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June 17, 2022

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

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

Dear Ms. Countryman,

On behalf of REsurety, Inc., a leading analytics provider in the clean energy economy, we are writing in support of File No. S7-10-22: The Enhancement and Standardization of Climate-Related Disclosures for Investors. We also suggest two specific language refinements to improve the accuracy and transparency of Scope 2 emissions disclosures.

Anticipated Value of the Proposed Rule

For the last 10 years, REsurety has helped our clients understand the risks and value of buying and selling electricity from clean energy projects. Many of our clients develop renewable energy projects, have made voluntary public GHG reduction commitments, or own assets exposed to climate-related risk. The SEC's proposal to require detailed climate-related disclosures has the potential to benefit our customers, as well as the public and the planet. By requiring disclosures from a large category of companies, the proposal protects investors from unintentional exposure to climate-related risk. By standardizing disclosure requirements and requiring attestation, the proposal can also help substantiate GHG reduction claims. In short, the proposed rule has the potential to increase efficiencies in capital markets, boost investor confidence and encourage companies to take effective climate action at scale.

Challenges with the GHG Protocol

While we strongly applaud the SEC's aims, we are concerned about the pivotal role the GHG Protocol plays in the SEC's proposal, particularly with respect to Scope 2 emissions disclosures. The proposed GHG emissions disclosure requirements are based "primarily on the GHG Protocol's concept of scopes and related methodology".[1] The proposed rule cites the GHG Protocol Scope 2 Guidance as a methodological source for determining Scope 2 inventories.[2]

[1] Proposed Rule, §I.D.2.

[2] Proposed Rule, §II.G.2.c (p. 195). The proposed rule also cites the EPA's guidance on Indirect Emissions from Purchased Electricity, which is highly similar to the GHG Protocol Scope 2 guidance. See §II.G.1.b. (p. 160)

While the GHG Protocol provides a common and broadly-recognized framework for determining Scope 2 carbon footprints, it can result in Scope 2 accounts that differ materially from the "actual GHG emissions"[3] sought by the proposed rule, and it often fails to create the right incentives for entities to focus on decarbonization.

The GHG Protocol Scope 2 Guidance allows reporting entities to select from an extensive hierarchy of emissions factor data to calculate their footprints. Application of some of these emissions factors would result in footprints that differ materially from actual GHG emissions. For example, the current Scope 2 Guidance lists Renewable Energy Credits (RECs) as the highest-quality "emissions factor" data type but takes no position on *where* or *when* RECs are produced relative to their consumption. An entity consuming power in a coal-heavy grid could eliminate its Market-Based Scope 2 footprint by purchasing sufficient RECs from a very clean grid, even when such a purchase would have a negligible effect on actual GHG emissions.

By relying on *average* emissions factors, current Scope 2 guidance also risks sending signals to registrants that are at odds with the goal of reducing carbon emissions. Consider a registrant purchasing solar energy that mostly displaces coal generation, in a grid that also includes considerable baseload nuclear. Since the average emissions rate of this grid is much lower than the emissions rate of the displaced coal, the reduction in the registrant's carbon footprint would not reflect the solar energy's full carbon impact. As a result, the registrant may hesitate to contract for the solar energy in the first place, knowing that its actual carbon benefits could not be reported.

SEC Rules Should Encourage Use of High-Quality Emissions Data

To mitigate some of the challenges associated with GHG Protocol Scope 2 guidance, we recommend that the SEC strongly encourage registrants to use higher-quality emission factor data wherever possible.[4] We believe there are three elements of emissions factor data quality that the SEC should emphasize:

- **Temporal Granularity:** Grid conditions vary substantially over time, as do the emissions implications of power consumption. Some of this variation consists of seasonal, weekly, and diurnal cycles, or is driven by hourly weather variability. Some of this variation is driven by fundamental drivers, such as the relative price of coal and natural gas, or the relative abundance of clean vs. fossil generators. Temporal averages obscure this variation and can introduce systematic biases in Scope 2 emissions calculations. To mitigate this risk, the SEC should encourage registrants to apply the highest temporal granularity data available.

[3] §229.1500(c)(4)(e)

[4] Consistent with the GHG protocol, we recommend that the SEC allow for flexibility in emissions data sources to reflect that data availability and access will vary by geography and registrant.

- **Locational Granularity:** Grid conditions and emissions also vary substantially by location. Some grids are dominated by fossil-fueled resources, while others have high penetrations of zero-carbon generation. Even within the same grid, transmission constraints mean that different parts of the grid are served by very different generators. Spatial averages obscure this variation and can also introduce biases in emissions footprints. To mitigate this risk, the SEC should encourage registrants to apply the highest spatial granularity data available.

- **Marginal Emissions Factors:** Incremental clean energy generation or consumption in a power grid is generally met by marginal generators. These marginal generators keep supply and demand in balance and manage transmission congestion cost-effectively. The emissions implication of adjusting the output level of these marginal resources is often considerably different from the average emissions rate, even after accounting for temporal and locational issues described above. To mitigate this risk, the SEC should explicitly allow registrants to apply *marginal* grid emissions factors when available.

Disclosure of Calculation Methodology is Essential

The SEC has granted registrants flexibility in their choice of Scope 2 GHG emissions methodologies[5], a decision which we support. This flexibility allows registrants to take advantage of new data sets and methodologies as they emerge over time, without requiring a change to the regulatory framework. It allows registrants to go beyond the guidelines of the now fairly outdated[6] GHG Protocol Scope 2 Guidance. It reduces difficulties for registrants with less GHG emissions reporting experience and access to data. However, this flexibility by definition also means that registrants are not required to disclose their GHG emissions methodology at the maximum level of accuracy.

Fortunately, investors can help encourage registrants to improve the accuracy of their disclosures and adopt new methodologies over time. To support investors in this effort, the SEC should encourage maximum transparency in the GHG emissions calculation methodology used by registrants. This will allow investors to understand key assumptions and uncertainties in the calculation methodology, thereby making the disclosed data "decision-useful"[7] for investment decisions, an outcome desired by the proposed rule. It will also allow investors to provide registrants with specific feedback in terms of how to improve their disclosures and then hold them accountable for making improvements.

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[5] Proposed Rule, §II.G.1.a (p. 159)

[6] Current GHG Protocol Scope 2 Guidance was last updated in 2015
https://ghgprotocol.org/sites/default/files/standards/Scope%202%20Guidance_Final_Sept26.pdf

[7] https://www.sec.gov/rules/proposed/2022/33-11042.pdf

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Specific Suggested Changes to Regulatory Language

We suggest the SEC modify the proposed rule to address the items mentioned above. Specifically, we suggest adding the underlined language below to §229.1500(c)(4)(e) and §229.156(d):

> § 229.1500(c)(4)(e): Emission factor means a multiplication factor allowing actual GHG emissions to be calculated from available activity data or, if no activity data is available, economic data, to derive absolute GHG emissions. Marginal or average emissions factors with higher locational and temporal granularity are preferred. Examples of activity data include kilowatt-hours of electricity used, quantity of fuel used, output of a process, hours of operation of equipment, distance travelled, and floor area of a building.
>
> § 229.1506(d): If carbon offsets or RECs have been used as part of a registrant's plan to achieve climate-related targets or goals, disclose, for each project, the amount of carbon reduction represented by the offsets or RECs, the amount of generated renewable energy represented by the RECS, the source of the offsets or RECs, a description and location of the underlying projects generating offsets or RECs, any registries or other authentication of the offsets or RECs, and the cost of the offsets or RECs. Disclosure should be at the maximum temporal granularity possible given available data.

Thank you for your consideration of our comments.

Respectfully,

DocuSigned by:
Lee Taylor
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Lee Taylor

Chief Executive Officer

REsurety, Inc.