June 15, 2022

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

SU: Third Coast Holdings Public Comment on File Number S7-10-22

Dear Secretary Countryman:

These comments are being submitted on behalf of Third Coast Holdings, representing the interests of Third Coast Commodities, Evergreen Grease, Stillwell Logistics, and Ag Energy Transportation, a family of companies that collect, process, trade, and ship the co-products and by-products used as raw materials – the "crude oil" – in the manufacture of products like renewable diesel or renewable jet fuel.

For nearly two decades, our leadership team has worked towards simplifying complex derivative risk management for an energy independent, net-zero world by creating and trading physicals contracts and their derived obligations. From regulated instruments in both the domestic and international markets like Renewable Identification Numbers (RINs), Low Carbon Fuel Standard (LCFS) credits, and Renewable Energy Certificates (RECs), to free-market solutions from Land Use Restriction Agreements (LURAs) to Regenerative Authentication Credits (RACs), we have continually worked to create value for sustainable initiatives by "making the unhedgeable hedgeable."

Our organization strongly supports this rulemaking and similar efforts, like the recent clarifications around Environmental Protection Agency (EPA) 40 CFR Part 80 Subpart M. Renewable fuels are a young product dependent upon a legacy industry that benefits from regulatory predictability and stability. We believe our interests perfectly align with the intent of this proposed rule, given our view that it strives to stamp out the fraudulent and misleading reporting, or "greenwashing," that shakes investor confidence in climate-related risk estimation.

Renewable fuels, identically to other high-tech industries from space launch to nuclear power, need smart regulation that facilitates insight more than oversight. This proposed rule exhibits many clarifying hallmarks of smart, insightful regulation – offering a predictable platform to facilitate meaningful industry investment.

While we are fully supportive of the proposed rule's intent, we believe three strategic readjustments to the proposed rule would produce significant positive impacts:

Third Coast Holdings, 107 Main Street, Buchanan, MI 49107
www.thirdcoastcommodities.com - (800) 869-5124

1. **Focus beyond carbon**. Greenhouse gas (GHG) equivalence is not a perfect proxy for climate-related risk. The overemphasis on GHG throughout this proposed rule undervalues the wide range of meaningful targets and goals alluded to in §229.1506 (Item 1506) while increasing analytical cost – since many of the most impactful initiatives for reducing climate-related risks do not have an easily calculable carbon equivalence. We believe there is reason for concern that this overemphasis on GHG equivalency analysis could result in accelerating the "greenwashing" this proposed rule is attempting to stamp out.
2. **Validate core actions**. Greenwashing is often perpetrated when the benefit of any sustainable action is claimed by multiple parties. Greenwashing is avoided, for example, in the REC and RIN markets through "retirement" of credits that are directly tied to specific megawatt-hours (MWh) of electricity generation or gallons of renewable fuel. It is not clear that the way the proposed rule relies upon on the Task Force on Climate-Related Financial Disclosures (TCFD) framework is sufficient for preventing the double counting driving preventable instances of greenwashing – a fraud that directly, negatively impacts the American taxpayer.
3. **Empower distributed auditability**. Preventing greenwashing of actions that meaningfully reduce climate-related risks traditionally required a level of operational disclosure that would harm companies like ours. For example, our business activities allow us and others to meaningfully reduce climate-related risk while operating in a highly competitive environment. Traditional tools and techniques for ensuring sufficient compliance transparency would often require us to release our customer lists or other protected intellectual property. Increasing clarity around how opportunities for incorporation by reference within the proposed rule, which we hope extend to distributed Web3 strategies like digital thumbprint validation tools, would ensure audit certainty without compromising the competitiveness of companies like ours.

While our organization does not have a strong opinion on many of the specific requests for comment, a number are directly relevant to our proposed readjustments:

- *Questions 3*. The TCFD appears to be a suitably nimble framework that can accommodate a wide range of sustainability goals, strategies, and plans. Adhering to such a framework as presented could make it easier for reviewers to ensure all parts of the proposed rule have been addressed. However, considering its dependence on uncertain or sometimes unknown multipliers like emission factors for converting from non-standard sources of risk, it is not clear that using GHG as a primary metric for comparison will provide higher quality insight than just providing the economic impact from directly considering the source of climate-related risk.
- *Question 10*. Organizations are rapidly creating climate-related targets they cannot reach through operations alone. Many tools, such as the CO2Bit cryptocurrency, are emerging and claiming an ability to transfer the intangible value that could offset climate-related obligations. Uncertainty regarding how these emerging tools prove effect, ownership, and transferability could significantly impact legal liability for any related party.
- *Question 12*. Identically to disclosures around sensitive operational or computational data, the proposed rule should allow a registrant to include or incorporate by reference redacted or tokenized materials that can be definitively linked to an unredacted digital original if an audit or

Third Coast Holdings, 107 Main Street, Buchanan, MI 49107
www.thirdcoastcommodities.com - (800) 869-5124

some other outside oversight action is requited. The digital thumbprinting technology needed to implement this data protection and validation strategy is readily available, its legal acceptance is settled law since *U.S. v Cartier* in 2007, and allowing this type of sensitive data to remain under the protection of the registrant would reduce hesitancy towards longer data retention periods. Given the complexity of climate-related risk evaluation, and the sensitivity of the data required to accurately develop meaningful risk estimates, this proposed rule must balance the need for unprecedented data insight against the economic interests of each registrant by enabling the distributed validation of digital original datasets.

- *Question 18*. Applicants should be allowed to make any statement regarding climate-related opportunities that can stand up to the auditability standard referenced in our response to Question 12. This standard would require that the digital originality of any supporting documentation be irrefutable in a court of law.
- *Question 23*. Yes, disclosing the use of and interdependency between any sustainable finance instruments impacting an organization's operations should be disclosed.
- *Question 24*. Yes, it is vital that the characteristics of any REC, RIN, or RAC used in any risk reduction effort – to include conversion factors or government obligation requirements – be fully discussed and disclosed.
- *Question 26*. Yes, the methodology for computing any internal carbon valuation should be clearly described since there are many acceptable methods for getting to widely divergent yet equivalently valid results. Given the potential sensitivity around many of the underlying data sources, datasets, or calculations, any disclosure of these methodologies should be evaluated against the auditability standard referenced in our response to Question 12.
- *Question 27*. Yes, investors can glean significant, meaningful insight into the value of an organization based upon the methodology they use to calculate, and the strategy selected for deploying the results of, any internal carbon valuation effort. The fact that, as mentioned above, requiring traditional disclosure strategies would likely lead to "competitive harm" should not exempt disclosure. It is another important example of where allowing the incorporation of redacted disclosures in a manner that meet the auditability standard referenced in our response to Question 12 is vital for ensuring protected transparency.
- *Question 28*. Many of the materials, actions, and events relevant to climate-related risk reduction cannot be directly measured in isolation. Identically to how a MWh represents a batch of electrons that cannot be individually analyzed, it seems prudent to clarify that the protection afforded by a PSLRA must account for the inherent uncertainty associated with climate-related risk reduction operations.
- *Question 29 and 124*. It is difficult to expect that SEC picking an internal carbon valuation methodology will not prevent access to innovation in a rapidly developing and fundamentally uncertain space. It is not clear that the benefits of early standardization in this regard outweigh the damage possible through reduced innovation or future analytical refinement.
- *Question 30*. Yes, a registrant should disclose the tools used and the reasoning for the scenarios or published models selected when its disclosures depend upon computational analysis. Any disclosure that could result in competitive harm for the entity that owns the intellectual property associated with any proprietary model or dataset should be allowed to be redacted in a manner that meets the auditability standard referenced in our response to Question 12.

Third Coast Holdings, 107 Main Street, Buchanan, MI 49107
www.thirdcoastcommodities.com - (800) 869-5124

- *Question 52*. The contextual information that could be most useful is so varied that it is difficult to understand how more specific direction could be provided to the registrant without risking access to innovation or future analytical refinement.
- *Question 67*. Basing a requirement for disclosure on the net impact of offsetting negative and positive effects would significantly incentivize greenwashing. If net impact is used as a basis for disclosure, it should be accompanied by a requirement that any model used in the development of that calculation be protected in a manner that meets the auditability standard referenced in our response to Question 12.
- *Question 90*. Yes, the metrics for disclosure should be subject to auditing and ICFR requirements.
- *Questions 93 and 94*. Given GHG estimation's imperfect use as a contributor to climate-related risk, it is not clear that the reporting of GHG emissions unless required by another agency like EPA would be of value to investors. Similarly, it is not clear that there is a value to breaking out each contributing greenhouse gas unless investors are seeking assurances with respect to some other liability or concern. It is far more important for the targets selected by a registrant to be clear and static, against which performance can be consistently measured, with protected sensitive datasets accessible in a manner that meets the auditability standard referenced in our response to Question 12.
- *Questions 96, 97, and 98*. The registrant should be allowed to choose whether GHG is an appropriate metric for effectively conveying the magnitudes of its opportunities and risks when confronted with climate-related uncertainty. If GHG is not an appropriate metric, the registrant should not be required to perform or disclose a GHG equivalency analysis.
- *Question 101*. Yes, the registrant should be required "to disclose both a total amount with, and a total amount without, the use of offsets for each scope of emissions" to reduce the incentive to greenwash their internal calculations.
- *Questions 108-111*. The lack of predictive precision accessible through GHG disclosure is such that the registrant should be allowed to choose whether GHG locality or intensity are appropriate metrics for effectively conveying the magnitudes of its opportunities and risks when confronted with climate-related uncertainty. If GHG locality or intensity are not an appropriate metric, the registrant should not be required to perform or disclose a GHG equivalency analysis.
- *Questions 115 and 116*. Yes, the registrant should be required to disclose the "methodology, significant inputs, and significant assumptions used to calculate its GHG emissions metrics," as proposed, if the registrant chooses to use GHG as an appropriate measure for aiding any quantification of climate-related risk. The current flexibility with respect to the methods available and reporting scope if used for GHG or any other appropriate metric is reasonable when any protected or sensitive datasets used remain accessible in a manner that meets the auditability standard referenced in our response to Question 12.
- *Question 125.* Yes, the proposed rule "should permit a registrant to use reasonable estimates when disclosing its GHG emissions as long as it also describes the assumptions underlying, and its reasons for using, the estimates, as proposed." Given the potential sensitivity around many of the underlying calculations or data sources, any disclosure of the assumptions or underlying datasets should be evaluated against the auditability standard referenced in our response to Question 12.

Third Coast Holdings, 107 Main Street, Buchanan, MI 49107
www.thirdcoastcommodities.com - (800) 869-5124

- *Questions 126 – 128*. Yes, the registrant should "disclose, to the extent material, any use of third-party data when calculating its GHG emissions, regardless of the particular scope of emissions, as proposed;" "the source of such data and the process the registrant undertook to obtain and assess the data, as proposed;" "any material change to the methodology or assumptions underlying its GHG emissions disclosure from the previous year, as proposed;" and "any gaps in the data required to calculate its GHG emissions." To protect against changes that could lead to greenwashing, protection of any underlying datasets should be evaluated against the auditability standard referenced in our response to Question 12.
- *Questions 143-145 and 161*. Accurately modelling the extremely complex interactions that suitably predict climate-related risks – which goes beyond standard GHG modelling – requites a broad collection of specialty skill. It is not clear that any single type of entity or license that is suggested for consideration will consistently possess the multi-disciplinary analytical skills – blending stochastics and economics, to engineering and accounting, to law and climatology – necessary to provide a meaningful third-party evaluation of the intricacies inherent in many of the relevant computational analyses necessary for complying with the intent of this proposed rule. It is more likely that practitioners and analysts will need to be evaluated on a case-by-case basis over the near term.
- *Question 163*. The complexities and rapid discoveries within climate science make the retention of un-processed data sets more crucial than in other industries or fields of research. The proposed rule should explicitly support retention strategies that focus on validating the digital originality of these highly sensitive data sets when directly controlled by the registrant organization. Allowing an organization to easily prove digital originality without the use of a third party will incentivize longer retention periods, allowing the industry more time to work with broader datasets that will help further the goals of this rulemaking.
- *Questions 168 and 169*. Yes, the registrant should disclose it targets, goals, and any context or assumptions made around the definition, progress, and achievement of those goals, similar to how it is proposed in this rule. These goals, unlike the current proposal, should not be required to include GHG if alternative measures – like their dependence on non-GHG chemicals, biologics, or soil nutrients, as examples – are more appropriate indicators of the registrant's climate-related risk factors.
- *Questions 170 and 173*. Yes, the proposed rule should require a registrant to discuss how it intends to meet its climate-related targets or goals, specifically when a traditional or non-traditional offset obligation is a significant feature of the pursued strategy. As ESG goals have proliferated, so have the offset contracts available to transfer "greenness" from one party to another. Even within relatively standardized offsets like RECs and RINs, the true value of their procurement is rarely independent of the circumstances around their generation. When getting into the highly non-standard world of carbon offsets and free-market contract structures like land use restriction agreements (LURAs) or regenerative authentication credits (RACs), evaluating the impact of these offsets is heavily dependent on their specific contractual definitions.

Like many commenters, we believe the transformative opportunity of this rulemaking is its ability to empower investors by delivering stability and certainty. This proposed rulemaking provides a vital, free-market approach to price discovery that makes the effects of climate-related risks "easily accessible,

Third Coast Holdings, 107 Main Street, Buchanan, MI 49107
www.thirdcoastcommodities.com - (800) 869-5124

transparent, clear, and decision-useful to all investors across different levels of sophistication … to allow academics and other stakeholders to easily use this information and compare, analyze, and identify discrepancies which could be the basis for shareholder pressure and enforcement action" (Letter Type C, and Alejandro Fritz and Richard Papp, Founders of FLIT Invest, Feb. 17, 2022).

We are excited to both see and benefit from this proposed rulemaking's successful implementation. We hope our recommendations for making it more inclusive of broader climate-related risk reduction efforts prove useful.

Thank you for your consideration!

Stephen Tuscher
Environmental, Social, Governance Director

Chris Draper, Ph.D., P.E.
Chief Technology Officer

Third Coast Holdings, 107 Main Street, Buchanan, MI 49107
www.thirdcoastcommodities.com - (800) 869-5124