



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. S-07-10-22)

Dear Secretary Countryman:

NCX is a data-driven marketplace for forest carbon offsets, connecting corporate net-zero leaders with U.S. landowners to produce high-integrity carbon credits that help address the climate emergency. NCX helps landowners of all sizes, in all lower 48 states, to generate and commercialize carbon credits from their forested acres. We have worked with 3,800 public and private landowners on more than 5 million acres, with sales to companies like Microsoft, Rubicon, Cargill, and Pledge. Our first year resulted in 1.13 million tons MTCO_{2e} of expected climate impact from forests across an area larger than the state of Connecticut.¹

Our team conducts rigorous analysis to make sure that the carbon credits we produce are real, additional, and verifiable, letting our stakeholders be confident that our actions are contributing meaningfully to reducing carbon in the atmosphere.

We support the SEC taking the lead to require and improve climate-related disclosures. The private, voluntary market for carbon credits is expected to grow dramatically in the coming years, as rising numbers of corporations commit to net zero greenhouse gas emission targets and seek ways to offset their Scope 1, 2 and 3 emissions.^{2,3} It is imperative that as this market grows, the integrity of the credits produced and the claims companies make are transparent and verifiable.

¹<https://www.businesswire.com/news/home/20220302005321/en/NCX-Raises-50m-to-Fund-International-Expansion-and-New-Natural-Capital-Markets>

² Ecosystem Marketplace, *Voluntary Carbon Markets Top \$1 Billion in 2021 with Newly Reported Trades* (Nov. 10, 2021),

<https://www.ecosystemmarketplace.com/articles/voluntary-carbon-markets-top-1-billion-in-2021-with-newly-reported-trades-special-ecosystem-marketplace-cop26-bulletin/>.

³ Avery Ellfeldt, *Regulator tackles CO₂ offsets, as 'crisis of integrity' looms*, Politico (Jun. 3, 2022),

<https://subscriber.politicopro.com/article/eenews/2022/06/03/regulator-tackles-co2-offsets-as-crisis-of-integrity-looms-00036866>.

We find that the draft rule is a good first step, but that additional disclosures are needed to provide investors with sufficient information about material financial risks, in particular surrounding the use of carbon offsets. Investors need more detailed, consistent, and transparent information on the quality of offsets that companies purchase and rely upon to meet their climate goals. As the SEC develops its proposed rule for climate-related disclosures, we encourage you to consider the following comments.

1. The current voluntary carbon market includes significant and growing risk and uncertainty of non-delivery of claimed benefits. This creates inherent risk in the entire offset market and has the potential to compromise the integrity of registrants' net zero and other climate goals. The SEC should require disclosure of how the underlying projects used to create carbon offsets assess key questions of additionality, uncertainty, and risk of non-delivery.

First, additionality is a minimum requirement for a real offset to be generated. But many projects currently assess additionality of carbon storage using baseline models that are (1) geographically non-specific and/or (2), projected decades into the future. These approaches presume additionality over long periods of time, rather than empirically verifying their models. This leads to lower-certainty assessments of additionality and thus lower-quality carbon offsets.

Second, many methodologies also do not account for the inherent uncertainty in their baseline modeling. This results in higher risk of over-issuing credits, therefore leading registrants to potentially over-estimate the value of purchased offsets.

Third, many nature-based carbon credits are presumed to be permanent for 100 years. When purchasing such credits, buyers effectively pay up-front for the full benefit of 100 years of carbon storage. This approach exposes offsets to risk of non-delivery. Disruptions like wildfires and disease, when inadequately accounted for, can wipe out the claimed climate benefits of some types of nature-based solutions. The current practice of using buffer pools as an insurance-like mechanism is proving inadequate.

Finally, as carbon prices rise, the risk of non-delivery by providers who have locked in lower prices may increase over time.

To address these issues, the SEC should require companies to disclose their quantifications of risk and uncertainty of claimed emissions reductions via offsets. We believe that disclosure of these assessments will incentivize the market to develop high-quality offsets that provide verifiable climate benefits with lower risks of non-delivery.

2. In order for investors to understand the real climate benefit associated with companies' activities, SEC should require that companies report their total Scope 1 and 2 emissions, and that they do so before any offsets have been applied (Question 101). The SEC should also require registrants to provide sufficient detail on their climate targets, goals and plans to reduce and mitigate these emissions so that investors can evaluate and compare the climate ambition of the registrant and its potential future exposure. NCX views the use of offsets as additive to companies' sincere efforts to reduce all possible emissions across the Scopes. We agree that if carbon offsets are used, registrants should disclose the role that offsets play in their overall climate strategy (Question 24).

3. As part of the disclosure the SEC is proposing, in 17 C.F.R. § 229.1506(d), of the amount, source, project description and location, and registries or authentication of carbon offsets, we agree that if carbon offsets are used, registrants should be required to disclose specific information about those offsets (Question 173).

We believe that the core principles that constitute a credible carbon offset are as follows: robust assessment of additionality; robust accounting for risk of non-delivery; robust measurement or estimation of carbon removed or reduced; robust accounting for leakage; third party verification or certification; and avoidance of double counting.

We urge the SEC to require the disclosure of the following more specific information about any carbon offset projects the registrant will rely on to further its climate-related goals. This level of detail is required to provide the information needed to allow an investor to assess the credibility of the offset and make an informed choice about a company's efforts to mitigate climate-related risks.

- a. The total amount of carbon offsets used, measured in CO₂e.
- b. The offset standard and methodology under which the offsets were produced.
- c. The name of the third-party verifying or certifying body.
- d. The name of the offset project developer.
- e. The method for assessing additionality and whether additionality is presumed over the life of the offset or is evidence-based.
- f. Whether the offsets were issued before (ex-ante) or after (ex-post) the climate benefit was fully delivered, and the rate at which the climate benefit was delivered over the project period.
- g. The duration of the offsets crediting period.
- h. The methods used for measurement, reporting and verification of the offsets.
- i. Evaluation of the potential for leakage.
- j. Evaluation of the risk and uncertainty of reversal or non-delivery (Whether and how this risk has been assessed, and whether governance measures, such as a buffer pool, have been established to mitigate any potential risk).
- k. The registry where the offsets are tracked, as well as the name, identification number, or any other necessary information to identify the offset and project on that registry.
- l. The vintage year when the offsets were produced.
- m. The cost, in dollars per ton, of the offsets.

The entire net-zero community needs to be held to a higher standard of proof so that investors can assess whether the use of carbon offsets creates real, additional, and verifiable climate impact. Appropriate corporate disclosure requirements can help raise this standard and stimulate high-quality carbon sequestration programs that landowners, corporations and the public can all trust are in our collective best interest. As the CEO of NCX, I am personally committed to driving the public benefits created by carbon sequestration; increasing accountability through SEC disclosures is a critical step in ensuring these lasting benefits.

Respectfully submitted,

Zack Parisa, CEO of NCX