Hess Corporation
1185 Avenue of the Americas
New York, NY 10036

June 17, 2022

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

Re: File Number S7-10-22, The Enhancement and Standardization of Climate Related Disclosures for Investors

Submitted electronically to rule-comments@sec.gov

Dear Ms. Countryman:

Hess Corporation ("Hess") is a United States-based global independent energy company engaged in the exploration and production of crude oil and natural gas. Hess is a diversified company with assets and operations both onshore and offshore, domestic and international. We are committed to building a sustainable enterprise that helps meet the world's energy needs in a safe, environmentally responsible, socially sensitive and profitable way. Transparency in reporting is important to our company's purpose of being a trusted energy partner, which is why we have a 25 year history of robust sustainability reporting, publishing our first annual sustainability report in 1997. Hess continues to be recognized as a leader in our industry for the quality of our environmental, social and governance performance and disclosure. It is with this experience that we provide the following comments on the Securities and Exchange Commission's ("SEC") proposed rule for The Enhancement and Standardization of Climate Related Disclosures for Investors (the "Proposed Rule").

Hess supports providing investors and other stakeholders with information to assess risks, opportunities and objectives regarding climate change. However, we do not support the Proposed Rule in its current form because it would mandate granular disclosures, at a significant cost, that would not be material or useful to investors, within timeframes that are not feasible to implement. Additionally, the Proposed Rule would not provide investors with consistent and comparable information, even among issuers in the same industry or sector. Given the large number of requests for comment in the Proposed Rule release, this letter identifies several principal concerns regarding the Proposed Rule, but does not address each request for comment. We also do not address the legal authority of the SEC to promulgate the Proposed Rule, as to which Commissioner Peirce and other commenters expressed serious reservations.

I. Summary: Hess Is A Recognized Leader In Sustainability Reporting, Providing Important Climate-Related Disclosure To Investors. The Proposed Rule Would Place A Significant And Costly Burden On Hess And Other Issuers, While Failing To Achieve Consistency, Reliability And Comparability Of Climate-Related Disclosure For Investors.

Hess has a long history of robust sustainability reporting. Our annual sustainability report, which is nearing its 25th year of publication, provides substantial disclosure about similar topics covered by the Proposed Rule, including: our climate strategy; our low carbon transition framework in accordance with recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD"); climate-related risks; a carbon asset risk assessment utilizing scenarios published by the International Energy Agency ("IEA"); Scope 1, 2 and 3 Greenhouse Gas ("GHG") emissions; as well as our approach to short-, medium- and long-term flaring reduction and emissions reduction targets. Hess' voluntary reporting on climate-related issues has been recognized as industry-leading by the Transition Pathway Initiative ("TPI"), CDP (formerly known as the Carbon Disclosure Project), and the S&P Dow Jones Sustainability Indices ("DJSI"), among others, as described in greater detail below. These disclosures have been developed over many years through engagement with investors, stakeholders and third-party experts and evaluators. Climate-related risks and known trends, events, and uncertainties that are reasonably likely to have a material effect on Hess' financial condition or operating performance are disclosed in our SEC filings in accordance with applicable rules and regulations, as well as our annual CDP survey submission. Hess consistently receives positive feedback from investors and other stakeholders for the transparency and quality of its climate-related disclosures.

Hess supports providing investors and other stakeholders with information to assess risks, opportunities and objectives regarding climate change. However, as stated above, we are concerned that the Proposed Rule as currently drafted would mandate granular disclosures that would not be material to investors, while at the same time imposing significant burden on issuers to disclose this information within timeframes that are not feasible to implement and at a significant cost. Perhaps most importantly, the Proposed Rule would not meet the SEC's goal of providing consistent and comparable information, even among issuers in the same industry or sector. Specifically, as further described in this letter:

- The Proposed Rule does not incorporate appropriate thresholds for "materiality," the cornerstone of the securities disclosure rules, by mandating certain disclosures without regard to materiality, while for others, setting low thresholds that are rarely considered material or describing considerations that differ considerably from the longstanding materiality standard applied under current jurisprudence. This will likely lead to a large amount of detailed, but ultimately immaterial, disclosure that will not be useful to investors.

- Hess anticipates that its annual climate reporting costs will increase by 400% if the Proposed Rule is adopted in its current form. The estimated costs of compliance presented in the Proposed Rule are based in part on estimated costs for voluntary reporting and are not representative. Actual costs to comply with the Proposed Rule will almost certainly exceed these estimates by a substantial amount, without providing a commensurate benefit to investors, particularly for those issuers such as Hess that already provide investors with substantive climate-related information in existing public reports in a more cost-effective manner.

- The Proposed Rule's amendments to the financial statement disclosures under Regulation S-X will require considerable and costly updates to accounting systems and business processes, including internal controls over financial reporting and audit procedures, to disaggregate and disclose potential climate related costs and expenses on a line-item basis, which will not be meaningful or material to investors. Further, the Proposed Rule does not provide auditable definitions of the costs and expenses to be included in the disclosure and requires information that may not be available for assets operated by third parties, which will result in inconsistent interpretation and a lack of comparability between issuers.

- The Proposed Rule does not explain any standards for the information it is requiring issuers to disclose, such as emissions calculation methodologies. This will result in disclosures that are not consistent or comparable, even among companies in the same industry or sector.

- The Proposed Rule dictates organizational boundaries that differ considerably from market practice and requires issuers to disclose Scope 1 and 2 GHG emissions information from third parties over which the issuer has no control, which information cannot easily be accessed or verified and would be inherently unreliable.

- Scope 3 GHG emissions, which are societal emissions generated from corporate value chain activities outside of Scope 1 (direct) and Scope 2 (indirect) emissions, are difficult to measure accurately. The Proposed Rule's required disclosure of Scope 3 emissions information would encompass an issuer's entire value chain and require significant assumptions and estimations, which would hardly meet the level of precision as other quantitative information currently included in SEC filings. This is also likely to lead to duplicative and inflated emissions figures that are not consistent, comparable or reliable.

- The Proposed Rule's annual climate reporting deadline is not practical, promotes disclosure of estimates and assumptions instead of actual results, and is not consistent with deadlines for other regulatory reports, including GHG emissions reporting to the U.S. Environmental Protection Agency ("EPA"), and voluntary reporting timelines.

- The proposed phase-in period for the new disclosures is unreasonable and would require a significant reallocation of resources. Once effective, the disclosures should be prospective only.

II. Hess Corporation Is A Recognized Industry Leader, With A 25 Year History Of Robust Climate-Related Reporting To Stakeholders In Its Annual Sustainability Report.

Hess Corporation publishes significant climate-related information, including voluntary disclosures that have evolved over many years through engagement with investors and other stakeholders and are in alignment with international programs, such as the TCFD, CDP, the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB). Our voluntary reporting on climate related issues has been recognized as industry-leading by TPI, CDP, and the DJSI. In 2021, we achieved leadership status in the CDP's annual Global Climate Analysis for the 13th consecutive year and earned a place on the Dow Jones Sustainability Index for North America for the 12th consecutive year. After receiving an MSCI ESG rating of AA for 10 consecutive years, Hess' rating was upgraded to AAA in 2021 to signify our industry leadership. TPI, which independently assesses companies on their efforts to support the transition to a low carbon economy and mitigate climate change in line with TCFD recommendations, rated Hess as top Level 4 status in its 2021 report. Hess consistently receives positive feedback from investors and other stakeholders for the transparency and quality of its climate-related disclosures.

We are also an active participant in the industry's efforts to improve the value of our climate-related disclosures primarily through IPIECA (the global oil and gas industry organization for environmental and social issues), the American Petroleum Institute (API) and the World Economic Forum (WEF). We are also a founding member of ONE Future[1] since 2014 where we have worked to improve methane reporting practices for the natural gas value chain.

We support the global ambition to achieve net zero emissions by 2050 and the Paris Agreement's aim to limit the global average temperature rise to well below 2°C. We believe climate risks can and should be addressed while at the same time meeting the growing demand for safe, affordable and reliable energy, which is necessary to ensure a just and secure energy transition aligned with the United Nations Sustainable Development Goals. Governments, businesses and civil society must work together on cost effective policies to meet this dual challenge.

We draw your attention to our Annual Report on Form 10-K, Sustainability Report and submission to CDP, all available at www.hess.com and in particular our content on Strategy, Climate Risk, Climate Change & Energy, GHG Emissions and the Environment. Our climate strategy is closely aligned with the recommendations of the TCFD and its implementation is led by senior members of our leadership team with oversight by our Board of Directors.

As such, we believe we are well established as an experienced and recognized leader in climate and environmental transparency and disclosure to share the following concerns with the Proposed Rule and our recommendations for addressing these concerns.

---

[1] The ONE Future Coalition is a group of more than 50 natural gas companies working together to voluntarily reduce methane emissions across the natural gas value chain to 1% (or less) by 2025 and is comprised of some of the largest natural gas production, gathering & boosting, processing, transmission & storage and distribution companies in the U.S. and represents more than 20% of the U.S. natural gas value chain.

III. The Proposed Rule Does Not Incorporate Appropriate Materiality Thresholds And Describes Materiality Considerations That Differ From Established Standards.

The Proposed Rule reflects an inconsistent approach with respect to "materiality," which is the cornerstone of the securities disclosure rules. The Proposed Rule mandates certain disclosures without any regard for materiality, while for several other disclosures, the Proposed Rule sets low thresholds that are rarely considered material or describes materiality considerations that differ from the established materiality standard applied under current jurisprudence. For example, the Proposed Rule requires extensive disclosures regarding GHG emissions, climate-related targets or goals, actual and potential impacts from climate risks, scenario analyses, carbon offsets or renewable energy credits without regard to materiality. The proposed financial statement disclosures under Regulation S-X set an arbitrary reporting threshold of 1% that is rarely considered material, and inconsistent with accounting guidance, which require a qualitative and quantitative analysis. This will likely lead to an overwhelming amount of detailed, but ultimately immaterial, disclosures that are not useful to investors.

Existing regulations already require issuers to disclose in SEC filings the material risks as well as known trends, events, and uncertainties that are reasonably likely to have a material effect on the issuer's financial condition or operating performance. [2] Furthermore, as noted above, Hess has been publishing an annual sustainability report on a voluntary basis for almost 25 years, with information requested by investors and other stakeholders. These disclosures are based upon reliable information provided to other regulators, including the EPA, and consistent with the timelines for such reports. Over the last several years, an increasing number of issuers have published reports regarding climate- and sustainability-related matters, based upon their unique circumstances and the specific requests of their investors and stakeholders.

Recommendation: Should the SEC decide to require additional climate-related information in SEC filings, Hess recommends that it remain consistent with the long-standing, judicially accepted standard of materiality, and limit any new filing obligations to information that is material to a reasonable investor's investment decision, taking into account the "total mix" of available information with respect to a particular company.[3] Hess also recommends that the SEC consider whether there are more cost-effective ways to promote disclosure of this information to investors consistent with current reporting practices. Climate-related information that certain investors or stakeholders may consider "important" but are not material to a reasonable investor's investment decision should continue to be furnished to investors through other means, including annual sustainability reports published on the company website.

IV. The Proposed Rule Is Anticipated To Increase Hess' Annual Climate Reporting Costs By 400% With No Commensurate Benefit to Investors.

We believe the estimated cost of compliance presented in the Proposed Rule is not representative. Hess has decades of experience and devotes considerable resources to voluntary climate related

[2] E.g., pursuant to Items 101, 105 or 303 of Regulation S-K.
[3] *TSC Industries, Inc. v. Northway, Inc.*, 426 U.S. 438 (1976); *Basic Inc. v. Levinson*, 485 U.S. 224, 108 S. Ct. 978 (1988).

reporting initiatives. However, the large volume of information required to be reported pursuant to the Proposed Rule, the minute level of detail, the unreasonably short phase-in periods, and the accelerated annual reporting deadlines compared to current practice would require Hess to add substantial resources to, among other things, reconfigure reporting systems, collect data, conduct emission calculations, incorporate data into financial reporting, extend existing disclosure controls and procedures and internal controls over financial reporting, hire external advisors and provide ongoing assurance by the internal audit function and independent auditors. Hess anticipates that its annual climate reporting costs will increase 400% if the Proposed Rule is adopted in its current form. The Proposed Rule fails to take into consideration the substantial difference in the cost of the proposed disclosures compared with the cost associated with voluntary disclosures, which are not representative.

The proposed financial statement disclosures under Regulation S-X would be unnecessarily burdensome and costly. Significant amounts of time and costs will need to be incurred to update accounting systems and business processes, including internal controls over financial reporting and audit procedures, to disaggregate and disclose potential climate related costs and expenses on a line-item basis as proposed. We do not believe the disclosure of climate related costs by financial statement line item will provide meaningful information to investors. As noted elsewhere in this letter, material climate-related financial impacts and trends are already required to be disclosed in reports filed with the SEC, including in Management's Discussion & Analysis.

Recommendation: The significant and costly burden imposed on issuers to prepare the detailed disclosures required under the Proposed Rule outweigh any perceived benefits of this disclosure, including for those issuers such as Hess that already provide investors with substantive and material climate-related information in existing public reports. The proposed financial statement disclosures under Regulation S-X will be particularly burdensome and costly and should be discarded.

V. The Disclosures Required By The Proposed Rule Will Fail To Achieve Consistency, Comparability & Reliability For Investors, Even Among Companies In The Same Industry Or Sector.

As currently drafted, the Proposed Rule would result in disclosures that are not consistent or comparable, even among companies in the same industry or sector. We acknowledge that despite numerous published reporting protocols and frameworks, there is still a lack of standardization which would allow meaningful comparisons between companies. However, the Proposed Rule does nothing to resolve this issue, instead leaving it to each issuer to describe the methodology, inputs and assumptions used to calculate emissions. This will hardly lead to consistent and comparable disclosures. For example, Hess uses the following protocols and guidance as a basis for its GHG emissions estimation:

- *WRI/WBCSD Greenhouse Gas Reporting Protocol,*
- *ISO 14064,*
- *IPIECA Petroleum Industry Guidelines for Reporting Greenhouse Gas Emissions,*

- *API Compendium of Greenhouse Gas Emissions Estimation Methodologies for the Oil and Gas Industry, and*
- *API Template for GHG Reporting.*

All of these protocols and guidelines provide a level of optionality in terms of the assumptions, qualifications and methodologies, including inventory reporting boundaries and emission estimation methodologies, which makes comparing data across companies extremely challenging, even for experienced industry experts. The details of these assumptions, qualifications and methodologies used by Hess are currently disclosed in our sustainability report. An express requirement to include this information in reports filed with the SEC will be duplicative and will not provide investors with additional useful information to make meaningful comparisons. There are several initiatives progressing standardized reporting frameworks for various sectors of the economy, with the goal of promoting consistent and comparable information among companies in the same sector. Until these initiatives progress to the point where companies within an industry sector can achieve uniform disclosure guidance, establishing comparability among companies will remain difficult. Any requirement to file this information in SEC reports may be more useful to investors once a standard has been established.

Companies cannot report Scope 1 and 2 emissions for proportionately consolidated joint ventures operated by other parties with any reasonable level of assurance. This would require imposing significant enhancements to reporting systems and such third-party provided information would not be available to attestation by the issuer's auditor. Most oil and gas companies, including Hess, report their GHG emissions on an operational control basis as they have better access to the data needed to undertake detailed emission calculations required for regulatory reporting. Typically, oil and gas companies do not have access to the data and do not have the detailed operational understanding from non-operated joint ventures to be able to report those emissions with a reasonable level of assurance. In addition, it is not within our control to require a third-party operator to provide climate-related information for proportionately consolidated joint ventures. As such, issuers should be permitted to report their Scope 1 and 2 GHG emissions on an operational control basis, consistent with current market practice and regulatory reporting to ensure accuracy and reliability of the information presented.

Scope 3 GHG emissions, which are societal emissions generated from corporate value chain activities outside of Scope 1 (direct) and Scope 2 (indirect) emissions, are difficult to measure and methodologies for reporting such emissions do not meet the level of precision of other quantitative information that is currently included in SEC filings. The Proposed Rule would require disclosure of estimated Scope 3 emissions up and down an issuer's entire value chain, which would lead to unreliable emissions disclosures that by necessity rely on various (and inconsistent) assumptions, and would be vastly duplicative. Including this information in financial reports may afford them an undue sense of accuracy. Further, upstream E&P companies such as Hess have no way to know how our products are ultimately used following sale. Current gross estimates (Category 11) assume that all of our produced hydrocarbons are combusted. However, an increasing and significant proportion of hydrocarbons are instead used to manufacture lubricants, asphalts, plastics and chemicals. Given the significant reliance on assumptions, estimations, and third-party information in calculating Scope 3 emissions, disclosure should remain voluntary until methodologies are standardized so as to avoid duplication and inaccuracy.

We have similar concerns with the proposed financial statement disclosures under Regulation S-X. The Proposed Rule does not provide auditable definitions of the costs and expenses to be included in the disclosure which will result in inconsistent interpretation and a lack of comparability between issuers. In addition, companies do not receive the requisite climate-related cost information that would be required in the proposed disclosures from joint ventures or partnerships that are operated by third parties, and it is not within their control to require a third-party operator to provide climate-related costs for such proportionately consolidated joint ventures.

Hess currently undertakes scenario analysis across a broad range of potential outcomes to help stakeholders and investors judge the risks and opportunities that we might be subject to. These scenarios reflect a huge range of variables and assumptions required to identify, categorize and quantify future climate related outcomes over a period of several decades, including future energy supply and demand, potential physical changes to the climate, policy and regulatory changes and the impact of new technologies, among others. Unless the SEC provides a detailed framework mandating specific scenarios and a common set of assumptions, this disclosure will inevitably result in a lack of comparability between issuers. Furthermore, it is important to note that these exercises utilize "scenarios," which reflect potential outcomes over the long term, but these scenarios are not forecasts, and no representation is being made as to the accuracy of the underlying assumptions or the likelihood or occurrence. Including this information in financial reports as required under the Proposed Rule may afford them an undue sense of accuracy.

Recommendation: Until current GHG reporting initiatives progress to the point where companies within an industry and sector can report to a standard framework, establishing comparability among companies will remain difficult. As such, issuers should be permitted to report their GHG emissions consistent with current market practice, which for oil and gas companies are reported on an operational control basis, as issuers have better access to the operational data needed to undertake detailed emission calculations required for regulatory reporting. Disclosure of Scope 3 emissions information should remain voluntary until methodologies are standardized so as to avoid duplication and inaccuracy. The proposed financial statement disclosures under Regulation S-X should be eliminated, for lack of auditable definitions and based on information that may not be available at an acceptable level of accuracy and reliability for assets operated by third parties.

VI. Reporting Timeframes Are Not Practical, Are Inconsistent With Deadlines For Other Regulatory And Voluntary Reports And Will Be Unnecessarily Costly

The SEC financial reporting timelines are not consistent with current regulatory and voluntary reporting timelines. Currently our regulatory and voluntary reporting is based on verified annual data for the prior fiscal year. This means that GHG emissions data are collected and submitted to applicable regulators at the end of the first quarter following the reporting period. Voluntary disclosures such as our annual sustainability report and CDP submission are typically published at the end of the second quarter following the end of the reporting period. Transitioning to a reporting schedule that is consistent with SEC deadlines for Form 10-K will require an additional, parallel reporting process which will incorporate significant estimates (e.g., for the prior 4th quarter), reducing the accuracy of the information and its usefulness to investors and will impose a major burden on our existing reporting systems. A separate mid-year climate disclosure requirement would help ease the transition and avoid the potential need to update these disclosures based on actual data received after the Form 10-K filing deadline.

The proposed phase-in period is unreasonable. Based on the disclosures mandated by the Proposed Rule, phase-in periods of several years would be needed for companies and industries to align their reporting standards and programs and build the capacity to implement new systems, train and retrain the personnel required to collate this climate related information. Furthermore, disclosures should be prospective from the date of adoption. The proposed requirement to provide comparative historical data would be time intensive and create undue burden on issuers, particularly for line-item information proposed to be required under Regulation S-X, as analysis of individual transactions would be required to accumulate the information.

Recommendation: Should the SEC proceed with the Proposed Rule, Hess recommends that any SEC-mandated disclosure should more closely conform to the timelines for reporting climate and environmental information to other U.S. regulators, such as the EPA, which typically are due later in the year than financial reporting deadlines under securities regulations. This will help ensure accurate and consistent reporting. In addition, any new disclosure requirements must be subject to a realistic phase-in period of several years, which will allow sufficient time for the development and adoption of industry- and sector-specific reporting standards, which will serve to promote consistent and comparable disclosure to investors. This phase-in period can also be utilized by issuers and service providers to allocate appropriate resources towards establishing and testing the necessary reporting systems and financial and disclosure controls, audit and attestation procedures, as well as building staffing capacity in a cost-effective and sensible manner.

VII. Conclusion: The Changes We Recommend Will Promote Disclosure Of Consistent, Comparable And Reliable Climate-Related Information Without Placing A Significant And Costly Burden On Issuers.

Hess appreciates the opportunity to provide comment to the SEC on this rulemaking. Hess continues to be recognized as a leader in our industry, consistently receiving positive feedback for the transparency and quality of its environmental and climate-related disclosures, which have been developed over many years through engagement with investors, stakeholders and third party experts and evaluators. As explained above, Hess supports disclosure of information to assess risks, opportunities and objectives regarding climate change. However, we do not support the Proposed Rule in its current form. We believe the changes we have recommended will serve to promote the disclosure of consistent, comparable and reliable climate-related information for investors without placing significant reporting costs and undue burden on issuers, particularly those like Hess that are already disclosing this information following independent engagement with their investors and other stakeholders.

Should the SEC staff be interested to engage in further discussions with Hess related to the comments set forth above or in our capacity as an experienced and recognized leader in climate and environmental transparency and disclosure, please do not hesitate to contact me at (212) 536-8230 or jrielly@hess.com.

Sincerely,

John P. Rielly
Executive Vice President and
Chief Financial Officer