Chairman Gensler
Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549

September 6, 2023

Re: GHG Protocol in the Context of Climate Disclosure

Dear Chairman Gensler,

We are writing as an informal coalition of companies and environmental NGOs with a strong interest in supporting transparency in climate-related disclosure and harnessing the power of markets to achieve the Biden administration's stated net zero 2050 goals. We each play a direct role in the fuel decarbonization ecosystem, particularly in Renewable Natural Gas (RNG) and Sustainable Aviation Fuel (SAF) markets. We appreciate the important work the Commission is doing to provide investors and issuers with clear information regarding climate-related risks.

Accuracy in GHG emission accounting is the cornerstone of climate disclosure. In its proposed rule entitled "The Enhancement and Standardization of Climate-Related Disclosures for Investors", the Commission acknowledged that the GHG Protocol has become a leading accounting and reporting standard for GHG emissions. We are generally supportive of referencing the GHG Protocol as a widely used standard and we also support the Commission's direction of leaving room for other GHG accounting approaches, as stated:

> "*Allowing for some flexibility in the choice of GHG emissions methodologies would permit registrants to adapt to new approaches, such as those pertaining to their specific industry, as they emerge.*"

Currently, most RNG, SAF, and renewable electricity is delivered virtually to the purchaser, sometimes by means of clean energy certificates (RECs), renewable natural gas certificates (RNG certificates), sustainable aviation fuel certificates (SAFc), or other environmental attribute certificates. Companies use these virtual purchase strategies to not only lower their own emissions but to provide valuable output purchase agreements to RNG, SAF, and renewable power projects.

Revisions of the GHG Protocol reporting framework that are under consideration could undermine these current decarbonization approaches, disincentivize investment in low-carbon solutions, and limit the ability of companies to achieve their voluntary GHG reduction goals. While we do not expect this issue to be resolved imminently, we would like to request a meeting with you to discuss how these developments could be noted and considered within the final Climate Disclosure Rule.

For more context, the GHG Protocol, which is administered by non-governmental, non-profit organizations, is contemplating disallowing recognition of the purchase of lower carbon fuels and power unless there is actual, direct, isolated delivery of the exact molecules or electrons from the production site to the end user. An overly restrictive definition of delivery of low or zero carbon fuels and power – especially if incorporated in SEC methods – would deter future investment and strand current investments in cost-effective and much needed decarbonization strategies.

According to the Energy Information Administration, 27.6 trillion cubic feet (Tcf) of natural gas was delivered to 77.7 million U.S. customers via pipeline in 2021. Pipeline delivery is the primary distribution method for natural gas. Physical delivery of natural gas is defined by contracts for injecting and

withdrawing equal amounts of natural gas from the common carrier system. To be commercially available, decarbonized natural gas must use the same physical distribution system – and therefore must use the same method of contracting for gas delivery. Despite this, some stakeholders working on the revisions to the GHG Protocol have advocated prohibiting standard commercial practices for decarbonized gas transactions. It would be a mistake for the SEC to accept this limitation in its rulemaking as it would discourage investment in projects that reduce harmful methane emissions.

For scope 2 emissions, virtual delivery of electricity has been explicitly allowed since the publication of the GHG Protocol Scope 2 Guidance in 2015. In addition, virtual delivery structures have become a common industry practice that allow companies to set and achieve ambitious scope 1 and scope 3 emissions reductions (e.g., for thermal heat via purchasing supplies of RNG, or business travel via SAF certificates). The ability to use virtual delivery structures – parallel to location-based accounting to ensure full transparency – is crucial to channeling investment into low-carbon energy sources and thereby accelerating the decarbonization of many sectors of the U.S. economy. Additionally, the California Air Resources Board, which is arguably one of the leading government agencies achieving decarbonization market outcomes, allows virtual delivery mechanisms to count towards natural gas decarbonization.

We are not asking the Commission to weigh in on this debate with the administrators of the GHG Protocol. Many of us, as well as hundreds of other stakeholders, have recently submitted comments to the GHG Protocol in support of the current delivery structures and the administrators have delayed action on this topic as they gather more information. We do believe that – to the extent the forthcoming Disclosure Rule references GHG accounting standards, such as the GHG Protocol – it is extremely important that the Commission be fully aware of the potential unintended consequences of creating commercially unworkable physical delivery requirements for decarbonizing fuels and power in its GHG disclosure requirements.

We thank you for your attention to this matter and look forward to hearing from you regarding a meeting with our coalition members. Please contact Jordan Flanagan at jflanagan@ajw-inc.com for scheduling purposes.

Sincerely,