



NOV Inc.  
7909 Parkwood Circle Drive  
Houston, TX 77036

June 17, 2022

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

Re: The Enhancement and Standardization of Climate-Related Disclosures for Investors, File No. S7-10-22

Dear Ms. Countryman,

NOV Inc. ("NOV") appreciates the opportunity to provide the U.S. Securities and Exchange Commission (the "Commission") with our input on the "The Enhancement and Standardization of Climate-Related Disclosures for Investors," Release Nos. 33-11042; 34-94478 (Mar. 21, 2022) (the "Proposing Release"), as modified by Release No. 33-11061 (May 9, 2022) (together, the "Proposed Rules").

NOV is a key provider of technology, equipment, and services to the global energy industry and is proud to play a significant role in the world's transition to lower-carbon sources of energy. NOV's products have played a central role in dramatically reducing the carbon footprint associated with producing oil and gas resources around the world. More recently, NOV is also playing a meaningful role in the transition to lower-carbon sources of energy as a leading designer and equipment manufacturer for offshore wind installation vessels and for products that are used in the development of geothermal energy. Additionally, NOV is actively engaged in research and development activities related to onshore wind, offshore floating wind, solar power, carbon capture and other energy transition related technologies.

NOV views climate change as an important issue and believes that it will take the combined efforts and innovations across numerous energy sources to meet the world's demand for safe, reliable, secure and more environmentally friendly sources of energy. Our 2021 and 2020 sustainability reports demonstrate our commitment in this area (see [www.nov.com/about.sustainability](http://www.nov.com/about.sustainability)). Over the past several years, NOV, like numerous other public companies, has substantially expanded voluntary climate-related disclosures based on what our investors tell us is useful in their investment decision making process.

While we welcome efforts to harmonize certain voluntary greenhouse gas ("GHG") reporting methodologies and metrics, we believe ***the Proposed Rules would add far-reaching obligations that will impose extremely significant costs for United States-listed public companies that would far outweigh the benefit investors receive from the additional disclosures.*** We believe the significant burden the Proposed rules would place on public companies would distract organizations and divert critical, and limited, resources that could be better focused on developing and implementing strategies that will reduce global GHG emissions.

We also believe the Proposed Rules involve unworkable standards calling for disclosure based on assumptions and forecasts that require speculation about myriad variables, which are likely to lead to disclosure of voluminous information that is too generalized, speculative or immaterial to be "decision useful" for investors.

We have highlighted a few of our specific concerns with the Proposed Rules below:

#### *The 1% Disclosure Threshold*

The proposed 1% disclosure threshold would require companies to go through their consolidated financial statements on a “line-by-line basis” (and to aggregate the absolute value of their positive and negative impacts)<sup>1</sup> to determine whether any severe weather event, transition activity, or identified climate-related risk, etc. could affect any financial statement item by such amount.<sup>2</sup> Such a requirement, if implemented, strays from historical materiality thresholds, would not meet the “decision useful” criteria for NOV’s investors, and would result in breathtaking compliance costs.

To take one case along the lines of the Commission’s example in the Proposed Rules,<sup>3</sup> a number of our customers in the traditional energy industry could adopt one or more of our products that would result in more efficient energy production, reduced emissions, and more revenue for NOV (Event A), thereby spurring additional R&D and aftermarket expenditures later in the year to better serve these customers (Event B), but because these products relied on supply chains that have been affected by a cyclone in Malaysia (Event C) (which may or may not have been related to climate change) additional costs arose. Performing this exercise hundreds or thousands of times per quarter, since similar scenarios could play out any time we sell equipment to energy producers, many of which are involved in energy transition activities, would require incurring absolutely massive compliance costs that will result in NOV shareholders bearing a heavy burden with no corresponding benefit.

#### *Regulation S-X Financial Statement Disclosures*

Within the proposed changes to Regulation S-X’s financial statement disclosures, the expenditure metrics relating to research and development (“R&D”) of new technologies, infrastructure, and products that are intended to reduce GHG emissions, increase energy efficiency, offset emissions, or improve other resource efficiency are so broad as to be meaningless disclosure metrics.<sup>4</sup> If adopted, the Proposed Rules would result in companies such as NOV incurring significant expense to produce such metrics. For example, many of our products are used by energy producers to be more efficient, both in terms of time spent producing energy and the energy consumed in production, both of which contribute to reducing emissions. An attempt to parse which of our R&D activities and which of our numerous product lines (or portions of them) are used in this manner would not produce any meaningful disclosure for our shareholders.

The existing and prospective market for renewables is substantial. NOV and other companies have market-based incentives to publish material information about R&D and progress in development of technology that would reduce GHG. As noted above, NOV publishes such information in its sustainability reporting and in announcing new products. The Proposed Rules are likely to result in scarce resources being diverted from R&D and product development associated with these critical new technologies to pay for compliance with the proposed disclosure requirements.

#### *Regulation S-K Non-Financial Statement Disclosures*

Some of the proposed changes to Regulation S-K’s non-financial statement disclosures concern us, as well. New Item 1502 regarding strategies, business models, and outlook appears to require companies to

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<sup>1</sup> Proposing Release, p. 122–123.

<sup>2</sup> Proposing Release, pp. 120–122.

<sup>3</sup> Proposing Release, p. 123.

<sup>4</sup> Proposing Release, pp. 72–73; 135; 341.

disclose the actual and potential impacts, including time horizons, of climate-identified risks in a number of areas, including suppliers, activities to mitigate or adapt to climate-related risks, the adoption of new technologies, and expenditure for R&D.<sup>5</sup> As noted above, for a business such as NOV's, which supplies the global energy industry, much of which is in the midst of pursuing the energy transition with deliberate speed, it is difficult for us to picture what specific disclosure we could provide that would offer substantive insight for existing or potential shareholders.

The vast majority of our technologies enable energy producers in the "traditional" energy industry to be more efficient. We also have business segments aimed directly at lower-carbon industries, including on-shore wind, offshore wind, and geothermal. Regulation S-K does not need to be amended in order to give our shareholders the appropriate insight into these activities, and we feel we already provide that currently. The proposed requirement to delineate in more detail which products in our portfolio contribute more proportionately than others to the indirect reduction of emissions by our customers would divert scarce resources and shareholder capital away from activities that ultimately could assist with the energy transition.

#### *New Item 1504 of Regulation S-K – GHG Emissions*

While NOV has voluntarily disclosed scope 1 and 2 emissions, the Proposed Rules related to Scope 3 emissions are overly complex and burdensome for companies like NOV and create perverse incentives which could stifle innovation, including innovation that can ultimately lead to more efficient sources of lower-carbon energy solutions.

The Proposed Rules would require disclosure of Scope 3 emissions only if those emissions are "material" or if a company has set a GHG emissions target that includes its Scope 3 emissions; however, determining materiality for something with no, or currently unknowable, financial implications in and of itself can be burdensome and time consuming. While the commission appears to have made the determination for companies like NOV and has stated that "for oil and gas manufacturers, for example, Scope 3 emissions are likely to be material and thus necessary to understanding a registrant's climate change risks", the guidance provided on determining materiality (where the Proposed Rules state that a quantitative analysis alone would not suffice to determine whether Scope 3 emissions are material) is ambiguous and places companies in a difficult situation.

More importantly, requiring Scope 3 reporting, which includes all "upstream" and "downstream" emissions, for an organization like NOV would be incredibly cost prohibitive, even with delayed compliance and "good faith" safe harbor protections, and would limit innovation from companies in our supplier base. NOV has business activities in 60 countries and purchases goods and services from thousands of vendors of varying size and sophistication, and NOV sells to thousands of customers. NOV has no control over the manner in which these sources generate Scope 3 data. With no control over the underlying process or data, NOV cannot vouch for its reliability. Because NOV has thousands of vendors and customers, the variability in terms of their use of different methodologies, assumptions and speculation is self-evident. It would be difficult for us to attest even that the information was made on a "reasonable" basis, since we will not be able to obtain sufficient access to the information required to generate Scope 3 emissions reports. Even if we could obtain access, auditing thousands of vendors and customers in 60 countries regardless of the materiality of the information sought would impose astronomical costs with limited value to shareholders.

We also believe that Scope 3 emissions disclosure requirements would have a detrimental effect on the numerous small companies that supply the global energy industry, including the many start-ups and small businesses focused on renewable energy production. If the Scope 3 emissions rules were

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<sup>5</sup> Proposing Release, p. 72.

implemented, it is difficult to foresee any scenario other than one in which all the companies working so hard to make the energy transition a reality are either forced (1) to bear inordinate compliance costs, stifling innovation and diverting attention away from what should matter most, or (2) out of business as companies like NOV either vertically integrate or rely only on very large, sophisticated suppliers who may be able to more effectively bear the burden of such onerous compliance requirements. Thus, one foreseeable consequence of the Proposed Rules is substantial, additional supply chain disruption in energy production, leading to higher costs at the pump and for home utilities.

The proposed disclosure requirements call for disclosure of information (*e.g.*, Scope 1 and Scope 2 emissions) for all companies regardless of identified material financial impacts for such companies. Here, the Commission is working from the unsubstantiated premise that such disclosure is the lynchpin of efforts to reduce emissions presumably because it is assumed that ESG-focused investors *may* rate companies based on their performance over time in reducing GHG or other emissions. But sweeping, onerous disclosure impacts will have the unintended consequence that companies, which inherently have limited resources, will expend substantially more resources to measure, track and report Scope 1 and Scope 2 (and even more so, Scope 3) emissions than those companies can dedicate to reducing GHG and other emissions. It would make more sense to require disclosure of successful efforts to reduce direct, indirect, upstream, and downstream emissions. For example, we estimate that if NOV's recently introduced Powerblade™ Kinetic Energy Recovery System were installed on the entire offshore drilling rig fleet it would result in the reduction of our customers' GHG emissions by an amount that is approximately 3.6 times NOV's total Scope 1 and 2 emissions. By highlighting successes, publication of such data would heighten awareness of practices that work to reduce emissions.

#### *Other Concerns*

We have numerous other concerns related to the resource burden required to comply and potential unintended consequences associated with additional components of the Proposed Rules including, but not limited to, disclosures on physical and transitional climate risks, assurance attestation, and scenario analysis/"disclose it if you have it" requirements. Please note that our objections to the specific matters raised in this letter should not be construed as support for the content of the Proposed Rules not specifically discussed.

#### *Closing*

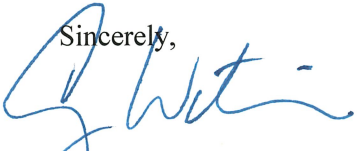
NOV is committed to assisting the global energy industry in the energy transition, and we hope to be able to marshal the lion's share of our shareholders' resources in doing so in a manner that has the most impact on climate, which we believe will be empowering energy producers with more efficient and innovative solutions in energy production from traditional sources and providing state-of-the-art solutions to renewable energy producers. Focusing our senior management and board of directors' time on the types of disclosure contemplated by the Proposed Rules rather than delivering on these products and services to the energy industry would, in our humble opinion, be a net negative to climate.

We recognize the markets are evolving and over time alternative energy products are likely to increase as percentage of overall energy production. Although we have substantial concerns about the Proposed Rules and their costs to companies and their shareholders, even if none of the Proposed Rules were adopted, NOV will continue to disclose any material information concerning its efforts and successes in supporting the energy transition.

The Proposed Rules seek to standardize metrics used to disclose GHG emissions. But the Proposed Rules need to be revised so they are tailored to address the concerns that they are overbroad, impose

substantial costs on issuers and will compel the disclosure of information that is not material to reasonable investors.

If we can be of further assistance, please contact Craig Weinstock, our Senior Vice President and General Counsel. We would be pleased to discuss any of these issues further.

Sincerely,  
  
Clay Williams