

# Congress of the United States

Washington, DC 20510

June 28, 2022

The Honorable Gary Gensler  
Chair  
Securities and Exchange Commission  
100 F Street NE  
Washington, DC 20549-1090

Re: File Number S7-10-22

Dear Chair Gensler:

As the Securities and Exchange Commission works to update its regulations to improve disclosure of a range of risks, we welcome the proposed rule on climate-related financial disclosures. The rule is squarely within your authority and mission to protect investors; maintain fair, orderly, and efficient markets; and facilitate formation of capital. We urge you to finalize the rule to ensure that investors have timely and accessible information regarding registrants' climate-related risks that are reasonably likely to have a material impact on a company's business, operations, or financial condition.

The economic impact of climate change is clear. Last year in the United States alone, climate change-fueled extreme weather caused more than \$145 billion in damage. These events, from increasingly severe wildfires to more frequent flooding, affect numerous corporate assets and operations by disrupting essential supply chains, damaging facilities, endangering workers, and undermining the ability of businesses to meet targets. A 2021 report from the Financial Stability Oversight Council identified that climate change is an emerging threat to U.S. financial stability.<sup>1</sup> However, in the same year, fewer than half of registrants reported aligning with frameworks for disclosing risks and impacts of climate change.<sup>2</sup> Such trends show that the system is making unacceptably slow progress towards the intended effect of the Commission's 2010 interpretive guidance, which instructed firms to disclose material risks from climate change.<sup>3</sup> As the impacts of climate change continue to drive increasingly severe economic disruption and loss, investors are intensifying their demands for information regarding the legal, technological, and market changes from these impacts and the global transition to a net-zero economy.

Investors need climate-related disclosures that are standardized to be comparable, specific, and decision-useful to enable meaningful evaluation of the risks associated with the physical impacts of a changing climate and the ongoing transition to a clean energy economy. Registrants should be required to disclose: 1) information about their corporate governance of climate-related risks and relevant risk management processes; 2) how climate-related risks can affect the registrant's strategy, business model, and outlook; and 3) the impacts of climate-related events, such as

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<sup>1</sup> Financial Stability Oversight Council, "Fact Sheet: The Financial Stability Oversight Council's Response to Climate-Related Financial Risk," (2021).

<sup>2</sup> See Sankalp Gaur, et al., "TCFD-Aligned Reporting by Major U.S. and European Corporations," Moody's Analytics (February 2022).

<sup>3</sup> Securities and Exchange Commission, "Guidance Regarding Disclosure Related to Climate Change," Release No. 33-9106, 75 FR 6290 (Feb. 8, 2010).

severe weather, and transition activities on the registrant's consolidated financial statements, as well as on the estimates and assumptions used in those statements. In addition, specific climate-related metrics should be required in a registrant's disclosures. These metrics should include physical risks and risk reduction targets; Scopes 1-3 greenhouse gas emissions and any clean energy and emissions reduction targets; and performance against those targets.<sup>4</sup> Scenario analyses that test the resilience of a company's strategy in different climate-related futures, such as a 1.5°C warming scenario, also should be considered to enhance financial disclosures.

Without a robust disclosures approach, widespread asset mispricing could lead to market disruptions due to abrupt price corrections. In 2016, Mark Carney, then-Governor of the Bank of England, warned that sharp changes in valuations of energy equities could cause a chain reaction throughout the financial sector.<sup>5</sup> In 2019, Commissioner Rostin Behnam of the Commodity Futures Trading Commission (CFTC), who is now Chairman of the CFTC, compared the financial risks of climate change to the 2008 financial crisis.<sup>6</sup> For these reasons, the CFTC's Climate-Related Market Risk Subcommittee concluded that climate change "poses a major risk to the stability of the U.S. financial system and to its ability to sustain the American economy."<sup>7</sup> It is precisely this sort of instability that consistent disclosures can uncover and address, preventing abrupt market disruptions.

It is the Commission's responsibility to exercise its authority to address the needs of investors and issuers alike by requiring that registrants disclose consistent, comparable climate-related information that may affect financial performance. Climate-related metrics and methodologies are available to support approaches from U.S. regulators and counterparts around the world to ensure disclosure of consistent, comparable, and decision-actionable information about climate risks of companies. The rule will support greater consistency for investors and companies working to navigate regulatory systems in international markets by better aligning U.S. reporting with other countries that already require these types of disclosures.

We applaud the Commission and staff for the thorough approach in seeking input, exploring the full range of options and methods, and designing a rule to respond to growing investor demand for climate-related risk information.

We urge the Commission to finalize the rule as quickly as possible.

Sincerely,

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<sup>4</sup> These disclosures should be similar to those that many companies already provide based on broadly accepted disclosure frameworks, such as the Task Force on Climate-Related Financial Disclosures (TCFD) and the Greenhouse Gas Protocol. *See, e.g.*, TCFD, Guidance on Metrics, Targets, and Transition Plans (Oct. 2021).

<sup>5</sup> Mark Carney, Governor, Bank of England, Chair, Financial Stability Board, "Resolving the Climate Paradox," Arthur Burns Memorial Lecture (Sept. 22, 2016).

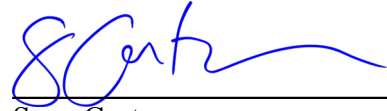
<sup>6</sup> Commodity Futures Trading Commission, Opening Statement of Commissioner Rostin Behnam Before the Market Risk Advisory Committee (June 12, 2019).

<sup>7</sup> Commodity Futures Trading Commission Climate-Related Market Risk Subcommittee of the Market Risk Advisory Committee, "Managing Climate Risk in the U.S. Financial System," (2020).



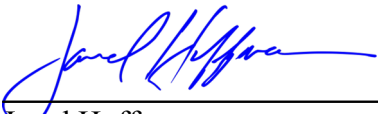
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Kathy Castor  
Member of Congress  
Chair, Select Committee on  
the Climate Crisis



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Sean Casten  
Member of Congress



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Jared Huffman  
Member of Congress



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Veronica Escobar  
Member of Congress



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Mike Levin  
Member of Congress



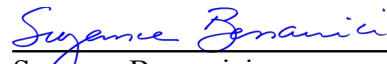
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Lisa Blunt Rochester  
Member of Congress



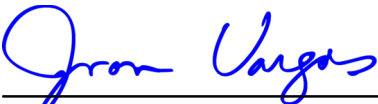
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Paul D. Tonko  
Member of Congress



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Suzanne Bonamici  
Member of Congress



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Donald S. Beyer Jr.  
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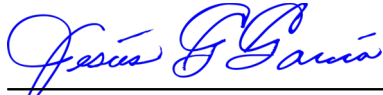
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Donald M. Payne, Jr.  
Member of Congress



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André Carson  
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Jesús G. "Chuy" García  
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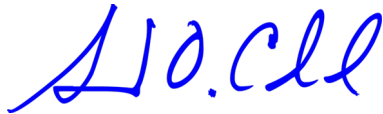
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Thomas R. Suozzi  
Member of Congress



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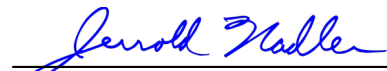
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Mark Pocan  
Member of Congress



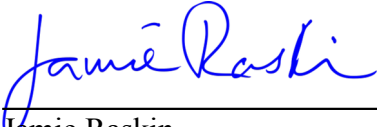
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Alan S. Lowenthal  
Member of Congress



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Jerrold Nadler  
Member of Congress



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Jamie Raskin  
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Robert C. "Bobby" Scott  
Member of Congress



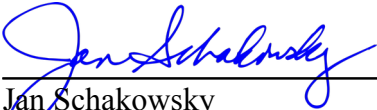
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Emanuel Cleaver, II  
Member of Congress



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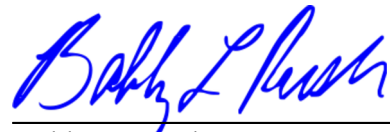
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Haley M. Stevens  
Member of Congress



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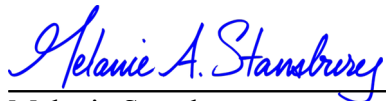
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Theodore E. Deutch  
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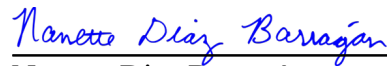
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Peter Welch  
Member of Congress



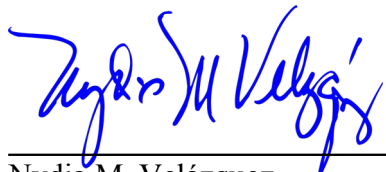
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Anthony G. Brown  
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Nanette Diaz Barragán  
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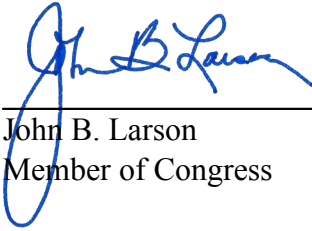
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A. Donald McEachin  
Member of Congress



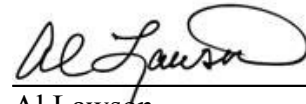
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Member of Congress



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Dwight Evans  
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David J. Trone  
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Ilhan Omar  
Member of Congress



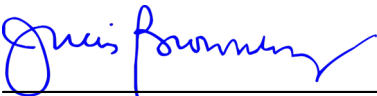
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Ro Khanna  
Member of Congress



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Lori Trahan  
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Julia Brownley  
Member of Congress



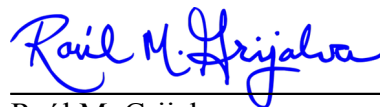
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Bonnie Watson Coleman  
Member of Congress



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Mark DeSaulnier  
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Raúl M. Grijalva  
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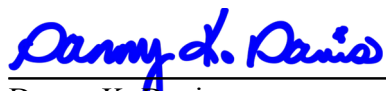
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Danny K. Davis  
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Matt Cartwright  
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Jimmy Panetta  
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Chellie Pingree  
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Jerry McNerney  
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James P. McGovern  
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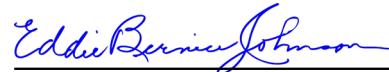
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Grace F. Napolitano  
Member of Congress



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Adam Smith  
Member of Congress



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Eddie Bernice Johnson  
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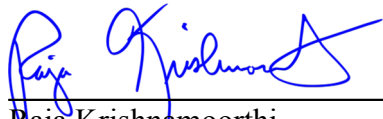
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Mike Quigley  
Member of Congress



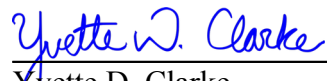
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Brenda L. Lawrence  
Member of Congress



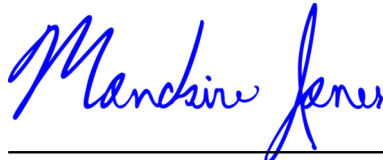
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Raja Krishnamoorthi  
Member of Congress



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Yvette D. Clarke  
Member of Congress



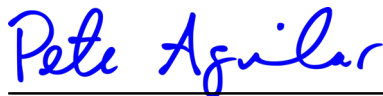
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Mondaire Jones  
Member of Congress



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Joe Neguse  
Member of Congress



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Pete Aguilar  
Member of Congress



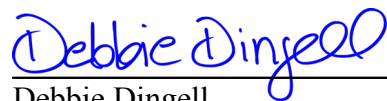
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Tom Malinowski  
Member of Congress



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Troy Carter  
Member of Congress



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Debbie Dingell  
Member of Congress



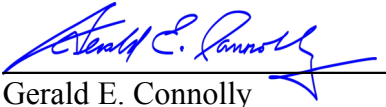
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Alma S. Adams, Ph.D.  
Member of Congress



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Peter A. DeFazio  
Member of Congress



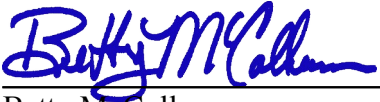
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Gerald E. Connolly  
Member of Congress



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Lauren Underwood  
Member of Congress



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Betty McCollum  
Member of Congress



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Jamaal Bowman, Ed.D.  
Member of Congress



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Henry C. "Hank" Johnson, Jr.  
Member of Congress



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Charlie Crist  
Member of Congress



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Lois Frankel  
Member of Congress



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Gwen S. Moore  
Member of Congress




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Marcy Kaptur  
Member of Congress



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Karen Bass  
Member of Congress



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Mark Takano  
Member of Congress



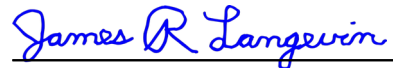
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Marie Newman  
Member of Congress



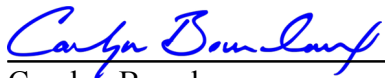
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John Yarmuth  
Member of Congress



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James R. Langevin  
Member of Congress



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Carolyn Bourdeaux  
Member of Congress



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Darren Soto  
Member of Congress



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Diana DeGette  
Member of Congress



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Deborah K. Ross  
Member of Congress



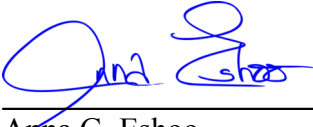
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Ritchie Torres  
Member of Congress



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Doris Matsui  
Member of Congress



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Anna G. Eshoo  
Member of Congress



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Zoe Lofgren  
Member of Congress



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Stephen F. Lynch  
Member of Congress



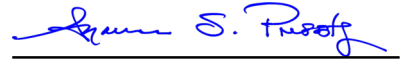
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Sheila Jackson Lee  
Member of Congress



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Mike Thompson  
Member of Congress



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Ayanna Pressley  
Member of Congress



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Scott H. Peters  
Member of Congress



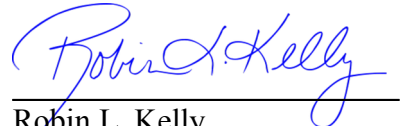
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Frederica S. Wilson  
Member of Congress



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Al Green  
Member of Congress



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Robin L. Kelly  
Member of Congress



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C. A. Dutch Ruppertsberger  
Member of Congress



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Lucille Roybal-Allard  
Member of Congress



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Bill Foster  
Member of Congress



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Brad Sherman  
Member of Congress



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Sean Patrick Maloney  
Member of Congress



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Shontel M. Brown  
Member of Congress



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Jason Crow  
Member of Congress



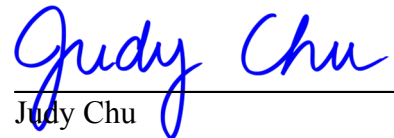
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Mike Doyle  
Member of Congress



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Eric Swalwell  
Member of Congress



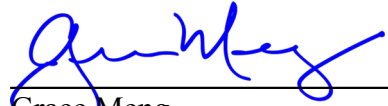
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Judy Chu  
Member of Congress



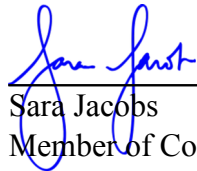
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Katie Porter  
Member of Congress



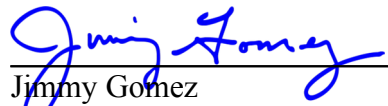
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Grace Meng  
Member of Congress



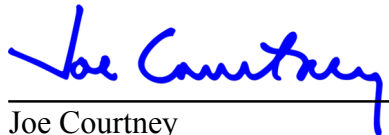
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Sara Jacobs  
Member of Congress



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Jimmy Gomez  
Member of Congress



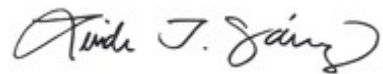
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Joe Courtney  
Member of Congress



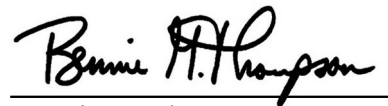
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David N. Cicilline  
Member of Congress



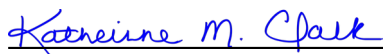
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Linda T. Sánchez  
Member of Congress



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Bennie G. Thompson  
Member of Congress



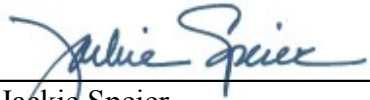
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Katherine M. Clark  
Member of Congress



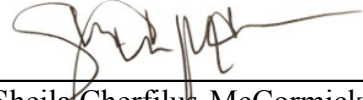
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Frank Pallone, Jr.  
Member of Congress



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Jackie Speier  
Member of Congress



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Sheila Cherfilus-McCormick  
Member of Congress



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Terri A. Sewell  
Member of Congress