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Securities and Exchange Commission
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Comments to the Securities and Exchange Commission on the Proposed Rule "Enhancement and Standardization of Climate-Related Disclosures for Investors"

Taxpayers for Common Sense (TCS) provides the following comments to the Securities and Exchange Commission (SEC) on the proposed rule "Enhancement and Standardization of Climate-Related Disclosures for Investors" published on April 11, 2022 (87 FR 21334-21473). TCS is a national nonpartisan budget watchdog that has been working on behalf of the nation's taxpayers since 1995. TCS is dedicated to exposing both the direct and hidden costs that taxpayers are forced to pay every year for damages caused by climate change. Our expertise on federal agriculture programs, energy subsidies, water resources, flood and wildfire disaster response, and military operations spending gives us a unique understanding of climate risks, impacts, and costs.

From agriculture to defense to transportation, climate change affects our entire federal budget. On a cost-adjusted basis, billion-dollar disasters in the U.S. have increased from 2.9 disasters per year at an average annual cost of $17.8 billion in the 1980s to 16.2 disasters per year at an average annual cost of $121.4 billion from 2016-2020. Increased hurricane, flooding, and drought activity has also led to increased spending for emergency supplemental agricultural disaster bills on top of the annual $12-15 billion cost of existing farm income safety net programs.

Disaster spending is not the only way climate change costs taxpayers. Future costs for mitigation and adaptation, while necessary, are enormous. A three-foot sea level rise could threaten as many as 128 U.S. military bases worldwide, valued at roughly $100 billion. The Congressional Budget Office puts it rather succinctly, "Climate change increases federal budget deficits."[1]

Requiring covered entities to disclose information about their emissions and the costs they likely face from climate change in their financial filings, similar to the SEC's proposed rule "The Enhancement and Standardization of Climate-Related Disclosures for Investors,"[2] is necessary to hold bad actors accountable, and to increase understanding of the toll climate change has on our economy.

- **Increasing the quantity and breadth of the data available in SEC filings is advantageous to taxpayers**. As a watchdog organization, the data in SEC filings often provides a crucial source of information on the operations of private companies and industries. The decisions of private companies affect taxpayers: companies benefit from taxpayer subsidies, carry out federally funded projects, and create liabilities that will strain public finances. In this way, taxpayers have a vested interest in information about the operations of private companies, especially those actions related to climate change.

- **Improving access to climate-related data would enhance the public's understanding of how companies and industries are contributing to climate change.** Actions of private companies,

[1] Congressional Budget Office, "Budgetary Effects of Climate Change and of Potential Legislative Responses to It," April 2021.
[2] Securities and Exchange Commission, 87 Fed. Reg. 21334-21473 (proposed April 11, 2022)

like emitting greenhouse gases (GHGs), contribute to the growing climate change crisis and affect taxpayers across the country. Disclosure of emissions along the lines of what the proposed rule suggests would allow us to better understand where GHG emissions come from and how both individual companies and whole industries affect taxpayers through their contributions to climate change. For watchdog organizations like ourselves and others, disclosures resembling what the proposed rule requires would also aid in accounting for how companies supported by federal dollars are increasing the burden of climate costs felt by taxpayers. By understanding who is contributing to climate change, policymakers can work to ensure that responsible parties, not taxpayers, address the impacts that they have caused to people and to communities.

- **Requiring the disclosure of climate-related information would lead to greater industry accountability.** Under this proposed rule, the public would be able to hold private companies accountable to their publicly disclosed climate targets by tracking their progress towards reaching those stated goals. In the proposed rule, the SEC states "The proposed rules would also require a registrant to disclose relevant data to indicate whether it is making progress toward achieving the target or goal and how such progress has been achieved."[3] Investors and the general public are interested in knowing if a company has climate goals and if those goals are being achieved, but the information currently provided by many companies is inadequate. The SEC cites these concerns in the proposed rule. "Despite the numerous commitments to reduce GHG emissions, according to several sources, many companies do not provide their investors with sufficient information to understand how the companies intend to achieve those commitments or the progress made regarding them."[4] Disclosure requirements similar to those included in the proposed rule would help prevent companies from misleading the public with deceptive reporting on their GHG emissions and false promises of climate action that seek to downplay their contribution to climate change.

- **New disclosure requirements may lead to an increased public understanding of the greater effect of climate change on the U.S. economy**. Every company is affected, to some degree, by climate change. The disclosure of how climate-related risks affect an individual company's operations –such as their strategy, business model, and financial statements– would help taxpayers understand the current and anticipated future economic influence of climate change. And the standardization of climate disclosures would allow taxpayers to compare the effect of climate change across different companies and industries, giving taxpayers a greater understanding of the span of present and future climate costs felt by the U.S. economy.

- **The enhanced access to information provided in the proposed rule would allow taxpayers to make educated decisions on the companies they invest in and support.** Climate risks can have serious impacts on businesses and these impacts affect investors' decisions. The SEC states in the proposed rule that "as climate-related impacts have increasingly been well-documented and awareness of climate-related risks to businesses and the economy has grown, investors have increased their demand for more detailed information about the effects of the climate on a registrant's business, and for more information about how a registrant has addressed climate-related risks and opportunities when conducting its operations and developing its business strategy and financial plans."[5] Individuals' spending decisions and interest in a private company may also be influenced by their climate goals and current contributions to climate change. Opponents to the SEC rule claim that current voluntary climate risk disclosures are sufficient, but the placement of climate-related information in different locations and the inconsistency of

[3] 87 FR 21406.
[4] Ibid.
[5] 87 FR 21337

information disclosed can make it difficult for investors to fully understand and compare a company's climate risks. In the proposed rule, the SEC cites a 2021 International Organization of Securities Commissions report that found that "companies' current sustainability disclosures do not meet investors' needs, and the proliferation of voluntary disclosure frameworks has led to inconsistency in application of the frameworks and, in some cases 'cherry picking' of information that might not present an accurate picture of companies' risks."[6] Requiring companies to disclose climate information in a standard way allows the public access to the information necessary to make informed choices.

Taxpayers are currently paying the costs of climate change, and these costs are only expected to increase. Disclosures such as those included in the proposed rule would further the public, policymakers, and watchdog organizations' ability to track companies' contributions to climate change and that exposure will help protect taxpayers from shouldering the financial burden created by polluting industries. Increasing transparency on how private companies are affected by climate-related risks is a positive and necessary step towards improving the public's understanding of the costs of climate change.

[6] 87 FR 21342