



SUBMITTED VIA EMAIL TO: RULE-COMMENTS@SEC.GOV

June 17, 2022

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

Re: Comments of Devon Energy Corporation on the Proposed Rule “The Enhancement and Standardization of Climate-Related Disclosures for Investors,” SEC File No. S7-10-22.

Dear Ms. Countryman:

Devon Energy Corporation (“Devon”) submits these comments on the rule proposed by the Securities and Exchange Commission (the “SEC”) called, “The Enhancement and Standardization of Climate-Related Disclosures for Investors” (the “Proposal”).

Devon was formed in 1971 and has been publicly held since 1988. We currently trade on the New York Stock Exchange under the symbol DVN. Devon is an independent energy company engaged primarily in the exploration, development and production of oil, natural gas, and natural gas liquids. Our operations are located in various onshore areas in the U.S.

We are focused on producing reliable, affordable, and accessible energy the world needs, while continuing to find ways to produce and deliver it more responsibly. Throughout our 50 years of operations, we have prioritized a balance between financial and environmental stewardship, as well as the safety of our workforce. As it has been in the past, this balanced operational focus will be critical as hydrocarbons continue to be a core component of the energy resources our world demands every day.

In this current era, we recognize meaningful reductions in greenhouse gas (“GHG”) and methane emissions are central to managing climate change and responsible energy sourcing operations. In June 2021, Devon publicly and voluntarily committed to meaningful GHG and methane emissions reductions, reduced flaring intensity and elimination of routine flaring. Ultimately, our goal is net zero GHG emissions for Scope 1 and 2. Since our founding, Devon has pioneered operational practices, proactively applied new technology, and adapted to evolving market conditions, regulatory environments, and increasing stakeholder expectations. This constant improvement mindset will be key to delivering on our environmentally focused targets and making disclosures on our performance.

Through regulatory and voluntary disclosures, Devon has a history of providing our investors and other stakeholders climate-related information, including performance on our GHG emission reduction efforts. Devon expects to continue this approach to transparency and recognizes the importance of climate-related information to regulators, policymakers, and our stakeholders. Therefore, we support prudent and well-designed regulations that reduce GHG emissions and enhance climate-related transparency, while providing the flexibility Devon and other energy providers need to meet the world’s growing demand for low-cost, affordable, accessible, reliable energy.

Important decisions about energy, the environment and the economy require accurate information and thoughtful deliberation across diverse viewpoints. We are committed to having constructive conversations, building relationships, and developing solutions – with a broad range of stakeholders – to help us meet business and societal needs, address stakeholder concerns, and encourage sound public policy. The need to limit global warming coexists with the need to supply the world with energy, presenting the dual challenge of balancing environmental and societal goals. We do not take our role in this challenge lightly. We appreciate the opportunity to comment on the Proposal.

Devon is a member of both the American Petroleum Institute (“API”), an industry organization whose members produce, process, and distribute most of our nation’s energy, and the American Exploration and Production Council (“AXPC”), an industry association representing 28 of the largest independent oil and natural gas exploration and production companies in the United States. We acknowledge the API’s and the AXPC’s separate comments on the Proposal submitted to you. Devon is generally supportive of the API’s and the AXPC’s comments and respectfully offers for consideration the following comments on the Proposal for additional clarification and emphasis.

Materiality – We request the SEC maintain current guidance for materiality. The foundational principles of our modern federal securities laws have been evolving and advancing for almost 100 years. One of those has been the well-established principle that materiality should be focused on the perspective of a reasonable investor. This standard has been subject to extensive testing and interpretation and has been enshrined in the SEC’s own historic rulemaking, as well as extensive case law. As a registrant, we appreciate the SEC’s current adherence to this materiality standard, which encourages consideration of both quantitative and qualitative factors when assessing materiality. The Proposal seemingly departs from this standard, however, by prescribing numerous disclosures without reference to the unique circumstances of each company. For example, the Proposal introduces a 1% bright-line threshold in the financial statements disclosures that could result in qualitatively material disclosures to be omitted. Furthermore, this quantitatively immaterial threshold of 1% will result in non-value-added work for preparers, auditors, and even financial statement users. This would be an inefficient use of our investors’ capital.

Disclosure Method and Safe Harbors – We request the SEC allow any disclosure requirements to be furnished and strengthen safe harbors for such disclosures. More than one framework exists for reporting climate-related financial disclosures and GHG emissions. Although these “standards” are evolving and improving, differences continue to exist. As climate change views and related rules and interpretations continue to evolve, we would appreciate the ability to furnish rather than file any mandated climate-related disclosures, particularly any disclosure requirements subject to significant interpretation or differences of opinion. Allowing such disclosures to be furnished and strengthening safe harbors around good faith disclosures will encourage greater disclosure transparency while climate and sustainability views evolve into greater uniformity.

Disclosure of Scope 1, Scope 2, and Scope 3 Emissions – We request the SEC align to a widely used regulatory or industry framework for Scope 1 and 2 emissions reporting and to recognize the evolving nature of such disclosures. We request the SEC omit any requirements to disclose Scope 3 emissions. We support reporting Scope 1 and 2 GHG emissions under a clearly defined reporting framework. We request the SEC to align its GHG emission reporting requirements with those of the Environmental Protection Agency (“EPA”) or some other widely accepted framework. This alignment would eliminate non-value-added duplicative work, which would have unnecessary negative effects on our costs and

resulting shareholder returns. Such alignment would also avoid needless confusion among registrants' stakeholders, who would be forced to understand and reconcile conflicting disclosure frameworks. Upon adopting and implementing Sarbanes-Oxley, Devon was allowed to use the pre-existing COSO internal control framework, which was widely known and used by many registrants.

We request the SEC recognize the evolving nature of GHG emission calculation and reporting methodologies. For example, the EPA has recently issued a proposed rulemaking, which could change how companies calculate and report their GHG emissions to comply with the EPA regulations. The EPA takes a thorough approach to ensuring that changes to the reporting program are science-based, transparent and serve the interests of the EPA, reporting companies, and parties with an interest in the data. Changes to the reporting program are subject to public notice and comment. The EPA's recent proposed rulemaking illustrates that GHG emission calculation and reporting methodologies continue to evolve and advance over time.

We request the SEC omit any requirements to disclose Scope 3 emissions. Standalone Scope 3 information should not be considered until more established calculation and estimation methodologies are developed and adopted. Until that time, any Scope 3 disclosure requirements would likely lead to inconsistent, incomparable, and unreliable reporting.

Transition – We request the SEC require only prospective reporting for any disclosures ultimately required by the Proposal and lengthen the implementation timeline. Furthermore, we encourage the SEC to consider the appropriateness of the Proposal's transition requirements and timeline by comparing to those provided for in past rulemakings with similarly extensive scopes. For example, the Proposal's requirements are more complex and require more implementation and transition work than most SEC rulemakings and, instead, are more comparable to past large-scale SEC and FASB initiatives like Sarbanes-Oxley, revenue recognition and lease accounting. However, the Proposal's transition timeline is shorter than transition periods included in those initiatives. Furthermore, Devon would practically require a significantly longer transition timeline than contemplated in the Proposal to meet the requirements to track and report 1% financial activity and Scope 3 emissions, especially for historical periods in which our systems and processes are not currently designed to meet the Proposal's requirements.

Implementation Costs – We request the SEC reconsider the appropriateness of its cost estimates based on the Proposal's far-reaching complexity and immateriality, registrants' complex business operations, and other market forces. For Devon, the Proposal's first-year compliance cost estimate of \$640,000 is significantly understated. We operate more than 5,000 wells across our operations and virtually every one of these wells includes numerous fractional interests (e.g., royalty and working interests) owned by third parties. We also have interests in more than 8,000 wells operated by others. Our entire business is supported by tens of thousands of vendors and partners, the vast majority of which will not be directly subject to the regulations provided under the Proposal.

To deliver a compliance cost near this estimate for our stakeholders, we would need to rely heavily on sampling and formulas to compute and determine our Scope 1, 2, and 3 emissions, which could jeopardize key intended objectives of the Proposal. Among other things, eliminating the Proposal's Scope 3 emissions disclosure requirements and the 1% disclosure threshold would reduce our adoption and ongoing costs exponentially. We have also noticed boutique and large firms are bolstering their emission assurance capabilities through large investments in people and technology. History shows

Vanessa A. Countryman

Page 4

June 17, 2022

these types of investments combined with seemingly high levels of subjectivity surrounding emissions accounting and reporting lead to much larger increases in assurance fees paid by registrants than anything contemplated in the Proposal.

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Crafting the Proposal into a final set of rules that fulfills the SEC's mission and satisfies the desires of all critical and relevant stakeholders will not be easy. We appreciate the SEC's thoughtful consideration of the comments in this letter, as well as those submitted by the API and the AXPC.

Respectfully,

DEVON ENERGY CORPORATION



Jeremy D. Humphers

Senior Vice President and Chief Accounting Officer