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SEC by the Nov. 1 deadline.

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*By Ellen Meyers, CQ-Roll Call (TNS)*

Supporters and opponents of climate-related financial risk disclosure made a last push to influence the Securities and Exchange Commission as the agency works on finalizing its controversial rule, a process that could take months.



One group, the London-based independent financial think tank Carbon Tracker, told the SEC that of the 134 multinational companies that are responsible for up to 80 percent of corporate industrial greenhouse gas emissions, virtually all failed to include the impact of climate-related matters in their fiscal 2021 financial statements.

"As well as a lack of transparency about the consideration of climate risks, once again we found internal inconsistencies in registrants' climate-related reporting for the companies analyzed," Carbon Tracker said. "As in the prior year, companies did not appear to consider the costs of their publicly stated emissions targets, the effects of internal carbon pricing, or the potential impacts of the energy transition when valuing assets or estimating such assets' remaining useful lives."

Given that many companies report climate risk and ESG information on a largely voluntary basis, investors could be missing out on key information that affects corporations' financial and sustainability performance, ESG proponents say.

"The current ad-hoc state of climate disclosure from U.S. registrants does not meet many investors' needs for comprehensive, science-based, decision-useful data from all enterprises facing material short, medium, and long-term climate change risks," said Matthew Patsky, CEO of Trillium Asset Management. The ESG-focused investment firm has approximately $5.3 billion in assets under advisement.

## The proposal

The SEC voted 3-1 in March to propose rules that would address a lack of standardization in corporate reporting on climate risk.

If the rule is finalized, public companies would have to report direct greenhouse gas emissions, known as Scope 1, as well as indirect pollution from purchased electricity and other forms of energy, or Scope 2. Large companies would have to give



emissions, investors face a significant risk that registrants will not adequately inform them about the climate-related financial risk they are facing," the Sierra Club said in a Nov. 1 comment letter.

Since the rule was proposed, SEC commissioners and staff have held more than 150 meetings with companies that would be affected by potential regulations, according to memos published by the agency. Among them are oil and gas companies BP PLC and ConocoPhillips Co. and financial institutions BlackRock Inc., Barclays PLC and The PNC Financial Services Group Inc.

The SEC has also met with trade associations and advocacy groups.

Sustainability nonprofit Ceres, which has worked with companies as well as investors to advocate for federal climate policy and climate risk disclosure, met with the agency 15 times between April and early November. The U.S. Chamber of Commerce, Americans for Financial Reform and the Center for American Progress also had multiple meetings with commissioners and staff during that time.

While the proposal has broad support, the SEC faces a daunting task to balance the various parties' interests and arguments dissecting the more-than-500-page rule.

On top of that, Republicans and some interest groups have been arguing that the Supreme Court's June decision in West Virginia vs. EPA indicates the SEC lacks statutory authority to implement a climate disclosure rule—an argument that SEC Chairman Gary Gensler and other supporters of the proposal have rejected repeatedly.

Those headwinds will likely mean that parties on both sides of the climate risk disclosure proposal will have to wait until 2023 to see a final rule from the agency.

Scope 3 emissions, which are indirect emissions from supply chains, remained one of



Democratic Reps. Cindy Axne of Iowa, Jim Costa and Jimmy Panetta of California, Abigail Spanberger of Virginia and Sanford D. Bishop Jr. of Georgia sent a letter expressing concern that farmers and small businesses that serve as vendors and suppliers to major companies will get swept up in corporations' reporting on Scope 3 emissions.

"Our constituents worry that since they are part of the supply chain for large public companies, they may be asked to report detailed emissions information to their customer or supplier and face additional reporting burdens," the lawmakers said last month in a letter to Gensler.

"While we do not believe the proposal's intent is to burden small and medium sized family farmers and businesses, we urge you to help alleviate these concerns by making that more clear and providing additional protections in any final rule," they added.

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