

June 17, 2022

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

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

Dear Chair Gensler:

### **Premise**

We are all collectively trying to solve the problem of generating price discovery in the marketplace for climate / ESG risks.

The Securities and Exchange Commission (SEC) and the financial industry have placed the onus of climate / ESG disclosure squarely on the issuer, i.e., the company.

But this doesn't make any sense because prices are obviously formed from bids and offers, and the SEC requires disclosure from issuers (the offers), whereas for any of this data to be meaningful, the SEC should also require disclosure from institutional investors (the bids).

### **Policy Solution**

I could be wrong, but as far as I can tell after talking and writing about this very problem since July of last year, the optimal solution is a simple, easily implemented proposal that I call **Full Market Disclosure**:

- 1) We need to make sustainability ratings / ESG data free of cost for individual investors and small organizations, and
- 2) Require registered investment advisors and broker dealers with client assets over \$1 billion to disclose their ESG / climate research process for each transaction (with up to a 137 day delay) and report, respectively.

\* Please see my November 29, 2021, piece in Impact Alpha entitled, "[ESG Data is a Public Good. Let's Open It Up.](#)" for a fuller explanation.

\* Please also see my earlier letters to the SEC "[Full Market Disclosure of Climate Financial Risks,](#)" and "[Linux ESG: The Logical Next Step for Markets and Regulators.](#)"

### **Impact**

**Full Market Disclosure means that everyone at the table plays their climate cards face up to have the best read on climate risks.**

- Interestingly, Full Market Disclosure may generate bipartisan support. As I've learned in presenting my findings at a [conference](#) recently in New York, both right and left thought leaders all agreed that more ESG / climate data is best for markets.

- **Greenwashing by fund managers can easily be solved through Full Market Disclosure**, such that it becomes virtually impossible.
- As virtually all ESG data / models are proprietary, **Full Market Disclosure protects individual investors from opaque climate / ESG data.**

So long as the SEC has set up a simple way for the market to understand how that company's ESG / climate disclosure is being used and how these climate / ESG risks are being modeled and priced by institutional investors, **the actual disclosure that the SEC requires isn't that important because there is a solid feedback mechanism to organically rationalize the data and analysis between investors and companies.**

Company disclosure would instantly improve as they would be able to concretely grasp what their investors want. Therefore, it is essential to require a company's largest institutional investors to regularly disclose if and how they are modeling and pricing climate / ESG issues.

**The current policy proposal will create confusion for investors and companies, ending in failure.**

### **Making ESG Data a Public Good**

I have received widespread agreement privately by well informed and experienced sustainable / impact / ESG investors that Full Market Disclosure would be highly beneficial to everyone in the marketplace, except for the ESG data / ratings providers.

But as these companies generate about \$2 billion in worldwide revenue annually versus the combined value of stock and bond markets globally of roughly \$500 trillion – **a reward to risk ratio of 250,000 to 1 dictates that ESG data / ratings should become a public good.**

### **Alliance of Market-based Democracies**

How to pay for it? The leading market-based democracies of the US, Canada, UK, EU, Japan, South Korea, Australia, Singapore, New Zealand, and Switzerland **will easily unite on this issue to counter Russian led aggression and protect Western financial markets**, unleashing a major wave of climate and ESG investing innovation that will rival NASA in the sixties. This will protect American wealth.

The ripple effects of this would be enormous and felt throughout the world, leading to a rapid, universal repricing of assets – **particularly fossil fuels like coal, crude oil, and natural gas, which would be repriced downwards.** This will protect the American consumer and the US economy from inflation.

And as these risks and issues are profoundly complex, the innovation that would occur in this space would be ongoing for decades to come, generating meaningful price signals for restructuring our economies for a sustainable future. This will protect freedom and democracy.

Let's get ahead of the curve now and make our financial system "self-aware" of its climate / ESG risks – **creating real-time climate / ESG price discovery for the first time.**

Warm regards,

Gregory C. Beier  
Macro ESG Strategist and Founder  
Sustainability Arbitrage LLC