

June 17, 2022

By Electronic Submission

Richard Gensler
Chair

Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

RE: Request for Public Comment on The Enhancement and Standardization of Climate-Related Disclosures for Investors

Ørsted Wind Power North America LLC (“Ørsted”) is pleased to provide comments to the Securities and Exchange Commission (“SEC”) proposed rules to “Enhance and Standardize Climate-Related Disclosures for Investors.” Ørsted applauds the efforts of the SEC to standardize and extend climate disclosures given the transformative action needed to avert climate crisis. In our view, building transparency and consistency through increased climate disclosures are fundamental to strong markets, and empower investors to better direct their money towards businesses that are taking credible, science-aligned climate action. This, in turn, further strengthens market’s and the nation’s response to climate change.

With over 73 % of global greenhouse gas (GHG) emissions (“emissions”) stemming from the energy sector, society’s ability to reach a net-zero future depends on our success in rapidly transitioning to clean energy. The Biden-Harris Administration goals of deploying 30 gigawatts of offshore wind in the United States by 2030 and delivering a carbon pollution-free power sector by 2035 are therefore critical to this transition. As the global leader in offshore wind development and operation, with 7.6 GW installed capacity globally and a 5 GW project pipeline in the United States alone, Ørsted is committed to accelerate the build-out of clean energy and enable its accompanying socioeconomic and biodiversity benefits, in support of the Administration’s decarbonization goals.

I. Decarbonization and transparency go hand in hand for Ørsted

At Ørsted, we work intensely to decarbonize in line with science and drive a business model fit for a net-zero world. Our climate action spans the full value chain as we work to reduce emissions from our own energy generation and operations (scope 1-2) and from our indirect upstream and downstream activities (scope 3). To date, we have made important progress to meet our decarbonization goals. Ørsted is on track to become carbon neutral in 2025 in scopes

1-2 by reducing emissions intensity by at least 98 % and offsetting residual emissions through high-quality, certified carbon removal projects.

As we accelerate our green energy build-out, we are increasingly focused on the next frontier of our climate journey: the supply chain. Ørsted's strategic supply chain decarbonization program currently targets both the onshore and offshore wind supply chain as most of our upstream scope 3 emissions stem from the manufacturing of wind turbines, foundations, substations and cables, and fossil fuels used by the vessels that transport and install offshore wind farms. Since the launch of our program in early 2020, our suppliers have strengthened their reporting of emissions data; in 2021, 97 % of our strategic suppliers disclosed their emissions data and 26 % had either set or committed to set a science-based emissions reduction target. Prior to the launch of the program, only 36 % reported those data and no one had set a science-based emissions reduction target. We use the supply chain program as a tool to help disclose emissions in a uniform and standardized way across the industry and our suppliers. To track emissions performance across our supply chain towards 2040, we are currently developing a 'levelized CO2' model that will enable us to track our performance by combining supplier Carbon Disclosure Project data with generic carbon data from life cycle analyses of offshore wind farm components, further enhancing our robust reporting infrastructure and transparency.

Ørsted believes that progress requires genuine transparency across the full value chain. Our climate action is backed by our view that meeting climate disclosures is a business imperative, which must be integrated across our company. Businesses can't take climate action on what they can't measure. For this reason, we have built Environmental, Social, and Governance (ESG) accounting, with specific expertise in emissions accounting, as a core business function and developed robust processes and procedures to empower the implementation of disclosures. This includes investing in software and systems to enable the measurement of performance and disclosure of results. All our emissions data are reported to the same consolidation system, and we apply the same processes and tools to our climate reporting as to our financial reporting. The data is consolidated according to the same principles as our financial statements. Thus, the consolidated emissions performance data comprises the parent company Ørsted A/S and subsidiaries controlled by Ørsted A/S. Joint operations are also included with Ørsted's proportionate share. Data from associates and joint venture partners is not included in the consolidated ESG performance data. We aim to develop our ESG data set in order to support our business and to disclose relevant and transparent information to our stakeholders. Several

international ESG reporting frameworks are used as guidance in the data selection process, which are outlined in further detail in our annual Sustainability and ESG Performance Reports.

We review progress in our work in sustainability through a reporting process that culminates in the annual Sustainability Report. Here we describe how Ørsted as a business contributes to addressing some of the challenges faced by society and that are material to our business. The sustainability report also constitutes our reporting to the United Nations Global Compact. The Annual Report presents both financial and sustainability performance, while the ESG Performance Report provides the complete set of Ørsted's environment, social and governance indicators.

The SEC has requested public feedback across its proposed climate disclosure rule, including on emissions disclosures, qualitative disclosures, financial statement disclosures, and governance disclosures. As elaborated in our comments below, Ørsted welcomes the more prescriptive approach taken by the SEC and recommends that the final rule align with existing international emissions accounting and disclosures frameworks while seeking to reinforce and promote credible, science-aligned corporate climate action. In support of our comments, we have attached our 2021 ESG Performance Report and Sustainability report.

II. GHG emissions metrics should be underpinned by established accounting foundations

The proposed rule utilizes the GHG Protocol accounting framework for climate disclosures. For businesses, the first step to taking meaningful climate action is to begin estimating and measuring their emissions inventories. In this sense, the Greenhouse Gas Protocol (GHG Protocol) offers a globally recognized and standardized method for companies to quantify, account for, and report their emissions. Moreover, it provides key corporate guidance on setting organizational and operational boundaries of GHG emissions, managing inventory quality, and ultimately setting GHG emissions targets. Under the GHG Protocol, relevant GHGs¹ for companies are clearly defined and consistent with the Kyoto Protocol, the UN Framework Convention on Climate Change, the U.S. Energy Information Administration, and the U.S.

¹ carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), nitrogen trifluoride (NF₃), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulfur hexafluoride (SF₆)

Environmental Protection Agency. Importantly, the standard also articulates how businesses can categorize direct (scope 1 and 2)² and indirect (scope 3)³ emissions across value chains.

Recommendation to the SEC:

From Ørsted's experience, the GHG Protocol serves as an essential foundation for establishing a corporate climate strategy that can facilitate decarbonization action. We therefore welcome the SEC's proposal to make GHG emissions disclosure requirements generally adhere to the GHG Protocol. By providing consistency in the accounting and categorization of GHG emissions, compliance costs for businesses can be reduced while comparability of reported data can be enhanced.

III. Scope 3 inclusions empower robust disclosures and supplier engagement

As currently structured, the proposed rule requires all companies to report scope 1 and 2 GHG emissions⁴, while large companies would also be required to report scope 3 GHG emissions and intensity, if material, or if the company has set a GHG emissions reduction target or goal that includes its scope 3 emissions. With this, the SEC acknowledges that scope 3 emissions disclosures present "unique challenges." Depending on the size and complexity of a company and its value chain, the task of calculating scope 3 emissions disclosures can be relatively more burdensome and expensive than calculating scope 1 and scope 2 emissions. However, Ørsted's experience shows that setting up a scope 3 reporting structure is feasible, cost-effective and beneficial to cascade climate action throughout the supply chain.

Our initial focus was on decarbonizing our scope 1 and 2 emissions, which helped build our reporting apparatus to meet general emission reporting requirements including financial scoping and consolidation, the GHG protocol, and Organization and IT support. This function was created with the goal of complete reporting, and the greatest challenge in that preliminary process was to find all the necessary guidance in the GHG protocol (e.g., how to report on gas trading and power sales, lack of activity data, and to identify many emission factors, originally using UK DEFRA factors). To move into the next frontier in our decarbonization journey – the supply chain – we accounted for our scope 3 emissions, which allowed us to identify emissions

² Scope 1 emissions are direct emissions from company-owned and controlled resources. Scope 2 emissions are indirect emissions from the generation of purchased energy, from a utility provider.

³ Scope 3 emissions are all indirect emissions – not included in scope 2 – that occur in the value chain of the reporting company, including both upstream and downstream emissions, which the GHG Protocol separates across 15 categories.

⁴ To be expressed in absolute terms (not including offsets) both by disaggregated constituent GHG and in the aggregate, as well as in terms of intensity

hotspots and begin defining specific decarbonization actions towards our long-term climate targets.

We began this process by mapping upstream (procurement, SAP) and downstream (products sold) emissions in scope 3, using GHG Protocol guidance. This originally relied on a combination of actual data already reported⁵ as part of the existing emission reporting, estimates and varying levels of data quality for direct spend and fuels at power stations and renewable energy supply chain through life cycle assessment data and volumes, and estimates on indirect spend.

This helped us set strategic targets to gradually phase out natural gas sales while scaling our renewable energy business. Moreover, it informed our supply chain decarbonization program, through which we identified 34 key suppliers to engage to set science-based targets, develop decarbonization roadmaps, increase their emissions reporting and utilize green electricity in their manufacturing. While it was initially challenging to find available supplier-specific data, we addressed this through base case estimates, and even with coal power stations still existing in our European fleet, scope 3 emissions were much bigger when we started reporting these emissions.

We estimate that establishing our scope 3 reporting infrastructure entailed a preliminary investment of about 650 hours of development costs. This is a best guess estimate as we do not register working hours spent on our different ESG reporting tasks. We already had many parts of basic ESG reporting in place, which limited start-up costs for specialist competencies within ESG for scope 1 and 2 reporting based on the Greenhouse Gas Protocol. Furthermore, our Group reporting and consolidation IT system could be developed and modified for scope 3 reporting with internal resources, with reporting competences and templates that could easily implement scope 3 reporting results in current ESG reporting. Future costs associated with scope 3 reporting for various tasks⁶ could range significantly and will depend on the required level of detail in reporting, as well as potential changes in the business (e.g., should a merger / acquisition occur).

⁵ Elements of our scope 3 reporting include performance data, data development commenting, target establishment, base year adjustment, accounting policies, financial scope and consolidation, review statement and references to the emissions source factors.

⁶ Improving the data quality of parts of the reporting that potentially becomes more material (e.g., going from estimates or rough high-level calculations to more precise data); adjusting base year emissions if you have a scope 3 target and significant divestments or acquisitions; improving data quality for parts of scope 3 that become strategic development areas like our example of the supply chain for building offshore wind farms. In practice we will go from using supplier data to developing our own ability to generate the relevant scope 3 data for our new assets. This is potentially very time consuming but it is also an integrated part of developing our business and therefore not something that can only be seen as a cost associated with scope 3.

Recommendation to the SEC:

Ørsted strongly urges the SEC to make scope 3 disclosures for all relevant emissions mandatory, which can be supplemented by a safe harbor for liability. For most business sectors, about 80 % of total emissions fall in scope 3⁷. Therefore, without requiring scope 3 inclusions – at least with third party verifications and a level of limited assurance – the proposed rule risks missing a substantial set of emissions and an opportunity to encourage supplier engagement on climate action. Furthermore, beyond materiality, only businesses with climate targets that include scope 3 would be required to disclose scope 3 emissions. This could end up having a dampening effect on ambitious climate action, with more companies opting to limit climate targets to direct emissions.

To lessen compliance costs and simplify the process of setting up scope 3 reporting, companies would benefit from having access to a standardized set of emissions factors. Referencing this common set of calculation factors – that should be updated regularly – could help prepare companies to gradually transition to finding scope 3 hotspots and integrating specific supplier emissions factors. The availability of regularly updated, and high quality, emission factors for scope 3 reporting will also support transparency of the reporting and improve comparability of scope 3 data. Ørsted therefore encourages the SEC to identify and facilitate access to a standard set(s) of emissions factors to promote cost-savings, consistency, and completeness in reporting. In its final rule, the SEC could also reinforce transparency in scope 3 reporting by requiring public disclosure of accounting policies, including calculations and key assumptions. Ørsted suggests that these policies be clearly documented in suitable reference material such as annual ESG reports or other key reporting products.

IV. Public climate targets should be backed by science-based methodologies

The proposed rule would obligate companies to detail, to the extent possible, any public climate-related targets, goals, or transition plans (including any use of carbon offsets or renewable energy certificates to achieve such targets and goals). Corporate net-zero pledges have grown rapidly in recent years. By the end of 2021, over 34 % of the 2,000 largest companies globally had publicly committed to reaching net-zero emissions⁸. Despite the boom in targets, real business ambition still lags far behind. Previously, companies lacked a common

⁷ <https://www.ft.com/content/e0f78b12-57ea-4c89-99a5-476c9d839498>

⁸ [Net Zero Tracker | Welcome](#)

definition of what corporate net-zero transitions, based on science, truly entailed. The result is that companies like Ørsted have had the opportunity to lead corporate climate action landscape today by developing metrics and reporting infrastructure for transparency in net-zero pledges that properly account for all relevant greenhouse gases and delineate actionable paths to significant emissions reduction by 2030 that touch all pertinent areas of the value chain and seek to minimize the use of offsetting.

To alleviate the issue of varying target interpretations and show companies how to align climate plans with the science behind a 1.5 °C future, the Science Based Targets initiative (SBTi) launched the Corporate Net-Zero Standard last year. Effective targets must include four main elements⁹:

- Full coverage: target should cover the full value chain (scope 1-3) and all relevant GHGs
- Ambitious reduction levels: target should build on 1.5 °C aligned reduction targets in the near and long-term to halve emissions by 2030 and reduce total emissions by 90-95 % by 2050
- Limited offsets: target should only utilize offsets for residual emissions and be applied once 90-95 % of reductions achieved in the long-term
- Clear role for climate finance: providing financing for high-quality carbon removals can take place beyond value chain mitigation efforts

As shown by the Corporate Net-Zero Standard, corporate financing of high-quality carbon credit projects – “beyond value chain mitigation efforts” – can make important contributions towards slowing or limiting climate change. Offsets therefore must not be used as a substitute for emission reductions but instead occur in addition to a company’s action to decarbonize its full value chain. As the first energy company in the world with a science-based net-zero target, validated by the SBTi, Ørsted follows this approach: our primary lever for climate action is emission reductions. This includes a set of 1.5 °C aligned near and long-term reduction targets, and a firm cap on our use of offsets to achieve net-zero by 2040¹⁰.

⁹ [The Net-Zero Standard - Science Based Targets](#)

¹⁰*Near-term target*: By 2025, Ørsted aims to be carbon-neutral in our energy generation and operations by reducing GHG intensity at least 98 % in scope 1-2 (compared to 2006). In practice, this means that we will use certified carbon removals to offset a maximum of 2 % of residual emissions to achieve carbon neutrality. *Long-term targets*: By 2040, Ørsted aim to achieve net-zero emissions across our full value chain by reducing GHG intensity by 99 % in scope 1-3 (compared to 2018). In practice, this means that we will use certified carbon removals to offset a maximum of 1 % of residual emissions across our full value chain from our renewable energy business to achieve net-zero. We also have a separate target to reduce absolute scope 3 emissions from natural gas sales by at least 90 % by 2040 (compared to 2018). This means that we will use certified carbon removals to offset a maximum of 10 % of indirect, residual emissions from our gas trading business to achieve net-zero.

For scope 2 emissions specifically, the GHG Protocol provides companies with two complementary ways to disclose emissions: location-based¹¹ and market-based¹² methods. However not all approaches to sourcing renewable energy contribute equally to the adding additional renewable energy capacity to the grid. A key distinction should be made between usage of renewable energy certificates and sourcing of renewable energy through power purchase agreements. For companies seeking to improve quality issues in scope 2 and spur additional decarbonization in grids, actively seeking out PPA's (particularly pre-FID) from renewable energy assets strengthens credibility in corporate climate action.

For companies adhering to science-based decarbonization pathways, reaching net-zero emissions will require reaching net-zero supply chains. These emission reductions efforts can bring about significant localized benefits in the form of new jobs and manufacturing. This is particularly true in the renewable energy industry, as businesses seek to build domestic supply chains and avoid international transportation of components. Furthermore, even when not tied directly to scope 3, companies are able to back up their supply chain aspirations with further decarbonization actions to support lower carbon projects and environmental justice. For Ørsted, examples of this have included: 1) an \$11 million partnership with Zeem Solutions as part of our Ocean Wind 2 project to rollout 50 electric drayage trucks, associated infrastructure, and mobility training programs for area residents at the Port of Newark to reduce emissions and local air pollution while building the clean energy workforce; 2) an agreement with ESVAGT to invest in the world's first service operation vessel – a type of vessel that services offshore wind farms – that can operate on green fuels, which can lead to a yearly emission reduction of approximately 4,500 tons of CO₂.

Recommendation to the SEC:

Ørsted supports the proposed rule's requirement for companies to detail their publicly stated climate targets and plans. By increasing oversight and scrutiny of climate commitments, particularly around net-zero, the SEC can play an influential role in boosting credible corporate climate action. Ørsted encourages the SEC to require companies to disclose how they align their decarbonization efforts with science.

¹¹ Reflects the average emissions intensity of grids on which energy consumption occurs (using mostly grid-average emission factor data)

¹² Reflects emissions from electricity that companies have purposefully chosen (or their lack of choice), deriving emission factors from contractual instruments, 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.

In this context, the proposed rule can assess 1) if companies have validated, science-based net-zero targets; 2) if companies have committed to setting science-based net-zero targets; and 3) how to ensure integrity in net-zero pledges by referencing, for example, the basic parameters of the SBTi Corporate Net-Zero Standard. By integrating this disclosure into the final rule, the SEC can help ensure that companies base their public climate targets on integrity and science, with defined roles for emission reductions vs. offsets. Importantly, it can also help mobilize supply chain decarbonization and local economic benefits.

Ørsted suggests that the final rule also seek to boost ambitious climate action in scope 2, by requiring companies to disclose details on their approach to sourcing renewable energy. This disclosure could align with best-practice recommendations by [RE100](#) and the way in which CDP (a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts) has already implemented detailed disclosure on companies' renewable electricity purchases. By doing so, the SEC can improve transparency and accountability in corporate procurement of renewable energy, and potentially help advance the decarbonization of grids.

V. Alignment across existing and planned reporting frameworks is advantageous

Climate-related disclosures worldwide have undergone shifts in recent years, moving from mainly voluntary to mandatory frameworks. As a global business, Ørsted has responded to these shifts by aligning its ESG processes and capabilities with the previous recommendations of the Task Force on Climate-Related Financial Disclosures and preparing for the potential legal requirements that will arise from the European Commission's proposal for a Corporate Sustainability Reporting Directive (CSRD). This allowed us to gradually build our robust system of climate disclosures at the group level across our annual report, ESG report, and CDP report.

While the SEC has acknowledged it will review the soon-to-be-released proposed climate standard from the International Sustainability Standards Board (ISSB), Ørsted supports the approach of proposing a rule that is largely based on the TCFD recommendations. Given the growth in disclosure regimes backed by investor interest, consistency in reporting frameworks is critical not only to reduce burdensome compliance for business but also to mitigate risks of greenwashing. This is especially relevant for qualitative disclosures on physical climate-related risks over the short, medium, and long-term, including granular and location details of individual facilities.

Following an internal process to improve alignment with TCFD recommendations and close possible reporting gaps, Ørsted conducted a climate scenario analysis in 2019 that heightened internal understanding of physical climate risks and the value reporting on these risks can bring to investors. We qualitatively assessed physical impacts of a warming climate, such as changing wind patterns, sea-level rise and extreme waves and weather, as well as climate-related transitional impacts on markets, regulation, technology, and reputation. It was concluded that our offshore wind business is well-positioned to manage potential climate-related risks under both scenarios, for primarily two reasons:

1. Due to engineering safety factors integrated into the design, offshore wind farms are resilient to physical climate change impacts, such as sea level rise and more extreme weather.
2. Rapid technological advances in the offshore wind industry allows for climate-related risks to be factored into the design of offshore wind farms.

By assessing acute and chronic weather development, taking extreme weather conditions and events into account when designing and building our assets, and relying on highest-quality site location from our partners, Ørsted continually works to ensure resilience for the lifetime (typically 20-30 years) of our offshore wind farms. This individual asset-level risk mitigation is often documented as part of bid documentation for public tenders, while our general disclosures on physical climate-related risks are also captured across in our group annual report, ESG report, and CDP report.

Recommendation to the SEC:

While Ørsted's historical focus to meet TCFD recommendations positions us well to respond to the proposed rule, we encourage the SEC to continue alignment with international climate disclosure regimes and standards. Ideally, this range of frameworks would be tied together by a common standard: the GHG Protocol. Our experience shows that building a reporting apparatus is feasible and cost-effective across markets. We therefore strongly suggest that the proposed rule allow annual reporting at the group level to serve as suitable reference material, as extending these requirements to the entity level is likely to be a resource-intensive and lengthy task. Furthermore, on climate-related physical risks, Ørsted encourages the proposed rule to meet the physical risk reporting requirements as structured in the TCFD. Going beyond

this – to the facility level – could complicate disclosures given the regional diversity in climate risks.

VI. Conclusion

At Ørsted, our emission reporting, and climate disclosure process has served as an internal driver to align our business on ambitious climate targets. Moreover, it has provided a platform for supplier engagement on climate action and enabled us to achieve CDP A-level and other ESG ratings. As a sustainability leader, it was simply necessary to establish clear metrics for emissions reporting and, subsequently, reductions. From this perspective, we urge the SEC to issue a final rule that helps create a broader market for companies pursuing credible climate action.

Ørsted supports a final rule that aligns with existing international emissions accounting and disclosures frameworks while reinforcing science-aligned corporate climate action. Advancing this can enable the SEC to serve as an additional validator of best practices within the Federal Government and help boost the emission reductions urgently needed for our collective climate goals.

Sincerely,

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Ørsted North America