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June 17, 2022

Gary Gensler, Chair
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

RE: Comments on S7-10-22: The Enhancement and Standardization of Climate-Related Disclosures for Investors, 87 Fed. Reg. 21334.

Dear Mr. Gensler:

Defenders of Wildlife (Defenders) is a national nonprofit conservation organization dedicated to the protection of all native plants and animals in their natural communities. We use a wide range of tools and tactics, from policy analyses and advocacy, to litigation, innovative science and technology programs, and field conservation to protect and restore imperiled species and habitat. For 75 years, Defenders has protected and restored imperiled species throughout North America by securing and strengthening conservation policies, working on the ground, and upholding legal safeguards for wildlife and habitat in the courts. We represent nearly 2.2 million members and supporters nationwide.

If properly designed and implemented, the proposed rule could not only provide critically important information to investors, but also have significant climate mitigation and adaptation benefits, with collateral benefits to wildlife and the habitats on which they depend. We strongly support issuing the proposed rule with the following recommendations:

1. Place Scope 3 emissions on the same timeline as Scope 1 and 2 (i.e., 2024 for large accelerated filers and 2025 for other filers);
2. Require all registrants to disclose their Scope 3 emissions except for small businesses as defined by the U.S. Small Business Administration;
3. Explicitly include land use and land sector activities in the disclosure of climate-related risks; and
4. Require transparency, certification, and accurate accounting when reporting offsets.

An important step forward

We agree with the Commission that, as detailed in the proposed rule, "[i]nvestors need information about climate-related risks . . . because climate-related risks have present financial consequences that investors in public companies consider in making investment and voting decisions." 87 Fed. Reg. 21,334, 21,335-21,336 (April 11, 2022). The proposed rule incorporates well-established frameworks developed by the Task Force on Climate-Related Financial Disclosure (TCFD) and the Greenhouse Gas (GHG) Protocol. and is an important step in ensuring that firms disclose the tremendous risks of climate change impacts and stranded assets. will bring consistency and standardization to these reportings, so that apples can be compared to apples rather than oranges. It will also require the disclosure of greenhouse gas emissions and the reporting of real data to back up claims; e.g., reaching net-zero emissions by a certain year. These measures will help investors make informed choices about their investments.

Strengthen coverage of Scope 3 emissions

Improving the proposed rule's coverage of Scope 3 emissions, defined as the result of activities from assets not owned or controlled by the reporting organization but that the organization indirectly impacts in its value chain, would improve its effectiveness. Since Scope 3 emissions can account for more than 70 percent of a business' carbon footprint,[1] it is crucial – and "necessary or appropriate in the public interest"[2] – that companies disclose information about their Scope 3 emissions. In the proposed rule, Scope 3 emissions reporting would not begin for large, accelerated filers until 2025 and not until 2026 for non-accelerated filers. The SEC proposes (1) allowing companies to decide for themselves whether their Scope 3 emissions are relevant and (2) a safe harbor for Scope 3 disclosure to alleviate filer concerns surrounding liability. And "smaller" companies (the threshold for which far exceeds the U.S. Small Business Administration's definition of a small business) are entirely exempt.

The proposed timeline and exemptions do not reflect the need to take immediate action on climate change and for the critical need of the public and investors to understand the significant risks introduced by climate change. President Biden set a target for the United States to achieve a 50-52 percent reduction from 2005 levels in economy-wide net greenhouse gas pollution by 2030,[3] necessitating prompt action. By leaving it up to companies to determine the significance of Scope 3 emissions and shielding issuers from liability if they provide false or misleading information, the proposed rule would allow companies to omit most of their emissions from disclosures. We urge the SEC to: (1) place Scope 3 emissions on the same timeline as Scope 1 and 2 (2024 for large accelerated filers and 2025 for other filers); and (2) require all registrants to disclose their Scope 3 emissions except for small businesses as defined by the U.S. Small Business Administration.

Address deforestation and other land use changes

Greenhouse gas emissions are not the only climate risk faced by U.S.-based companies. Destruction and modification of forests, wetlands, grasslands, and seagrasses also result in emissions. Halting the loss and degradation of natural systems and promoting their restoration could contribute over one-third of the total climate change mitigation required by 2030.[4] Indeed, in Executive Order 14,072 ("Executive Order on Strengthening the Nation's Forests, Communities, and Local Economies," April 22, 2022), President Biden identified deforestation as of critical concern when it comes to

[1] https://www.unglobalcompact.org.uk/scope-3-emissions/
[2] Section 2(b) of the Securities Act, 15 U.S.C. 77b (b), and Section 3(f) of the Exchange Act, 17 U.S.C. 78c(f)
[3] https://www.whitehouse.gov/briefing-room/statements-releases/2021/04/22/fact-sheet-president-biden-sets-2030-greenhouse-gas-pollution-reduction-target-aimed-at-creating-good-paying-union-jobs-and-securing-u-s-leadership-on-clean-energy-technologies/
[4] https://www.iucn.org/sites/dev/files/forests_and_climate_change_issues_brief_2021.pdf

climate change and ordered federal agencies to develop a plan to reduce deforestation at an international level, including through new legislation and policy tools.[5]

Despite the significant intersection between deforestation and other land use changes and climate change, the proposed rule contains no provisions related to reporting these types of activities. Requiring firms to report these risks would provide more complete information to investors and allow for improved climate risk mitigation.

Tools are available to assist firms in meeting this requirement. The GHG Protocol, which has developed analysis that underlies the Commission's proposed rule, is producing additional guidance related to land use and land sector activities[6] that will be designed "to create more consistency and transparency in the way companies quantify and report GHG emissions and removals from land use, land use change, bioenergy and carbon removal technologies." [7]

In addition, CDP's Forests branch "provides a framework of action for companies to measure and manage forest-related risks and opportunities, transparently report on progress, and commit to proactive action for the restoration of forests and ecosystems."[8] An overview of CDP's 2022 scoring process can be found at https://cdn.cdp.net/cdp-production/cms/guidance_docs/pdfs/000/000/233/original/Scoring-Introduction.pdf.

Requiring firms to report land use-related climate impacts and risks would likely increase efforts to offset those impacts via the protection of forests and other ecosystems. However, the proposed rule lacks sufficient guidance regarding emission and sequestration accounting to ensure that investors can evaluate whether those offsets are effective. For example, carbon offsets should be certified and transparent regarding the baseline and system of measurement. Reporting of such offsets should demonstrate the extent of their additionality, permanence, lack of leakage, and lack of double-counting. We recommend that companies be required to use the reporting standards set forth in established carbon offset standards, such as the Clean Development Mechanism, Gold Standard, Climate Action Reserve, or Verified Carbon Standard.

Thank you for considering our comments. Please do not hesitate to contact us with any questions.

Sincerely,

Andrew Carter
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Climate Adaptation Analyst, Landscape Conservation

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5 https://www.whitehouse.gov/briefing-room/presidential-actions/2022/04/22/executive-order-on-strengthening-the-nations-forests-communities-and-local-economies/
6 https://ghgprotocol.org/land-sector-and-removals-guidance
7 *Ibid.*
8 https://www.cdp.net/en/forests