Planette Inc. Input on Climate Change Disclosures

October 15, 2022

The Honorable Gary Gensler
Chair
U.S. Securities and Exchange Commission

Re: Request for Comment on Climate Change Disclosures

Dear Chair Gensler,

We are writing to you today in support of the SEC's proposed disclosures on climate change, which will require businesses to report present-day climate change impacts, and physical and transition risks (including emissions) going forward. As scientists with expertise in climate and energy systems, we believe that these proposed disclosure requirements are an excellent means of ensuring that the ongoing impacts of climate change are considered in financial decision making, allowing for greater economic resilience and a more prosperous future for all Americans.

Risks due to climate change are systemic, and permeate through all other risks that companies face, including credit, market, liquidity, operational, and reputational risks. These risks will increase as the Earth warms further (and as it is expected to through at least mid-century), and are a threat to the stability of the global economy and all intertwined financial systems. Indeed, financial losses due to climate change are mounting, and will only worsen with time: by 2050, climate change impacts across the globe are expected to cost $23T annually and will decrease US GDP by 4% per year.

Considering these threats, it is clear that losses and expenditures due to climate change, and risks of further impending losses, are material to investors, governments, and the general public. The SEC's proposed climate change disclosures intend to make these material factors (which indicate current and future risk exposure) clear, comparable, and rigorous. Unsurprisingly, governments around the world are recognizing the risks that climate change poses to the global financial system, and similar climate change disclosure requirements have been coming into effect over many different regions of the globe: Canada, Singapore, Japan, New Zealand, and the European Union, among others.

Some may argue that existing frameworks for disclosing climate-related risks are sufficient, such as that of the TCFD. So why might the proposed SEC disclosures be preferable to those suggested by the TCFD? We believe that it is because they require quantification of losses and expenditures, and full disclosure of enterprise risks due to climate change, both present and future. In this regard, the approach proposed by the SEC is much more thorough and rigorous, providing investors with the necessary data to make informed decisions about where to put their money. Such a quantitative approach to climate risk disclosures mirrors that expected of companies in their financial reporting, and, thereby, does not facilitate greenwashing.

Moreover, the proposed SEC climate change disclosures recognize that the financial impacts of climate change are occurring today, not only in some far-flung future. The planet has already warmed by 1.2C above pre-industrial temperatures, and the impacts of climate change are all around us. Just in the last few months, we've witnessed a devastating heatwave in China, torrential floods over Pakistan, a worsening drought over the American Southwest, and a Category 4 hurricane over Florida, all of which have been made more extreme and costly because of climate change. This year, Pacific Gas & Electricity became the first major corporate casualty of climate change, and there will likely be many others as the impacts of climate change intensify.

The proposed climate-related disclosure requirements, which may seem onerous at first glance, are imminently diagnosable because of advances in climate science and associated data analytics. Attribution of current year losses and expenditures to climate change is straightforward, thanks to the rigorous methodologies developed to assess how climate change contributes to meteorological extremes. And physical risks to assets, both at present and in the future, are straightforward to quantify using state-of-the-art observational products (which assimilate satellite and ground data) and projections from the current generation of Earth system models. Reasonable greenhouse gas emissions estimates are also possible, even for tricky Scope III emissions, due to advances in supply chain mapping.

Finally, many companies claim to have net zero targets. For such companies, the proposed SEC climate change disclosures would require a clear net zero transition plan, assuring investors and the public that these claims are not mere lip service, but are made in earnest with a clear pathway of action.

We understand that many small- and medium-sized businesses may be concerned about the effort required to assemble such climate change disclosures. At Planette Inc., we aim to provide rigorous, high quality, company-specific quantification of such climate-related losses and risks at nominal cost. We hope that such climate analytics services, provided by us and other firms, can help make such reporting straightforward for all companies, even for those without the resources to assemble in-house expertise.

Overall, we commend the SEC's proposal to make corporate costs and risks associated with climate change more transparent to investors, governments, and the public. Thank you for the opportunity to offer our perspective on this important matter.

Sincerely,

Prof. Hansi Singh (CEO & co-founder)
Dr. Kalai Ramea (CTO & co-founder)
Planette Inc.