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CLIMATE VAULT

May 31, 2022

Via Electronic Mail

Secretary Vanessa Countryman
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: Request for Comment on Securities and Exchange Commission (SEC): File Number S7-10-22

Dear Ms. Countryman,

Climate Vault appreciates the opportunity to provide comments to the Securities and Exchange Commission's ("SEC" or "Commission") March 15, 2021 Request for Public Comment ("Request for Public Comment"). We applaud the commission for undertaking this effort to ensure a coherent and reliable reporting system for climate change risk.

The following document provides Climate Vault's comments and feedback to the SEC's proposed ruling for the Enhancement and Standardization of Climate-Related Disclosures for Investors (file number S7-10-22). Climate Vault is enthusiastic about the SEC proposed ruling, and we support all the recommendations in Section I (Targets and Goals Disclosure), pages 266-274. Our only comments are specific to question #173, Section I.

Introduction to Climate Vault

Climate Vault is a 501(c)(3) that works with organizations to reduce carbon emissions through a two-step, market-based approach. Climate Vault first purchases and "vaults" carbon pollution permits from government-regulated compliance markets. Because the number of permits is capped, keeping them off the market decreases CO2 emissions and provides a quantifiable, verifiable offset. Then, Climate Vault will use the value of vaulted permits to support breakthrough CDR enterprises, vetted by its world-class Technology Experts Chamber, to remove carbon from the atmosphere. Climate Vault's innovative climate solutions are trusted by leading organizations including Morningstar, TPG, Gemini and Vanderbilt among others.

Climate Vault is disrupting the supply of Voluntary Carbon Market ("VCM") credits by sourcing them from the high functioning and reliable Compliance Carbon Markets (CCMs), like the California (CARB) and Regional Greenhouse Gas Initiative (RGGI) cap-and-trade markets. CCMs are mature, regulated markets offering price transparency, government enforcement, and verifiability. They also provide significantly larger scale, with 2020 market volume of 10.7 billion tons, more than 50x the volume of VCMs. With the support of its donors, Climate Vault purchases carbon allowance permits and then vaults those permits, removing them from the market to provide an immediate, verifiable CO2 offset.

Climate Vault will then identify opportunities to exchange the vaulted permits to purchase at least an equivalent reduction in atmospheric CO2 concentrations from CDR firms. The result will be the world's first high volume CDR ecosystem that establishes a consistent price signal, helping to satisfy the critical need for technical and financial innovation.

To participate in this new CDR ecosystem, CDR technologies must be vetted and approved by our world-class Tech Chamber that includes the world's leading experts, including faculty from Harvard, MIT, Princeton, Scripps, and the University of Virginia. The Tech Chamber is chaired by former US Energy Secretary, Ernest Moniz.

Response to Targets and Goals Disclosure Question

173. If a registrant has used carbon offsets or RECs, should we require the registrant to disclose the amount of carbon reduction represented by the offsets or the amount of generated renewable energy represented by the RECS, the source of the offsets or RECs, the nature and location of the underlying projects, any registries or other authentication of the offsets or RECs, and the cost of the offsets or RECs, as proposed? Are there other items of information about carbon offsets or RECs that we should specifically require to be disclosed when a registrant describes its targets or goals and the related use of offsets or RECs? Are there proposed items of information that we should exclude from the required disclosure about offsets and RECs?

Climate Vault supports the SEC's proposed requirements for disclosure and reporting on registrant use of carbon offsets and RECs and encourages the SEC to exercise extraordinary oversight to this critical area.

While regulatory disclosure of registrant targets, plans, goals and ongoing progress are vitally important in forcing much needed climate action, reporting on plans and goals alone is pointless without confirmation of verifiable results.

The climate crisis demands immediate action with immediate results. Carbon offsets will play a critical "bridging" role in helping registrants immediately address residual emissions as they execute against their reduction plans. However, the last two decades have seen carbon offsets and RECs from the voluntary carbon market (VCM) repeatedly fail to deliver verifiable results, as documented by the **New York Times**, **Bloomberg**, **ProPublica** and many others. While organizations like **TSVCM** are aiming to create a global standard and quality measure (Core Carbon Principles, or CCP) in the VCM, those efforts remain fragmented and slow, with no clear credible standard in sight.

This lack of standardization in the VCM is even more troubling when considering the tremendous growth in market demand for offsets in recent years. As more companies and organizations set net-zero goals, demand for carbon offsets in the voluntary market has skyrocketed 288% since 2020 (**see Xpansiv report**). This increased demand has caused the average price of carbon credits to more than double in 2021 according to **S&P Global**.

This price increase has also driven the undesired creation of low-quality carbon offsets. As outlined by **Bloomberg** and this **analysis by CarbonPlan**, dozens of previously dormant offset project developers have recently started issuing low quality "zombie credits" that often lack any environmental integrity, simply to cash in on rising market prices. As demand for carbon offsets continues to rise, these predatory credits may become even more popular and have the potential to undermine the legitimacy of all carbon offsets.

For that reason, we encourage the SEC to enforce strong guidelines relating to the source and quality of carbon offsets being used by registrants. This oversight will help ensure that only offsets delivering verifiable results will be eligible under SEC rules.

At a minimum, registrants should be required to disclose the following information:

- **Quantity of carbon offsets used (measured in metric tons)**
- **Cost (per metric ton) of the carbon offsets purchased**
- **Type of offsets used**
- **Source of the carbon offsets (both broker and underlying project developer or market if applicable)**
- **Registry or other authentication of the offsets**

Additionally, we urge the SEC to support and encourage registrants to participate in emissions reduction solutions tied to compliance carbon markets (CCMs). There are currently two large scale CCM's in the United States: California's (**CARB**) market, and the Regional Greenhouse Gas

Initiative (**RGGI**) encompassing 11 North Eastern states, as well as several others internationally. These government regulated markets provide many benefits over traditional VCM offsets, by offering significantly larger scale, price transparency, and easy measurement (1 allowance = 1 metric ton), all backed by strong regulators and strict enforcement. By leveraging compliance markets, innovative providers can deliver immediate and verifiable reductions to registrants as an alternative to traditional VCM offsets.

Finally, we encourage the SEC to consider the requirement that registrant reductions be achieved through Carbon Dioxide Removal (CDR) or at least through offset mechanisms that support CDR technology, similar in approach to the Science Based Targets Initiative (SBTi) and the guidance they recommend in their Net-Zero Standard (**Section 2.05, pg 10**) about supporting CDR technologies.

Thank you for the opportunity to provide comments on this important and much needed proposed ruling.

Sincerely,
Climate Vault