



May 11, 2022

VIA ELECTRONIC MAIL

Vanessa A. Countryman, Secretary  
Securities and Exchange Commission  
100 F Street NE  
Washington, DC 20549-1090

**RE: RIN 3235-AM87; The Enhancement and Standardization of Climate-Related Disclosures for Investors; File Number S7-10-22**

Dear Ms. Countryman,

Thank you for the opportunity to respond to the Securities and Exchange Commission's proposed rule amendments, "The Enhancement and Standardization of Climate-Related Disclosures for Investors." The Carbon Neutral Coalition's mission is to make Texas carbon neutral by 2050. Although we are actively engaged in creating the framework for carbon neutral investments that will lower our carbon emissions, we oppose the SEC's new regulation requiring Scope 3 emission disclosure. The disclosures will not result in emission reductions as intended. Instead, Scope 3 emission disclosures will result only in confusion and overcounting for Scope 3 emission responsibility.

The Carbon Neutral Coalition (CNC) is a Texas organization dedicated to shaping the future of fossil fuels. CNC was founded by Corbin J. Robertson Jr., Chairman and CEO of Natural Resource Partners, and CNC's Advisory Board is chaired by Susan Combs, former Assistant Secretary for Policy, Management and Budget at the U.S. Department of Interior. The objective of CNC is to achieve carbon neutrality by 2050 while also preserving affordable, reliable energy, creating jobs, and maintaining a strong economy, through the use of carbon capture, utilization and storage (CCUS) technologies and other innovative energy initiatives.

Active engagement in carbon reduction strategies, such as CCUS, is the smartest path toward carbon neutrality, not the reporting of Scope 3 emissions. Not only will the reporting be overly complicated, inaccurate, and exaggerated, climate solutions, to be effective, would have to be global, not national, to have any significant effect. SEC reporting by U.S. entities alone will not touch the majority of energy sources. Materials for renewables, batteries, and elective vehicles come from other countries who will not comply with SEC reporting. To be accurate and effective, all energy sources need the same reporting standards, all over the world. The new Scope 3 rule is overly burdensome on the U.S., without achieving any significant goal. For these reasons, CNC opposes these rule amendments.

## **I. CCUS Technology and Mitigating Effects**

CNC recently provided comment in support of the Council for Environmental Quality's focus on Carbon Capture, Utilization and Storage (CCUS) technologies, and the administration's commitment to "accelerating the responsible development and deployment of CCUS to make it a widely available, increasingly cost-effective, and rapidly scalable climate solution across all industrial sectors."<sup>i</sup>

To address climate-related risks, the answer is not more regulation and reporting but instead the adoption of carbon capture technology, storage, and the utilization of captured carbon to create new products and cleaner fuels like hydrogen and/or store carbon underground, in grasslands, forests, and seas will, on balance mitigate or offset the climate risks that concern the agency. As public companies engage in these activities, and more widely deploy these technologies (as clearly contemplated by the CEQ requested public comment), investors should be aware of these positive developments, including:

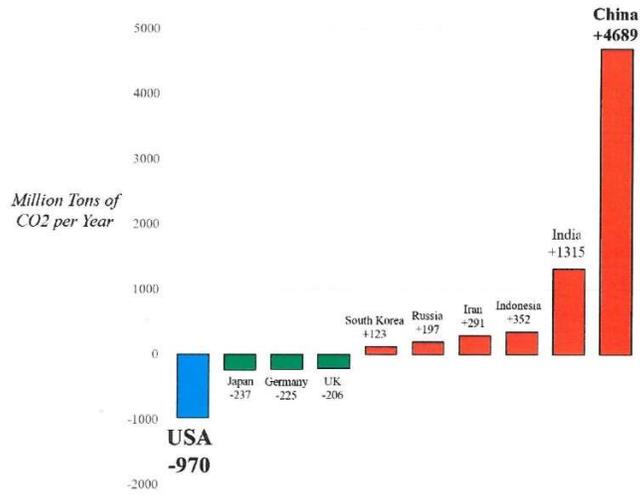
- Reducing emissions through carbon capture and natural sequestration.
- Creation of new products like CO<sub>2</sub> concrete and carbon free steel.
- Permanent geologic CO<sub>2</sub> storage reduces CO<sub>2</sub> in the atmosphere.
- Recognize the upside for public companies that engage in these activities

## **II. Global Climate Change Solutions**

The CO<sub>2</sub> contribution to climate change is a global problem, not a national problem. The U.S. has been more effective at reducing CO<sub>2</sub> emissions than any other country, as evidenced by the charts below. To be truly effective, transparent and accurate accounting for all CO<sub>2</sub> emissions from around the world is needed. Climate change solutions require global standards and implementation, rather than overly burdensome and duplicative reporting requirements for the U.S.

## 2005 to 2020 Change in CO2 Emissions

Annual Million Metric tons of CO2 Difference

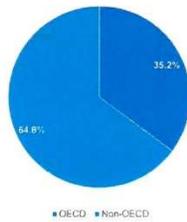


Source: Our World in Data

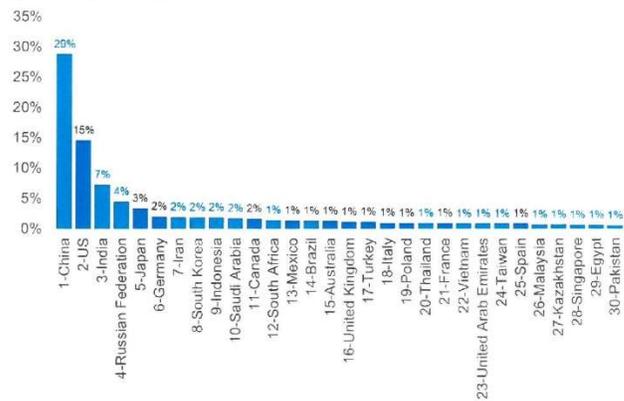
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## Largest Energy-Related CO<sub>2</sub> Emitters

Share of Energy-Related CO<sub>2</sub> Emissions (2019)



30 Largest Emitters, Energy-Related CO<sub>2</sub> (percentage, 2019)



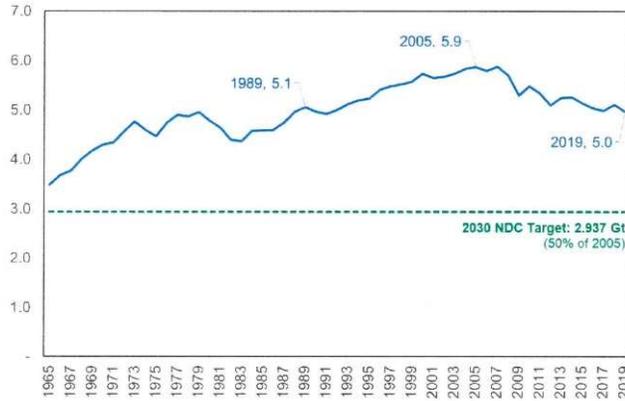
TUDORPICKERING  
HOLT & CO

Source: BP, BLS, EIA, IHS Markit, Investment Banking. Note: the thirty countries in the bar chart accounted for 87% of global energy-related CO<sub>2</sub> emissions in 2019. The European Union accounted for 10% of the global total in that year. There are presently 37 member countries in the OECD. Colombia became the latest member on April 28, 2020.

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# CO<sub>2</sub> Energy-Related Emissions

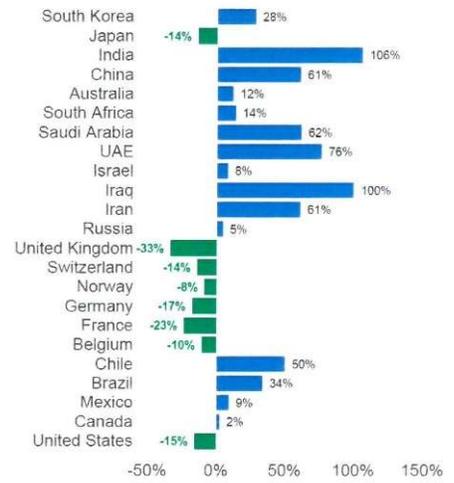
**US Energy-Related CO<sub>2</sub> Emissions**  
gigatonnes per year



TUDOR PICKERING  
HOLT & CO

Source: BPSR, BLR, TPH Commodities/Investment Banking. Note: global energy-related CO<sub>2</sub> emissions tallied to 34.199 Gt in 2019.

**Energy-Related CO<sub>2</sub> Emissions:**  
2019 as % change from own 2005 level



### III. Renewables, Batteries, and EV Sources

The materials needed for renewables, such as solar and wind, batteries, and EVs are sourced overseas (see chart below from the USGS Mineral Commodity Summaries 2020).

#### 2019 U.S. NET IMPORT RELIANCE<sup>1</sup>

Commodity	Percent	Major import sources (2015–18) <sup>2</sup>
ARSENIC (all forms)	100	China, Morocco, Belgium
ASBESTOS	100	Brazil, Russia
CESIUM	100	Canada
FLUORSPAR	100	Mexico, Vietnam, South Africa, China
GALLIUM	100	China, United Kingdom, Germany, Ukraine
GRAPHITE (natural)	100	China, Mexico, Canada, India
INDIUM	100	China, Canada, Republic of Korea, Taiwan
MANGANESE	100	South Africa, Gabon, Australia, Georgia
MICA, sheet (natural)	100	China, Brazil, Belgium, Austria
NEPHELINE SYENITE	100	Canada
NIOBIUM (columbium)	100	Brazil, Canada, Russia, Germany
RARE EARTHS <sup>3</sup> (compounds and metal)	100	China, Estonia, Japan, Malaysia
RUBIDIUM	100	Canada
SCANDIUM	100	Europe, China, Japan, Russia
STRONTIUM	100	Mexico, Germany, China
TANTALUM	100	Rwanda, Brazil, Australia, Congo (Kinshasa)
YTTRIUM	100	China, Estonia, Republic of Korea, Japan
GEMSTONES	99	India, Israel, Belgium, South Africa
BISMUTH	96	China, Belgium, Mexico, Republic of Korea
TELLURIUM	>95	Canada, China, Germany
VANADIUM	94	Austria, Canada, Russia, Republic of Korea
TITANIUM MINERAL CONCENTRATES	93	South Africa, Australia, Canada, Mozambique
POTASH	91	Canada, Russia, Belarus, Israel
DIAMOND (industrial stones)	88	India, South Africa, Botswana, Australia
BARITE	87	China, India, Morocco, Mexico
ZINC (refined)	87	Canada, Mexico, Australia, Peru
TITANIUM (sponge)	86	Japan, Kazakhstan, Ukraine, China, Russia
ANTIMONY (metal and oxide)	84	China, Thailand, Belgium, India
RHENIUM	82	Chile, Germany, Kazakhstan, Canada
STONE (dimension)	81	China, Brazil, Italy, Turkey
COBALT	78	Norway, Japan, China, Canada
TIN (refined)	77	Indonesia, Malaysia, Peru, Bolivia
ABRASIVES, fused Al oxide (crude)	>75	China, Hong Kong, France, Canada
BAUXITE	>75	Jamaica, Brazil, Guinea, Guyana
CHROMIUM	72	South Africa, Kazakhstan, Russia
PEAT	70	Canada
SILVER	68	Mexico, Canada, Peru, Poland
GARNET (industrial)	64	Australia, India, South Africa, China
PLATINUM	64	South Africa, Germany, Italy, Russia
ALUMINA	54	Brazil, Australia, Jamaica, Canada
MAGNESIUM COMPOUNDS	52	China, Canada, Australia, Hong Kong
ABRASIVES, silicon carbide (crude)	>50	China, South Africa, Netherlands, Hong Kong
GERMANIUM	>50	China, Belgium, Germany, Russia
IODINE	>50	Chile, Japan
IRON OXIDE PIGMENTS (natural and synthetic)	>50	China, Germany, Brazil, Canada
TUNGSTEN	>50	China, Bolivia, Germany, Spain
DIAMOND (industrial dust, grit, and powder)	50	China, Ireland, Republic of Korea, Russia
CADMIUM	<50	China, Australia, Canada, Peru
MAGNESIUM METAL	<50	Israel, Canada, Mexico, United Kingdom
NICKEL	47	Canada, Norway, Australia, Finland
SILICON (metal and ferrosilicon)	41	Russia, Brazil, Canada
MICA, scrap and flake (natural)	37	Canada, China, India, Finland
COPPER (refined)	35	Chile, Canada, Mexico
PALLADIUM	32	South Africa, Russia, Germany, Italy
LEAD (refined)	30	Canada, Mexico, Republic of Korea, India
SALT	29	Chile, Canada, Mexico, Egypt
PERLITE	28	Greece, China, Mexico
LITHIUM	>25	Argentina, Chile, China
BROMINE	<25	Israel, Jordan, China
SELENIUM	<25	China, Philippines, Mexico, Germany
ALUMINIUM	22	Canada, Russia, United Arab Emirates, China
IRON and STEEL	21	Canada, Brazil, Republic of Korea

<sup>1</sup>Not all mineral commodities covered in this publication are listed here. Those not shown include mineral commodities for which the United States is a net exporter (abrasives, metallic; boron; clays; diatomite; gold; helium; iron and steel scrap; iron ore; kyanite; molybdenum concentrates; sand and gravel, industrial; soda ash; titanium dioxide pigment; wollastonite; zeolites; and zirconium mineral concentrates) or less than 21% import reliant (beryllium; cement; feldspar; gypsum; iron and steel slag; lime; nitrogen (fixed)-ammonia; phosphate rock; pumice; sand and gravel, construction; stone, crushed; sulfur; talc and pyrophyllite; and vermiculite.). For some mineral commodities (hafnium; mercury; quartz crystal, industrial; thallium; and thorium), not enough information is available to calculate the exact percentage of import reliance.

<sup>2</sup>In descending order of import share.

<sup>3</sup>Data include lanthanides.

**Copper demand.** What about its footprint? Copper Mines have huge environmental impacts, concentrates are shipped, and manufacturing is overseas.

## How Cu Will Power the Next Generation of Clean Tech



**WIND TURBINES**  
Copper demand from wind energy will account for 20% of green demand, with copper intensity expected to grow as offshore projects that require twice as much copper become more prevalent.

ROTOR BLADES  
GEARBOX  
NACELLE  
GENERATOR  
CABLES  
TOWER



**ELECTRIC VEHICLES**  
Electric vehicles have more than 5 times the copper of ICE vehicles and by the end of decade they will account for around 40% of the green copper demand.

CHARGING STATION  
CABLES  
BATTERY  
MOTOR



**SOLAR PANELS**  
Copper is key for efficiency and performance of PV panels and thanks to their fast declining cost and deployment they will be the second driver of green demand after EVs.

FRAME  
PANEL SURFACE  
CELL  
INTERCONNECTORS



**ENERGY STORAGE**  
In EVs copper is mostly used for batteries and in the future the development of grid energy storage systems will represent a key upside risk for green copper demand.

CURRENT COLLECTOR  
ANODE (graphite)  
SEPARATOR  
CATHODE (different formation)  
ELECTROLYTE (lithium salts)  
CURRENT COLLECTOR

Source: World Bank, ICA, Copper Alliance, Goldman Sachs Global Investment Research

## Copper in Solar Technology

There are approximately  
**4.56t per MW**  
of copper in solar power systems

Commonly used in



**Interconnectors**  
used to connect the solar cells and form the solar panel



**Wiring**  
used for conducting electricity



**Inverters**  
used to invert the DC current into AC current

**Total demand in 2030: 1.6mn mt and 3.3mn mt in the hyper adoption case**

Source: Copper Alliance, Goldman Sachs Global Investment Research

mt = metric ton = 1,000 kilograms = 2,205 pounds

## Copper in Wind Farms

A 3 megawatts (MW) wind turbine contains up to  
**4.7t of copper**



**Cables**  
used to bring the current down to the base of the tower and to the power grid



**Generator**  
uses the kinetic energy of wind to generate electricity



**Transformers**  
used to step up voltage

**Total demand in 2030: 1.3mn mt and 2.1mn mt in the hyper adoption case**

Source: Copper Alliance, Goldman Sachs Global Investment Research

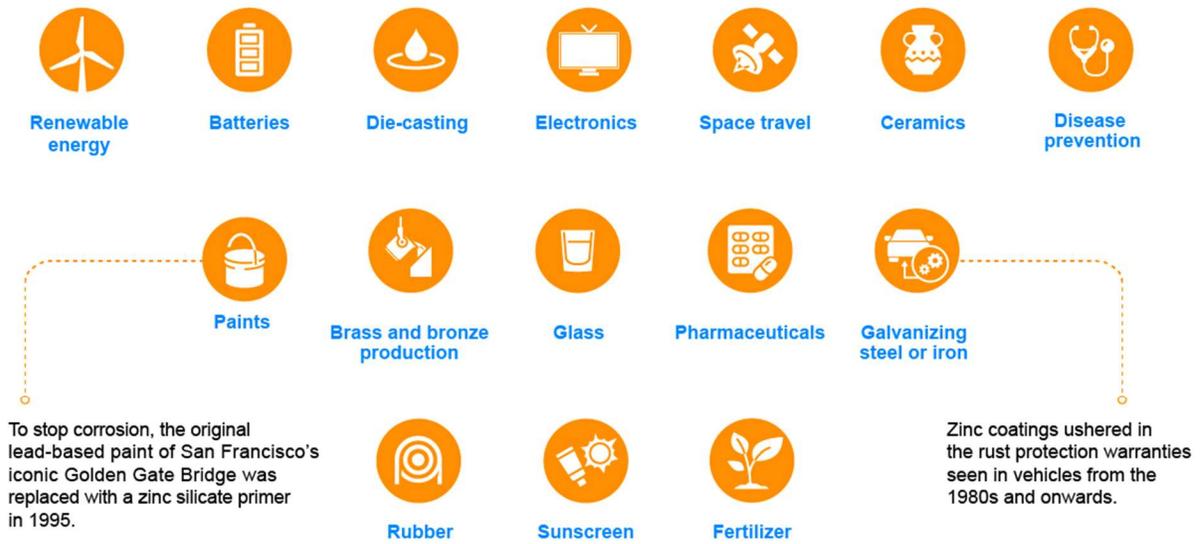
mt = metric ton = 1,000 kilograms = 2,205 pounds

**Zinc demand.** What about its footprint? Mines have huge environmental impacts, concentrates are shipped, smelters are nasty, manufacturing is overseas.

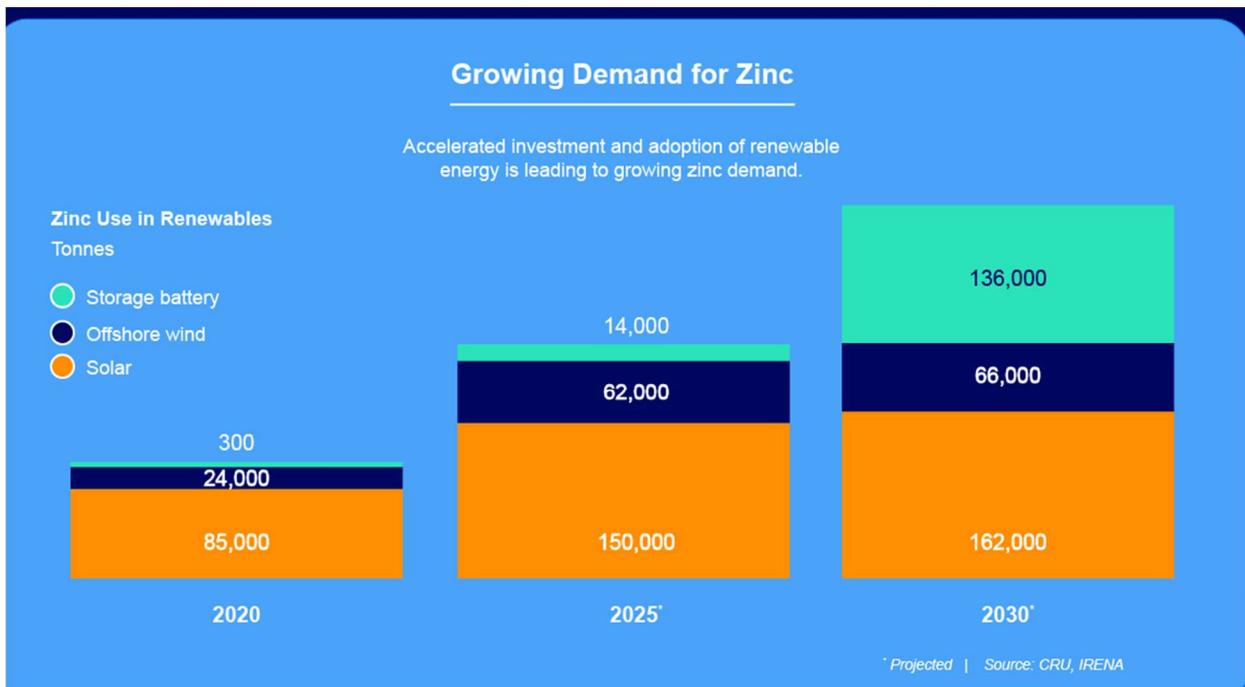
## The Versatile Metal

From transistors to lasers, satellites to circuit boards, photocopiers to fuel cells, zinc is one of the most versatile and essential materials.

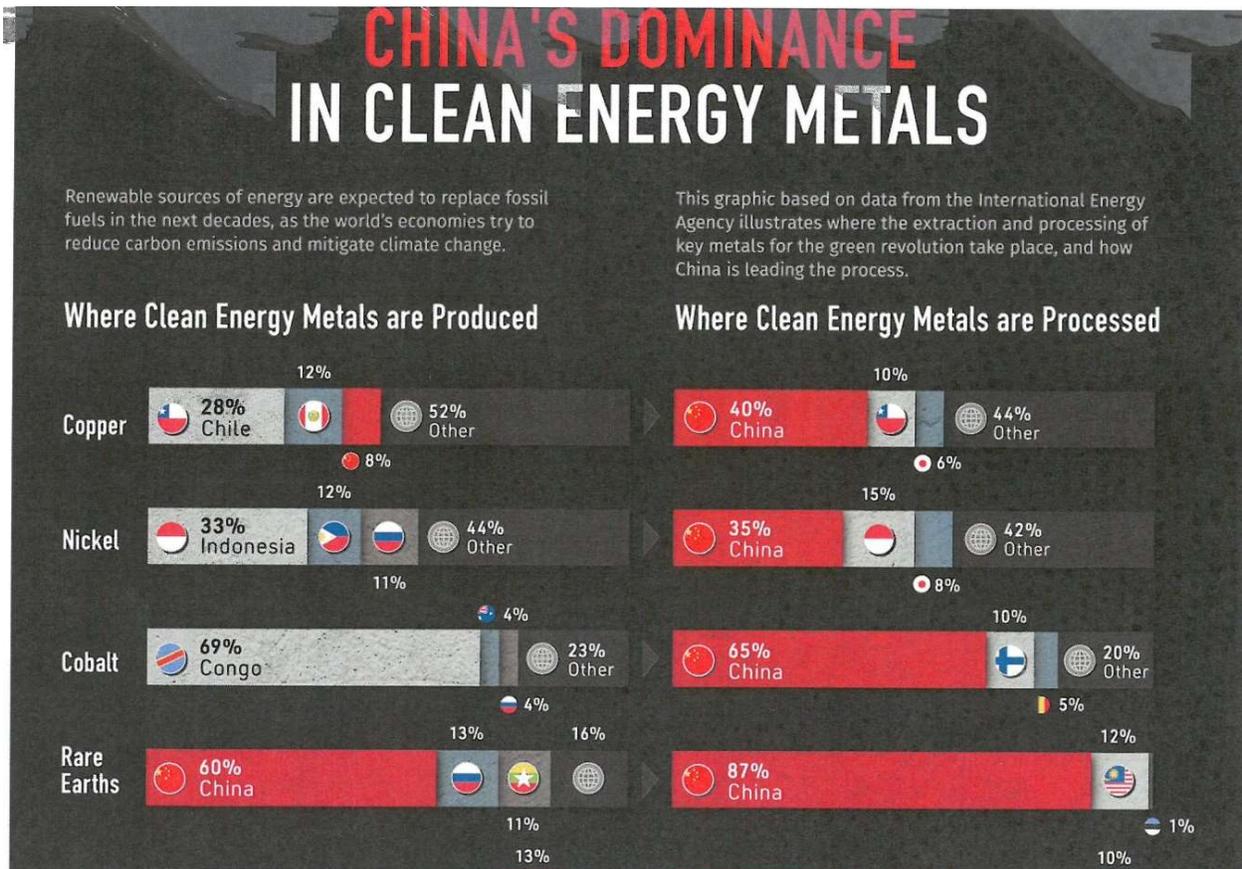
### Zinc's Applications



Source: International Zinc Association



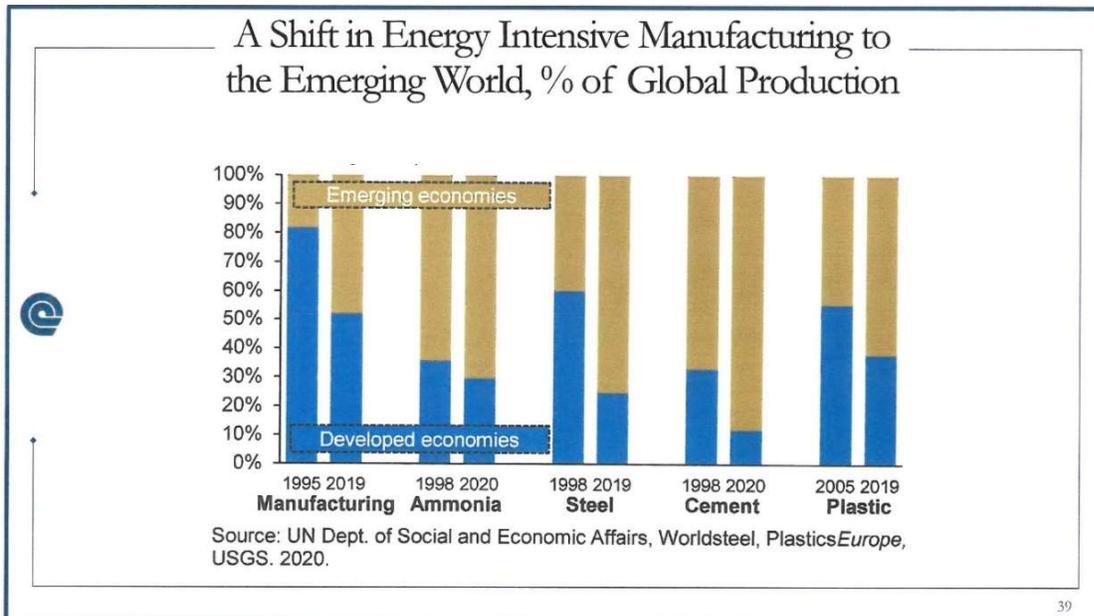
China controls reserves and processing for 70% of the world's supply of lithium, cobalt, rare earth, and other materials needed to manufacture solar panels, batteries, EVs, and other renewable components.



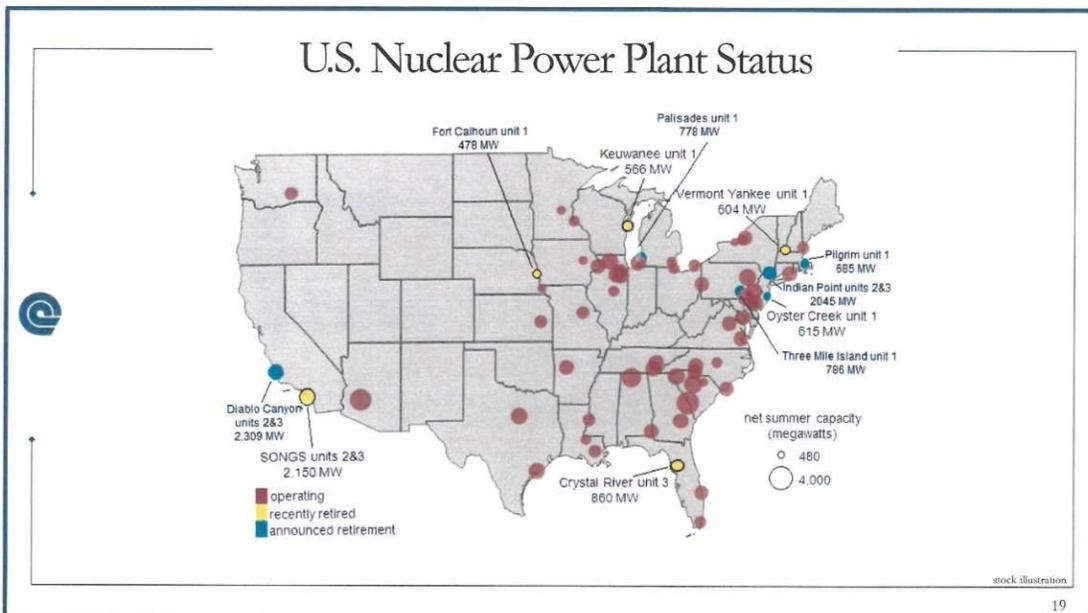
As evidenced by these charts, the pursuit of renewables, batteries, and EV materials present many more problems than solutions to any climate challenge. Questions include:

- These raw materials are sourced from what country at what footprints?
- Transported to be processed at what footprints?
- Processed at what footprints?
- Transported to assembly/construction at what footprints?
- Constructed at what footprint for all necessary materials, concrete, steel, glass and what are their footprint?
- For batteries, what are the footprints of their power source?
- What infrastructure is needed at what footprints to use renewables and EVs power transmission lines, distribution line upgrades for local demand, EV charging stations at home, office and on highway/street systems.

The shift in energy intensive manufacturing to the emerging economies means that the SEC reporting will have little effect on CO2 emissions. As these trends continue, global coordination and accountable reporting become more essential (see Chart below).



**Waste Management:** Oil, gas and coal are accountable for their waste. Wind, solar, nuclear, geothermal and biomass need to plan for their permanent waste disposal and other footprints around the globe. After 40 years of operation and nuclear waste generation, the US is allowing the nuclear waste to be stored onsite in short lived containers.



How will the SEC account for the waste created by the overseas mining, transport, processing, assembly, and distribution of all the materials used in the energy supply chain? Renewables, batteries, and EVs are completely dependent on foreign sources that do NOT report to the SEC, making any goals of an overall reduction in emissions impossible under these efforts.

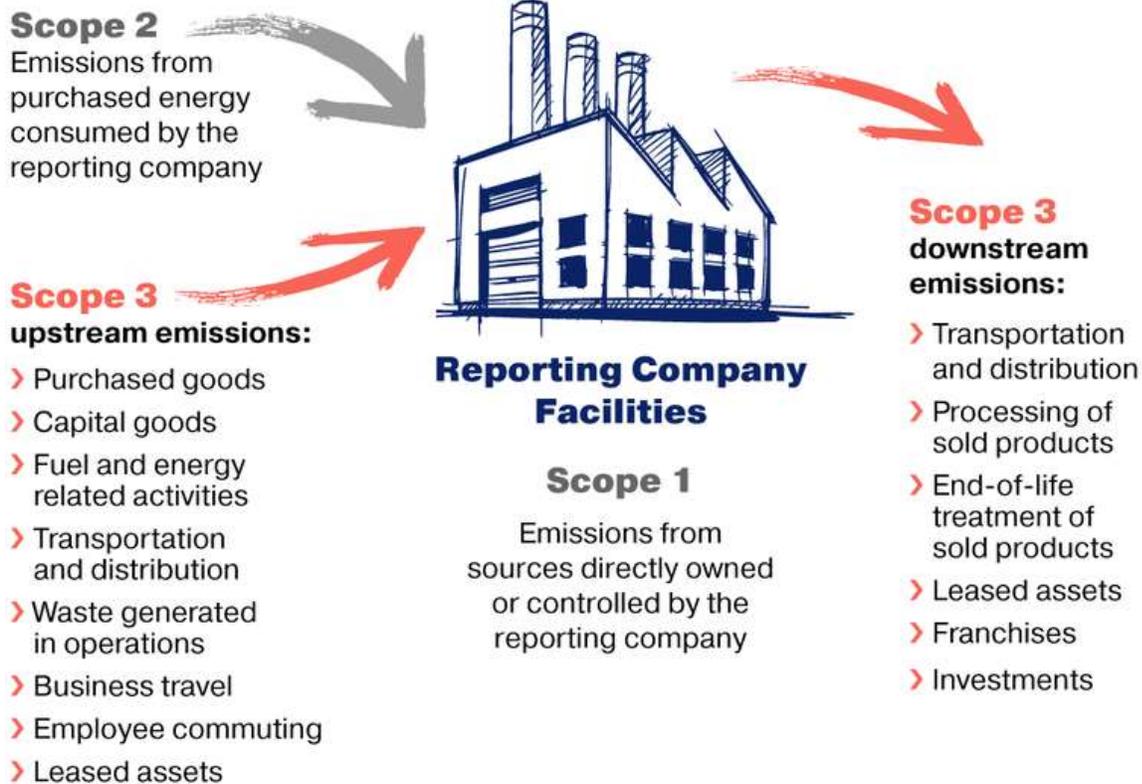
#### **IV. Detriment of Reporting Requirement on Scope 3 Emissions**

Scope 3 Emissions reporting comes with many detriments and barriers to reaching climate goals, achieving the opposite of intended effect. As evidenced above, inconsistent international standards will negate the accuracy and accountability of SEC Scope 1, 2, and 3 reporting. Without consistent standards, and a global application, emissions reporting required by the SEC will result in confusion and inaccuracy. Further, potential costs of new rules and the difficulty of accurate reporting will stall innovation which would effectively reduce carbon emissions. Assessing who is responsible for Scope 3 emissions will be very difficult and contradictory; overcounting Scope 3 emissions is dishonest. The inevitable inaccuracy of reporting, due to inconsistent standards and overlap of emission information, will inevitably lead to lawsuits against the energy industry, again tying up the resources and focus away from innovation.

There are many parties that are partially responsible for Scope 3 emissions. There is no way that the responsibility can be assigned, so Scope 3 emissions are not over-counted. Energy production, transportation, processing, distribution and its multitude of products will create multiple entities reporting the same thing, which will exponentially over state Scope 3.

## Climate risk in the corporate value chain

A company's Scope 3 emissions occur from upstream and downstream activities and goods



### V. Need for Energy Parity in Regulations

Wind, solar, batteries, and EVs are manufactured from materials that are sourced internationally, have extensive carbon, environmental, social, and import footprints and are creating environmental damage around the world. The SEC must enforce the source standards on all energy sources. It does not matter where carbon is emitted. It has the same effect on climate.

Rather than punishing U.S. energy sources, there is a need to create a reporting template at multiple levels to create an accountable standard for all energy sources, such as a reporting template in which each company will disclose information that measures its carbon footprint, energy intensity or density, environmental impact, social/human impact, waste management, import dependence and economic impact for its products. Please provide guidance for how each reporting standard should be measured. To be truly equitable, there needs to be a template setting standards and measurement so that all energy is measured the same.

**Each energy source should be evaluated using comparable metrics including its current contribution to the US energy supply:**

- Carbon intensity (GHG)/air emissions
- Energy density
- Acreage required for each energy source per output (land use matters)
- Processing, transportation and distribution
- Feed stock availability
  - Foreign and from where?
  - Domestic
  - Logistics
  - Cost
  - Reserve/production ratio vs useful life of components
  - Social/human/labor intensity
- Environmental footprint
- Governance
- Infrastructure requirement:
  - greenfield vs brownfield
  - waste disposal plan and cost
- Economic factors:
  - Benefits of accelerator effect
    - USA
    - Foreign
  - Infrastructure
  - Capital cost
  - Operating cost
  - Jobs – domestic or foreign
  - Tax base/royalties/other public support/tax benefit or taxpayer
  - Economic impact/GNP dependence

## **VI. Conclusion**

In conclusion, the SEC, our federal and state governments should confront accountability with a global, cradle-to-grave analysis that all energy sources are required to report on a standardized basis that is accountable, verifiable, factual, and universal. There is no energy source available that does not have a carbon, environmental, social/human, waste management and import footprint. The evaluation should provide a level playing field based upon total, factual accountability. Where there is not a source of reliable, factual data, reporting sources should provide a transparent accounting for the estimated footprints. Our global economy is interdependent, but transparent information is not available on all impacts. **If the SEC's reporting requirement objective is to reduce CO2 emissions, it MUST have international accountability for all energy sources.**

As former Comptroller of the state of Texas, I was its CFO and Treasurer. Regulatory frameworks inevitably spur business and investment decisions. In my view, the goal

should be to balance regulatory need versus regulatory burden, and I am very concerned that the proposed regulation as drafted would be unreasonably burdensome, deter capital investment in vital energy processes, and not produce a good result.

Thank you.

Sincerely,

A handwritten signature in black ink that reads "Susan Combs". The signature is written in a cursive, flowing style.

Susan Combs  
Chair, Advisory Board, Carbon Neutral Coalition

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<sup>i</sup> <https://www.whitehouse.gov/wp-content/uploads/2021/06/CEQ-CCUS-Permitting-Report.pdf>