



June 16, 2022

Gary Gensler  
Chairman  
Securities and Exchange Commission  
100 F Street, NE  
Washington, D.C. 20549

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

Dear Chairman Gensler:

The Permian Basin Petroleum Association (“PBPA”) appreciates this opportunity to comment on the Securities and Exchange Commission’s (“SEC”) proposal on the Enhancement and Standardization of Climate-Related Disclosures for Investors. The SEC describes this disclosure rule as necessary to address investors’ demands for transparency about climate change risks. However, we are concerned that the SEC lacks the authority to promulgate this rule, which would elevate climate change over material financial considerations and distort the SEC’s mission of protecting ordinary investors and promoting efficiency, competition, and capital formation in the marketplace.

PBPA is the largest regional oil and gas association in the United States. We represent the men and women who work in the oil and gas industry in the Permian Basin of West Texas and southeastern New Mexico. The Permian Basin is the largest inland oil and gas reservoir, geographically the largest oil and gas producing region in the world and, if the region were its own nation, would be third in the world in oil production. PBPA consists of the largest producers as well as the smallest operators in the Permian Basin. Part of the PBPA’s mission is to promote environmentally conscious operations and sustainable economic profitability among all our members, large and small. PBPA’s members will be directly or indirectly impacted by the proposed disclosure requirement, if finalized.

PBPA is concerned that the proposed rule is particularly ill-timed, as its implementation would operate to limit or deny financing to oil and natural gas companies just at a time when more production is needed to bring down record high energy prices. By contributing to the regulatory burden, it would depress American production and further increase inflationary pressures on energy that ripple throughout the entire economy. Our members are working

to increase production but those seeking external financing are struggling because of activism from the very organizations and minority investors that are promoting this proposed rule, which the SEC purports will facilitate capital formation.

We take particular issue with the suggestion on page 21,362 of the proposed rule as found in the Federal Register that, "...an energy company might discuss how, due to actual or potential regulatory constraints, it intends to take advantage of climate-related opportunities by...reducing its medium and long-range fossil fuel exploration and production..." The SEC is encouraging oil and natural gas companies to voluntarily reduce production, revenue, and returns to investors in order to meet voluntary greenhouse gas (GHG) reduction goals. Clearly the SEC has gone far afield from its mission of capital formation to assuming an air quality role, which is already duly served by other agencies in the federal government and at the state level. The rule could not come at a worse time, as it is abundantly clear America needs to increase production of oil and natural gas to reduce prices for Americans, our allies in Europe and those across the globe.

The SEC assumes it is a given that a net-zero or low-carbon transition is the goal. It is by no means true that America is agreed on an agenda of net-zero if it is defined as the elimination of oil and natural gas. Activist groups have been able to convince neither the American people nor the majority of their representatives in Congress to stop using oil and natural gas, or the products that come from these natural resources for fuels, fabrics, plastics, pharmaceuticals, and fertilizers, before viable alternatives are found, as it would mean fundamentally altering their healthy, safe, and prosperous lifestyles.

If the intention of the rule is to bring about a carbon-constrained world in which GHG emissions limit the growth of oil and natural gas companies because they have a carbon "budget" they cannot exceed, then the lack of legal authority becomes even more acute. The SEC has neither the authority to regulate a reduction of GHGs nor to assign carbon limitations to companies. Without Congress passing climate change legislation that codifies such policies, the SEC cannot be used as a substitute to do so.

The SEC claims that the main function of the rule is to provide standardized climate-related information so that investors can compare risks among companies. However, this rule requires information standardized in name only, especially with regard to Scope 3 emissions. Because any one company's Scope 3 emissions permeate among potentially many hundreds or even thousands of companies and millions of consumers, they are nearly impossible to accurately measure, calculate, or otherwise estimate. The SEC would be requiring companies to determine emissions data that are not available from

their suppliers, who may or may not have to report to the SEC. If large SEC filers start to require such data from all their suppliers, they would be acting as agents of the SEC to compel companies not subject to this rule to report. The rule would incentivize SEC filers to favor large suppliers who have the wherewithal to calculate and provide their emissions while disfavoring small suppliers that cannot. The SEC has not considered this impact of the rule on small businesses.

Further, the SEC is proposing GHG reporting that goes even further than what is required under Clean Air Act (CAA) regulation. The SEC lacks the technical expertise of the Environmental Protection Agency (EPA) yet is requiring vastly more emissions data than even the agency granted authority by Congress to regulate air quality seeks to request but with none of the rigor of the CAA nor technical guidance. The SEC promotes its rule as a means to provide standardized data without providing any means to actually acquire standardized data.

Oil and natural gas companies that emit GHGs above the 25,000 metric ton threshold set by EPA must already report their emissions under the GHG Reporting Program (GHGRP), 40 CFR Part 98. Generally, the public companies subject to the SEC's proposed rule are of the size that also report to the GHGRP. Rather than assuming EPA's regulatory authority and duplicating its reporting program, the SEC should simply require companies to report the same emissions numbers reported to EPA, or recognize this information exists at the EPA and is already available for investors' review. For the oil and natural gas industry, that would be 40 CFR Part 98 Subpart W. The SEC should not be requiring collection and reporting of Scope 1 emissions outside EPA's GHGRP program.

Financial markets have already been distorted by activist pressure and Americans are paying high energy prices as a result of underinvestment in the oil and natural gas industry. The SEC should not contribute further to this destabilizing situation, but rather should withdraw this rule. Thank you for the opportunity to comment.

Regards,



Ben Shepperd  
President  
Permian Basin Petroleum Association