricity supply contracts. So, while a location-based inventory arguably provides *some* insight into a registrant's fossil fuel reliance, it is at an aggregated level and without any accounting for specific procurement transactions particular to the registrant itself, and that may reduce (or increase) its exposure to fossil generation. Overall, the *Protocol*'s location-based method provides relatively little insight into registrant risk in part because it ignores the registrant's actual

[7] 87 Fed. Reg. at 21,375.

[8] *Id*. at 21,345.

[9] The *Protocol's Scope 2 Guidance* instructs companies to always report using the location-based method and to also report using the market-based method if they have any operations "in markets providing product or supplier-specific data in the form of contractual instruments" (*Protocol*, 1.5.1). While inventories calculated by these methods are insufficient for the Commission's purposes, the Proposed Rule should require that *both* inventories be disclosed if calculated by registrants.

[10] The Environmental Protection Agency publishes the emissions factors commonly used for location-based inventories

electricity procurement actions (some but not all of which could impact climate and financial risk exposure).[11]

- The *Protocol*'s market-based method asks registrants to prepare Scope 2 inventories that reflect "emissions from electricity that companies have purposefully chosen" and "derive[] emission factors from contractual instruments,[12] which include any type of contract between two parties for the sale and purchase of energy bundled with attributes about the energy generation, or for unbundled attribute claims."[13] In contrast to the location-based method, the market-based method does account for a company's procurement decisions and enables a company to calculate and report a reduced Scope 2 inventory by securing contractual instruments that convey lower carbon emission factors. Typically, this is done by securing renewable energy credits (RECs) from transactions and matching each REC (which represents a megawatt-hour (MWh) with a zero emissions rate) against a MWh of the company's electricity consumption that has a positive emissions factor. In essence, a REC "erases" emissions from the market-based inventory (and if a company has enough RECs to match all of its emissions-positive consumption, it can report a market-based inventory of zero). This is the case even for RECs associated with renewable generation that occurred in a different grid region than where the reporting company consumes electricity, or where the RECs represent renewable generation that occurred at times not matching the company's electricity consumption.[14] As such, a market-based inventory does not provide adequate information by which an investor can understand the actual emissions associated with a registrant's electricity procurement and can obscure the degree of the registrant's exposure to risks associated with its reliance on fossil generation.

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[11] The *Protocol*'s location-based method also ignores the electricity procurement actions and clean energy attribute claims of other buyers on the regional grid. Therefore, it is not necessarily the case that a registrant who does not take any electricity procurement actions can rely on the average carbon intensity of the regional grid that serves its load in calculating a Scope 2 inventory, especially once the environmental claims of other buyers are considered.

[12] The *Protocol*'s Scope 2 Guidance defines "contractual instruments" as: "Any type of contract between two parties for the sale and purchase of energy bundled with attributes about the energy generation, or for unbundled attribute claims. Markets differ as to what contractual instruments are commonly available or used by companies to purchase energy or claim specific attributes about it, but they can include energy attribute certificates (RECs, GOs, etc.), direct contracts (for both low-carbon, renewable, or fossil fuel generation), supplier-specific emission rates, and other default emission factors representing the untracked or unclaimed energy and emissions (termed the residual mix) if a company does not have other contractual information that meets the Scope 2 Quality Criteria." *Protocol* at Box 1.1.

[13] *Protocol* § 1.5.

[14] In these comments, we primarily use the term "RECs" and discuss the role of RECs in estimating Scope 2 emissions, but we note that RECs are only one type of Energy Attribute Certificate (EAC), which is the universal term for instruments that convey information and the attributes of generated electricity. We encourage the Commission to define EACs and recognize that different types of EACs, not solely RECs, may be used in Scope 2 accounting and acquired by registrants for the purposes of meeting climate-related goals and targets. We suggest that the Commission define EAC in line with the *Scope 2 Guidance* definition as a "category of contractual instruments used in the energy sector to convey information about energy generation to other entities involved in the sale, distribution, consumption, or regulation of electricity." *Protocol* at 102 (Glossary).

For example, if a buyer obtains RECs from a different grid, the buyer would still rely on the local electric grid for 100 percent of its electricity supply. And if the buyer purchased enough RECs to match its annual load, the buyer reports *zero* Scope 2 inventories under the market-based method regardless of how much fossil supply it continues to consume from the local grid. The *Protocol* allows the buyer to apply all the RECs purchased against its total consumption, "erasing" the grid-supplied fossil generation it still consumes. Even if a buyer signs a PPA with a solar project that matches its consumption on the same grid as its load, the buyer continues to take supply from the grid at night. This is illustrated here:

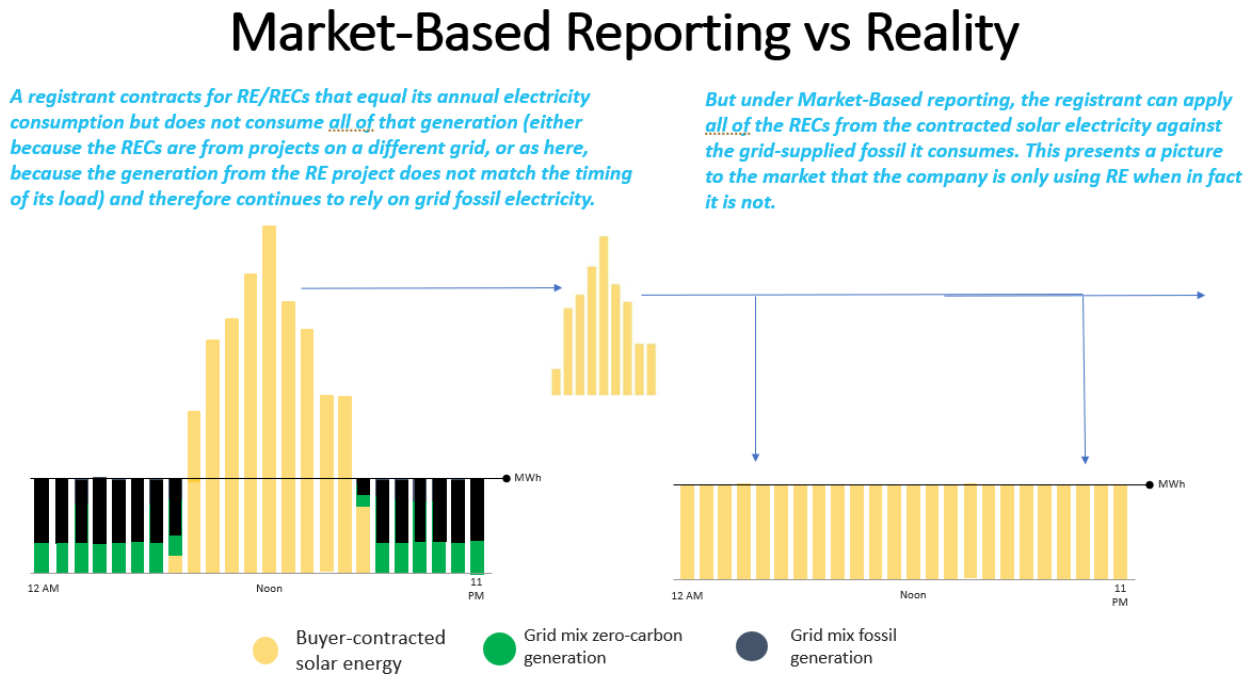

Figure 1. Source: Green Strategies, Inc.

In another example, since 2017, Google has matched its global, annual electricity use with wind and solar purchases. But despite nominally achieving its 100 percent renewable energy objective, Google reported that it still relied on fossil generation from regional grids for almost 40 percent of its annual consumption.[15] This is illustrated in Figure 2, below.

[15] Following its success in purchasing a 100 percent renewable electricity match for its consumption on an annual basis, Google adopted a subsequent goal to meet its consumption with carbon-free electricity on a 24/7 basis on all grids where it operates by 2030.

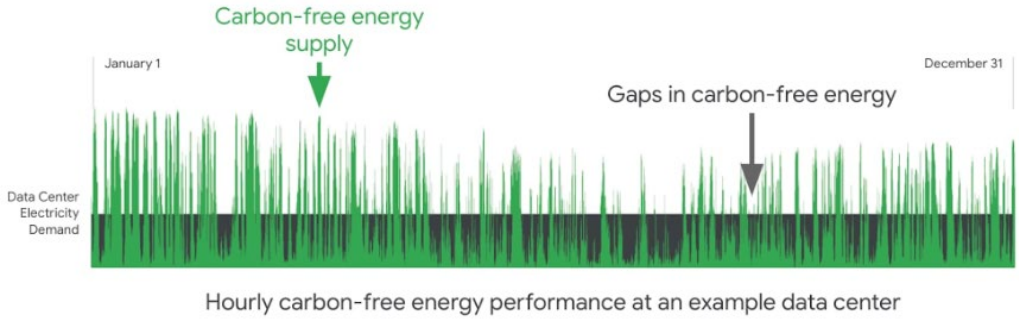

FIGURE 1 - While Google buys enough wind and solar power (symbolized by green spikes above) to be 100% renewable in a yearly, global average, these resources are variable, meaning that our data centers still sometimes rely on carbon-based resources.

Figure 2. Source: Google.[16]

The *Protocol*'s location-based and market-based Scope 2 accounting and inventories both serve important purposes in estimating a registrant's Scope 2 emissions, but neither conveys adequate information regarding the climate and financial risks of a registrant's exposure to fossil generation. A location-based inventory gives a high-level insight into the carbon-intensity of the grids where a registrant has operations, and therefore does convey some information as to the extent to which those operations rely on fossil generation. The location-based method does not account, however, for a registrant's choice in procuring retail supply, which may increase or decrease a registrant's exposure to fossil generation relative to a regional grid's average. The market-based method incentivizes buyers to invest in renewable energy projects and contribute to the increase in renewable energy capacity on the grid, but it can also obscure the risks associated with a registrant's ongoing reliance on fossil generation.

C. Additional Disclosures that Better Convey Information on Risk

To better convey information about climate and financial risks arising from a registrant's procurement of electricity generated using fossil fuels, the Commission should require the disclosure of further information above and beyond the reporting of Scope 2 emissions inventories.

1. Require the Disclosure of Available Information on Fossil Generation in Registrant's Purchased Retail Supply

To provide information about the risks associated with registrant reliance on purchased fossil-based electricity, the Commission should require that registrants disclose best available information on the fossil generation in the procured electricity that served the registrant's load

[16] Urs Hölzle, *Announcing 'round-the-clock clean energy for cloud*, Google Cloud (Sept. 14, 2020), https://cloud.google.com/blog/topics/inside-google-cloud/announcing-round-the-clock-clean-energy-for-cloud.

during the disclosure period.[17] A registrant could acquire that information from its retail supplier(s).[18] A registrant should then disclose the supply mix associated with its electricity procurement on a percentage basis by generation type (e.g., natural gas, coal, nuclear, hydro, wind, solar, etc.). If a registrant is unable to obtain such information from its supplier(s), it could describe its efforts to do so.[19]

2. *Require the Disclosure of the Percentage of Unbundled RECs or Other Clean Electricity Certificates a Registrant Procures Relative to Annual Consumption*

To mitigate the extent to which a market-based inventory obscures the registrant's actual reliance on fossil generation, a registrant could be asked to disclose the percentage of "unbundled" RECs, or other EACs conveying an emissions factor equal to zero, that it procures in a given year, relative to its annual electricity consumption. A REC conveys the environmental attributes, but not the electricity, associated with renewable energy, and may be purchased with ("bundled"), or separately from ("unbundled"), the underlying power. Since registrant purchases of unbundled

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[17] In 2020, 65 percent of the S&P 500 companies reported their GHG footprints, calculated via the Protocol, to the market through CDP (formerly known as the Carbon Disclosure Project), a non-profit that runs a global disclosure system of climate related information for investors. CDP asks reporting companies to split out and disclose their "consumption of purchased or acquired electricity" from "renewable sources" and from "non-renewable sources." *CDP Climate Change 2021 Questionnaire* at C8.2a, CDP (2021), https://guidance.cdp.net/en/guidance?cid=18&ctype=theme&idtype=ThemeID&incchild=1&microsite=0&otype=Questionnaire&tags=TAG-13071%2CTAG-605%2CTAG-599. However, given CDP's heavy reliance on the *Protocol*, it is likely that most respondents make that disclosure by treating all reductions to market-based inventory as their "consumption" of renewable energy and the rest as "consumption" of non-renewable electricity. Such a disclosure does not add any more accurate information to investors as to their actual reliance on fossil generation, than does *Protocol*-based inventory disclosure. Presumably, for example, a company that has obtained enough RECs to offset all of its load would report *all* "consumption" as coming from renewable sources despite ongoing reliance on the grid and any fossil generation in contains.

[18] Suppliers should further be asked to identify if any RECs associated with registrant's supply were sourced from outside the registrant's regional grid.

[19] Relevant information is, however, increasingly available. Some regional grids already track the supply mix for the region, and in some cases, load-serving entities (LSEs) may be required to report their supply mix on an annual basis. For example, in California an existing Power Content Label law requires every LSE that offers an electricity product for sale to retail consumers to disclose its electricity sources as a percentage of annual sales and the associated intensity of greenhouse gas emissions for the previous calendar year. *Power Content Label*, California Energy Commission, https://www.energy.ca.gov/programs-and-topics/programs/power-source-disclosure/power-content-label (last accessed June 16, 2021).

In addition, for example, the Edison Electric Institute (EEI), in collaboration with member companies, corporate customers, and the World Resources Institute, has developed a carbon emissions and electricity mix reporting template to collect timely and consistent carbon dioxide intensity rates accounting for RECs for delivered electricity by operating company data and to provide that information to customers in one central location. The database provides the annual carbon emissions intensity rates (lbs of CO2/MWh) for the utility average and utility specific residual mix (accounting for RECs). Customers who purchase the standard utility product from their electric provider can use the provided utility specific residual mix carbon intensity rates to calculate their Scope 2 emissions for market-based reporting. The supply mix includes the percentage of supply coming from coal, oil, natural gas, other fossil, nuclear, hydro, biomass, wind, solar, geothermal and other. *Electric Company Carbon Emissions and Electricity Mix Reporting Database*, Edison Electric Institute, https://www.eei.org/Pages/CO2Emissions.aspx (last accessed June 16, 2021).

RECs often provide a valuable revenue stream for renewable energy projects that enable their development or sustain their operation, unbundled RECs serve as an important mechanism for enabling the clean energy transition, and the Commission should not discourage their procurement. Disclosing the extent to which a registrant is relying on unbundled REC purchases in reporting a market-based Scope 2 inventory will improve investor understanding of what percentage of a registrant's purchased electricity may still be generated from the combustion of fossil fuels. These disclosures would be non-burdensome as they essentially represent a subset of the information registrants already have and use to calculate their market-based inventories pursuant to the *Protocol.*

3. Require the Disclosure of Any Other Information on Registrant Transactions Made to Mitigate Climate-Related Financial Risk from Electricity Use

The Commission should require registrants to disclose and discuss any other transactions or measures taken to mitigate exposure to fossil generation. For example, registrants should disclose any efforts to better align the timing of their consumption of purchased non-fossil generation, such as through the use of energy storage or the time-shifting of their demand. Companies should also disclose the use of any retail supply products that are designed to provide more non-fossil supply at more times of the day, so as to minimize reliance on purchased fossil generation being dispatched during those times.

II. Better Disclosure of GHG Reduction Impact from Registrants' Electricity Procurement

A. The SEC's Proposed Scope 2 Reporting Requirements Would Not Reveal Information as to the Actual Climate Change Impacts of Registrants' Electricity Procurement Transactions

In addition to seeking to understand a registrant's climate-related financial risk, investors are increasingly finding material, and seeking to understand the real-world impact of registrants' goals and targets to reduce emissions. Some investors seek to align their portfolios with companies that are making a positive impact in mitigating climate change. Other investors believe that those companies that are demonstrating leadership and contributing to the reduction in GHG emissions will better sustain value over time, such as by building stakeholder capital and better competing for top employee talent. Whatever the reasons, having better information about how registrant decision making is helping to reduce emissions will be of clear value to the capital markets and investors. The Commission proposes, for registrants who have set such goals, to require disclosure of the steps the registrant has taken and plans to take to meet them.[20] Additionally, all registrants should be asked to provide more than just total Scope 2 emissions, in order to disclose how they have factored climate impacts of reliance on fossil fuels into their electricity procurement decisions, and how they will do so in the future.

[20] 87 Fed. Reg. at 21,471 (Proposed 17 C.F.R. 229.1506).

Requiring registrants to disclose Scope 2 emissions inventories, alone, whether calculated pursuant to the *Protocol* or another methodology, would not provide adequate information as to the actual climate change-mitigating impact of a registrant's electricity procurement choices.[21] The Proposed Rule appropriately asks registrants to describe their climate goals and report on their progress toward those goals and seeks disclosure of the methods a registrant has used, and plans to use, to achieve them. Many such corporate goals and the measurement of progress against them, however, are in part based on changes to Scope 2 inventories calculated pursuant to the *Protocol*, as are the most widely used third-party corporate leadership and recognition programs.[22] Neither the *Protocol* nor its subsequent *Scope 2 Guidance, requires or even asks for* information on how procurement decisions actually affected real-world GHG emissions.[23] The market-based method of calculating a Scope 2 inventory is meant to allow a company to report reductions to their inventory as a result of transactions—but inventory reductions and real-world emissions reductions are different things. Under the *Protocol,* any and all RECs can be used to "subtract" from reported Scope 2 emissions inventories irrespective of the actual climate benefit of the underlying renewable generation.[24]

Consider the following examples:

- A company obtains 100 RECs from a new wind farm in a renewables-saturated grid region (such as West Texas). Each of the MWhs of generation from that new wind farm represented by those RECs, however, likely resulted in only a minimal net decrease in GHG emissions, given the already lower-carbon nature of the underlying grid mix.[25] In contrast, a different company obtains 100 RECs from a new solar farm in Alabama. Each of the MWhs of that solar generation represented by those RECs likely resulted in a much more significant avoided emissions impact since the local grid region is heavily fossil-reliant.

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[21] The *Protocol's Scope 2 Guidance* explains "[t]his guidance does not support an 'avoided emissions' approach for scope 2 accounting due to several important distinctions between corporate accounting and project-level accounting. However, companies can report avoided grid emissions from energy generation projects separately from the scopes using a project-level accounting methodology." *Protocol* § 4.2. That option is voluntary, and very few—if any—companies make that calculation today.

[22] RE100 and the Science-Base Target Initiative (SBTi) are prime examples. *See RE100*, https://www.there100.org/ (last accessed June 16, 2022); *SBTi*, https://sciencebasedtargets.org/ (last accessed June 16, 2022).

[23] The Commission should monitor updates to the *Protocol* and the *Scope 2 Guidance* and align its own requirements for Scope 2 disclosure with those updates. The *Protocol* has adopted revisions over time, and future revisions are possible, particularly as new data resources and estimation capabilities become available to registrants.

[24] Since the *Protocol*'s location-based method remains tied to using emissions factors that do not reflect a company's procurement decisions, it also does not convey information about the carbon reduction impact of procurements.

[25] This phenomenon is not unusual; companies often seek the lowest cost renewable electricity/RECs, which tend to come from areas with the most renewable electricity potential (and thus the highest penetration of renewable electricity).

- Similarly, a company's purchase of 100 unbundled RECs from an existing renewable generation facility is associated with no additional emissions benefits since the project was already built.

In each of these examples, however, the companies will show the exact same changes to their inventories, and an investor has no way of knowing which transaction yielded the most climate benefit. We suggest additional disclosures that will better enable investors to assess the real climate benefits of choices made by registrants.

B. Additional Disclosures That Would Improve Understanding and Comparability as to the Actual GHG Reduction Impacts of Registrants' Clean Electricity Procurement

To better convey to investors and the market how registrant procurement decisions impact GHG emissions, the Commission should require the disclosure of additional information, including:

1. Disclose whether and how a registrant considered actual GHG emissions impacts in making electricity procurement decisions.

As discussed above, two different procurement choices that yield similar changes to market-based inventories (and often similar progress toward climate goals) may have dramatically different emissions impacts depending, for example, on the location of the clean energy generation project a registrant chooses. In addition to requiring disclosure of total Scope 2 emissions, the Commission should require *all* registrants to disclose whether and how they considered GHG emissions impacts in making their electricity procurement decisions. Information on how such impacts were or were not considered would provide investors with important insights into how a registrant is approaching its climate strategy.[26]

2. Disclose whether and how a registrant calculated estimates of the decarbonization impacts of its procurement transactions.

While there is not yet broad stakeholder consensus on a single methodology for estimating avoided emissions impacts of a clean energy procurement transaction,[27] methodologies do exist,

[26] The Commission already proposes to require registrants who are using RECs to achieve their climate-related goals to disclose "the amount of … generated renewable energy represented by the RECs, the source of the…RECs, a description and location of the underlying projects, any registries or other authentication of the …RECs, and the cost of the… RECs." 87 Fed. Reg. 21,471 (Proposed 17 C.F.R. § 229.1506(d)). The Commission asserts this will "help investors assess the offsets or RECs and the effectiveness of the registrant's plan to achieve its climate-related targets or goals." 87 Fed. Reg. at 21,406. In addition to asking for such information, the Commission should also ask registrants whether purchased RECs were from renewable energy projects that already existed and for any other relevant considerations that informed their REC procurement decision.

[27] Analyses of avoided emissions impacts involve a range of assumptions, and the choice of assumptions in a given analysis may vary significantly. For example, a registrant could choose to calculate avoided emissions using a "marginal emissions factor" (reflecting the carbon intensity of the last resource dispatched by a grid operator to meet demand) or an "average emissions factor" (reflecting the carbon intensity of all resources dispatched by a grid

and additional data is becoming available to electricity customers that will enable more informed calculations.[28] Registrants who have done such calculations should simply be asked to disclose their methodologies and results. Increased transparency would be of significant value to investors, and that value will only increase over time as data and methodologies improve. This requirement is non-burdensome since it *only* seeks disclosure of emissions impact calculations *if* the registrant has done them.

3. Disclose the registrant's procurement of or other investments in carbon-free electricity and grid decarbonization.

The Commission should require registrants to disclose and describe all transactions for or investments in carbon-free electricity. Such a list would not be limited to procurements that yielded RECs or other EACs conveying lower or zero emissions factors (and that therefore directly lowered Scope 2 inventories) but could include investments that help to commercialize new carbon-free technologies, transactions that help extend the lifespan or involve the repowering of existing carbon-free generation, or transactions that help enable the deployment of new transmission capacity. Disclosing and describing such transactions will give investors better information on registrant actions that contribute to decarbonizing the electric grid.

Conclusion and Recommendations

We fully support the Commission's efforts to provide relevant and material climate-related information to investors and the marketplace and in a form allowing comparison across investment opportunities. That goal, however, will not be adequately served if the final rule allows registrants to rely principally on the disclosure of Scope 2 emissions inventories compiled according to frameworks that were never intended to serve the objectives of the Proposed Rule. We encourage the Commission to adopt a final rule that requires disclosure of additional information regarding a registrant's mitigation of climate-related financial risk and the decarbonization impact related to its electricity use and procurement.

In particular, we recommend:

- In proposed 17 C.F.R. § 229.1500, defining market-based and location-based Scope 2 inventories consistent with the provisions of the *Protocol* and *Scope 2 Guidance*;
- In proposed 17 C.F.R. § 229.1500, defining the term "Energy Attribute Certificates" consistent with the *Protocol's Scope 2 Guidance* as "contractual instruments used in the energy sector to convey information about energy generation to other entities involved in the sale, distribution, consumption, or regulation of electricity;"

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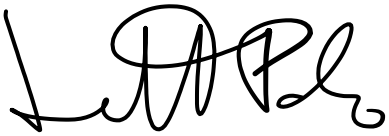
operator to meet demand). A registrant could consider the carbon intensity of resources that serve a specific point ("node") on the grid or that serve the broader grid. A registrant may also have to make assumptions regarding how the carbon intensity of the grid may change in the near term and longer term.

[28] Another current challenge to making avoided impact calculations is that needed emissions data, often held by utilities and/or grid operators, is not always available to companies who purchase electricity. That too is evolving and the trend in the marketplace is toward greater access to this data.

- In proposed 17 C.F.R. § 229.1502 (c), include a requirement to disclose whether and how the registrant considered climate-related risks in making electricity procurement decisions, including whether the mix of fuel types in purchased electricity was considered;
- To provide potential investors with better information about the decarbonizing impact of registrant procurement of renewable and other types of clean electricity and to complement the disclosure of Scope 2 inventories:
    - In 17 C.F.R. § 229.1502, add a requirement (potentially as subsection (g)) for registrants to disclose:
        - Whether and how a registrant considered actual GHG emissions impacts in making electricity procurement decisions;
        - Whether a registrant calculated estimates of the decarbonization impacts of its procurement transactions, and if they did, to disclose that information and analyses; and
        - A list of procurement of or investments in renewable or other carbon-free electricity generation or other technologies that help in enabling grid decarbonization.
    - In 17 C.F.R. §§ 229.1506 (b)(6) and (d), amend the proposed provisions to reference EACs, thereby recognizing that other types of EACs, not just RECs, may play a role in how registrants meet climate-related goals and targets.
- In proposed 17 C.F.R. § 229.1504(b)(1), adding a requirement for registrants to calculate both a market-based and a location-based Scope 2 inventory consistent with the provisions of the *Scope 2 Guidance*;
- To provide potential investors with better information on registrant risk arising from continued consumption of fossil generation and to complement the disclosure of Scope 2 inventories:
    - In 17 C.F.R. § 229.1503(a)(2), add a requirement for registrants to disclose and describe transactions or measures taken to mitigate exposure to fossil generation;
    - In 17 C.F.R. § 229.1504, add a requirement for registrants to disclose available information on the percentage of fossil generation in their retail supply (by fuel source, if available); and
    - In 17 C.F.R. § 229.1504, add a requirement for registrants to disclose the percentage of unbundled RECs purchased in a given year relative to its annual consumption.

By disclosing this information, registrants will better serve the evolving interests of investors and increase the efficiency and stability of capital markets without imposing any onerous burdens on registrants.

Respectfully submitted,



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