

The Honorable Gary Gensler
Chair
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549

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

Dear Chair Gensler,

We are writing to express our support for the Securities and Exchange Commission's (SEC) proposed rule on climate change disclosures.

In its most recent report, the Intergovernmental Panel on Climate Change (IPCC) writes, "It is unequivocal that human influence has warmed the atmosphere, ocean and land. Widespread and rapid changes in the atmosphere, ocean, cryosphere and biosphere have occurred" (IPCC, 2022). The IPCC's Sixth Assessment Report also discusses climate system changes such as hot extremes, heavy precipitation, and drought as well as associated impacts on ecosystems, water scarcity and food production, infrastructure, and human health. We agree that climate-related disclosures will enable investors to make informed decisions about the impact of climate-related risks on current and potential investments.

As a group of professional carbon analysts, we are skilled in developing greenhouse gas (GHG) inventories and sustainability reporting. We advise a wide range of companies on GHG inventory planning, data collection, estimation techniques, baselining, setting targets, and tracking progress. As part of our quality assurance process, we regularly monitor and update calculation methodologies and emission factors according to the best available science. Additionally, our team works with companies of all sizes to complete a high volume of annual disclosures using frameworks such as TCFD, CDP, GRI, DJSI, SASB, etc.

We appreciate the SEC's comprehensive and thoughtful proposal and would like to respond to some of the specific questions outlined in the proposed rule:

1) Annual Reporting Deadline

Our primary recommendation for the proposed rule is to establish a realistic timeline for completing GHG inventories and sustainability reporting, focusing on data quality and thorough evaluation over alignment with financial statements where needed. In our experience, completing a GHG inventory and/or sustainability reporting during the first quarter of the year can be challenging due to several factors, namely the time required for the following:

- Data collection and cleansing
- Third-party assurance
- Analysis of results

The majority of our clients are unable to obtain full Scope 1 and 2 data very early in the year due to several factors such as utility bill availability, lags in data collection internally and from vendors, and retirement of renewable energy certificates. The proposed rule discusses the use of reasonable estimates for GHG emissions in the fourth fiscal quarter if no actual reported data are reasonably available. While we appreciate and have used this approach, the exercise of estimating and restating can be burdensome and counterproductive. We feel it is more important for companies to focus on obtaining the best available data, understanding their footprint, and setting GHG reduction goals.

The proposed rule requests comments on assurance requirements covering Scope 1 and 2 emissions for accelerated and large accelerated filers. Contracting with a third-party verifier to review a company's emissions data is an important part of the GHG inventory process; however, consideration should be given to the amount of time required for that review. We frequently work with assurance providers and we see the assurance process take 1-2 months on average - and that is *after* final data are collected, cleansed, and aggregated. Furthermore, based on our experience with assurance providers, the "reasonable" level of assurance is not available to companies who estimate fourth quarter data. On the question of assurance level, we do think defining "limited" and "reasonable" levels of assurance would be helpful to eliminate confusion.

Lastly, the current rule includes provisions for disclosure of elements typically completed outside of the annual GHG inventory such as disaggregated emissions (emissions detailed by gas) and emissions by location (e.g., by zip code or using heat maps). While we understand how this information could be useful, we would suggest, again, taking the timeline into account or making these voluntary items since the complexity of analysis can vary substantially depending on the size of the company.

For the reasons stated above, we recommend setting a reporting deadline to occur in the 3rd quarter of the year.

2) Methodology

The current best practice is to use the GHG Protocol Corporate Standard for company inventories. According to the GHG Protocol, "In 2016, 92% of Fortune 500 companies responding to the CDP used GHG Protocol directly or indirectly through a program based on GHG Protocol". The GHG Protocol requires accounting and reporting of seven greenhouse gases covered by the Kyoto Protocol – carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulfur hexafluoride (SF₆) and nitrogen trifluoride (NF₃). It also contains guidance on organizational and operational boundaries.

In addition to the main text of the Corporate Standard, GHG Protocol continues to publish updates addressing specific topics, including:

- Scope 2 Guidance
- Technical Guidance for Calculating Scope 3 Emissions
- Base Year Recalculation Methodologies

We recommend using the GHG Protocol as the basis for methodological questions and allowing for industry-specific guidance and emission factors as applicable. GHG emissions are typically stated in terms of MTCO_{2e} using IPCC global warming potential values (the latest iteration being AR5 100-year values until AR6 is finalized).

3) Scope 3 Emissions

We support the inclusion of Scope 3 emission sources as part of disclosures for registrants who have made GHG emissions reduction commitments that include Scope 3 and for registrants whose Scope 3 emissions are material. While we support required *disclosure*, we propose including an option for registrants to use the previous year's data as a proxy under Scope 3. For example, a company may be working to refine Scope 3 data collection efforts or focusing on emissions reduction activities and we do not think a registrant should be penalized for not recalculating all Scope 3 categories every year.

In this scenario, the SEC could use a table for all 15 Scope 3 categories which includes fields for the registrant to indicate relevancy per category and discuss data collection efforts. Registrants would also be able to disclose their methodology, data gaps, and emissions factors in this section. We recommend using the GHG Protocol's Corporate Value Chain (Scope 3) Accounting and Reporting Standard as the basis for reporting but also allowing use of other standards where it makes sense. We support a "safe harbor" from certain forms of liability under the federal securities laws for Scope 3 emissions since Scope 3 is an evolving area of GHG accounting.

4) Renewable Energy Certificates and Carbon Offsets

As the SEC discusses in the proposed rule, GHG inventories use both location-based and market-based accounting principles for Scope 2 purchased electricity. Unlike location-based accounting, which is dependent upon location, market-based accounting allows for use of contractual instruments such as renewable energy certificates (RECs), power purchase agreements (PPAs), and green tariffs while also incorporating residual mix and location-based methodology where other emission factors are not available.

The SEC should distinguish between RECs and carbon offsets. A REC is a certificate indicating the generation of one megawatt hour (MWh) of electricity from an eligible source of renewable power. Each REC denotes the underlying generation source, location of generation, and year of generation (i.e., "vintage"). RECs are often considered to represent a claim to the environmental attributes associated with renewable energy generation (WRI, 2008). Carbon offsets are mechanisms a company can use to invest in carbon dioxide reductions (projects) and are currently not counted under the GHG Protocol as part of Scope 2 market-based accounting.

RECs are detailed in a company's GHG inventory and, as such, the quantity of RECs should be provided with a company's disclosure of Scope 2 GHG emissions. If the SEC does require backup documentation for RECs, we suggest using the GHG Protocol's Scope 2 Quality Criteria.

5) Historical Years

The proposed rule requests comments on potentially requiring registrants to include historical emissions data corresponding to the historical years included in the registrant's consolidated financial statements. We propose that the starting point be the first reporting period and that historical information is only required for subsequent years (e.g., if a company's first year of reporting is 2023 data, then it is not required to include historical data; however, when reporting 2024 data, 2023 data should also be included in the disclosure. We feel that the time and effort spent calculating previous years' emissions could be better spent assessing and reducing emissions, particularly for companies new to reporting. For companies with more established reporting, historical data are, in most cases, already publicly available via other disclosure programs.

Thank you for the opportunity to provide comments.

Sincerely,

ENGIE Impact Carbon Team

