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CHAMPIONX

June 17, 2022

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

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

Dear Ms. Countryman:

ChampionX Corporation ("ChampionX") welcomes the opportunity to provide the U.S. Securities and Exchange Commission (the "Commission") with our views on its proposal entitled "The Enhancement and Standardization of Climate-Related Disclosure for Investors" (the "Proposed Rules").

ChampionX is a global leader in chemistry solutions and highly engineered equipment and technologies that help companies drill for and produce oil and gas safely, efficiently and sustainably around the world. We are dedicated to supporting a lower-carbon future and work to continuously improve our business practices and align our operations to responsibly deliver solutions designed to support our customers as they explore new approaches to producing and delivering oil and gas in a sustainable manner. ChampionX also contributes to the creation of a more sustainable energy infrastructure by applying advanced information and communications technologies to oil and gas production and transportation and greenhouse gas ("GHG") monitoring. Our Emissions Management offerings currently deliver fast, accurate and cost-effective solutions for methane leak detection, emissions quantification, and air quality research to oil and gas producers and midstream companies globally. We also continue to innovate environmentally friendly chemical solutions, energy-efficient artificial lift systems, and digital solutions to enable our customers' assets to operate more efficiently to help our customers reduce their carbon footprint. We believe that the evolution of products and services that support the energy transition will deliver enhanced value to our customers, sustain our growth as we seek to create long-term value for our shareholders, and improve the communities in which we operate.

We believe an effective business response is critical to addressing climate-related concerns and that businesses should be incentivized to develop cost-effective solutions to reduce GHG emissions, improve the efficiency of operations, and reduce their overall environmental impact. We are concerned that the scope of the Proposed Rules works against this purpose and should be reconsidered.

The Commission stated in the Introduction of the Proposed Rules that climate-related risks "*can* have an impact on public companies' financial performance or position" [emphasis added]. However, the mandated disclosures of the Proposed Rules will require lengthy disclosures in instances where climate-related risks do not have a material impact on a company's financial performance or position. The breadth and specificity of the mandated disclosures of the Proposed Rules are in contrast to existing disclosure

requirements where only information material to an understanding of the business taken as a whole, or material to a particular segment is required.[1] The length of disclosure that will be required if the Proposed Rules are adopted risks overwhelming readers with information that may not be material to a company's financial performance or position and act as an obstacle to the reader identifying and understanding material matters.[2] As the U.S. Supreme Court has noted, burying shareholders in an avalanche of trivial information (such as zip codes and book values of individual properties as required by the Proposed Rules), is hardly conducive to informed decision-making[3] and the Commission has recognized the "possibility that high levels of immaterial disclosures can obscure important information".[4] The scope and breadth of the mandated disclosures of the Proposed Rules are also a step backwards and departure from the important work of the Commission's Task Force on Disclosure Simplification that streamlined, simplified and modernized disclosures to improve the readability and navigability of disclosures and focus on information material to investors in making informed investment and voting decisions.[5]

The Commission also stated in the Introduction of the Proposed Rules that climate-related risks "*may* be material to investors in making investment or voting decisions" [emphasis added]. While we appreciate that climate change may be material to certain investors, we are concerned that disclosure motivated by social or political causes are outside the scope of the Commission's stated mission of protecting investors, facilitating capital formation, and fostering fair, orderly and efficient markets.[6] While the Securities Act of 1933 (the "Securities Act") and the Securities Exchange Act of 1934 (the "Exchange Act") authorize the Commission to promulgate disclosure rules as necessary or appropriate in the public interest or for the protection of investors, there are limits on this authority.[7] Mandating disclosure determined only as necessary or appropriate in the public interest or for the protection of investors, in the absence of consideration of the other tenets of the Commission's mandate, presents a dangerous slippery slope for the expansion of disclosure to a variety of general societal interests. Such expansion risks being subject to the partisan influence of changing administrations, which can jeopardize

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[1] Regulation S-K, Item 101.

[2] See *Commission Guidance Regarding Management's Discussion and Analysis of Financial Condition and Results of Operations*, December 29, 2003.

[3] *TSC Industries, Inc. v. Northway, Inc.*, 426 U.S. 438 (1976)

[4] Commission Concept Release, *Business and Financial Disclosure Required by Regulation S-K*, April 22, 2016 (the "2016 Concept Release")

[5] See also the Modernization of Regulation S-K Items 101, 103 and 105, effective November 9, 2020, noting the Commission's long-standing commitment to a principles-based, registrant-specific approach to disclosure rooted in materiality, and improving disclosure for investors and simplifying compliance for issuers by improving the readability of disclosure documents by discouraging the disclosure of information that is not material.

[6] See also comment letter, dated April 5, 2022, submitted by a group of 19 U.S. Senators, stating that the Proposed Rules are "not within the SEC's mission" and that "Congress has not amended the [Commission's] regulatory authority to pursue the proposed climate disclosures;" and comment letter, dated April 11, 2022, submitted by a group of 40 Members of Congress, stating that the Proposed Rules "far exceed the authority that Congress explicitly granted the SEC."

[7] E.g., Securities Exchange Act, Section 12(b)(1), which specifically lists the categories of disclosure the Commission may require by rules or regulations, to the extent such information is necessary or appropriate in the public interest or for the protection of investors, which proviso limits the rules and regulations proscribed by the Commission and not as an expansion to categories of information not listed in the statute.

the fair, orderly and efficient nature of capital markets. The Commission has previously recognized that "disclosure relating to environmental and other matters of social concern should not be required" absent a specific congressional mandate.[8]

The risk of adopting the Proposed Rules, mandating lengthy and granular disclosure in response to policy goals that may be considered important to society but that are beyond the Commission's mandate absent legislative action, subjects the Proposed Rules to protracted legal and legislative challenges if adopted, similar to those that resulted in limitations of the enforceability of the Conflict Minerals disclosures and rescissions of the Commission's rules implementing Section 1504 of the 2010 Dodd-Frank Financial Reform and Consumer Protection Act and the Environmental Protection Agency's 2015 Rule regulating the use of hydrofluorocarbons.[9] Adopting rules under such a cloud of uncertainty places companies who must comply with such rules in a difficult position. Compliance with the Proposed Rules will be exceedingly costly,[10] from the hiring and engagement of additional resources needed to collect the required data and devote time to preparing the required disclosures, to engaging data vendors and attestation providers. These are costs that registrants will be required to incur if the Proposed Rules are adopted, and costs that will be lost if the Proposed Rules are then limited or eliminated by court or Congressional action, a result that appears to be highly likely. Registrants will be required to devote significant resources and funds to comply with the mandated disclosures of the Proposed Rules, while having a high degree of uncertainty of the length of time those rules will remain in effect, how long the additional resources hired or contracted will be needed, and how long to budget for such compliance, uncertainty that seems contrary to the Commission's mission and to the interests of investors.

The high costs of compliance may not benefit investors or provide the best method for addressing an investor's personal climate concerns. The compliance costs will be borne by each company's investors, whether through decreased profits available to distribute to shareholders and decreased stock prices, or by a company's customers who may be subject to price increases as companies pass the increased compliance costs on to them,[11] which could also result in loss of business and revenue that could negatively impact shareholder value. We believe that these resources and funds would be better used to further the innovation and development of solutions that help reduce GHG emissions, carbon footprints, and other environmental impacts,[12] an endeavor that we have already identified as a strategic priority.

The Proposed Rules are not necessary in the public interest of disclosure of climate-related risks. As noted by Pickering Energy Partners in their comment letter, according to the Governance and Accountability Institute, 90% of companies in the S&P 500 Index and 65% of Russell 1000 companies

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[8] 2016 Concept Release.

[9] *Mexichem Fluor, Inc. v. EPA*, 866 F.3d 451 (D.C. Cir. 2017), prohibiting the EPA's expansion of authority under existing statutes in the absence of Congressional enaction of general climate change legislation.

[10] As noted by the U.S. Chamber of Commerce in their comment letter dated April 19, 2022, the Commission has estimated that the Proposed Rules would increase the cost of complying with the Commissions disclosure rules by 250%.

[11] See comment letter submitted May 13, 2022 by Dimensional Fund Advisors.

[12] See also comment letter submitted April 20, 2022 by Pickering Energy Partners, identifying the financial burden of complying with the Proposed Rules as "representing a substantial opportunity cost for a global low-carbon future."

published sustainability reports in 2019, with the latter increasing 60% from the prior year. Further, policies of large institutional shareholders incentivize public companies to provide voluntary climate disclosures, negating the need for additional regulatory requirements: (i) BlackRock asks that companies report in accordance with the Taskforce on Climate-related Financial Disclosure ("TCFD") framework and publish certain metrics and targets aligned with Sustainability Accounting Standards Board ("SASB") standards, as well as disclose Net Zero-aligned business plans; (ii) State Street expects companies to report according to the TCFD framework and has released disclosure expectations for effective climate transition plans; and (iii) Vanguard supports companies reporting under the TCFD framework or SASB standards. We also agree with other commenters that climate change is much broader than the financial risks posed to public companies and is an issue better addressed by statutes and policies enacted by Congress and federal agencies authorized by legislation. As the Commission noted in the proposing release for the Proposed Rules, the Environmental Protection Agency ("EPA") has already implemented a GHG reporting program, covering approximately 8,000 facilities that are large sources of GHG emissions. The disclosure required by the Proposed Rules would be duplicative and redundant of the disclosure already required under the EPA. Such duplicative disclosure would be a departure from the SEC's approach to streamlined and simplified disclosure. The EPA is also in a better position than the Commission to consider whether disclosures should be expanded to Scope 2 and Scope 3 emissions, as contemplated by the Proposed Rules.

Climate-related risks and opportunities, including many of the disclosures mandated by the Proposed Rules, are already required to be disclosed under existing Commission rules to the extent material to an understanding of the business of a registrant or constitute "material events and uncertainties known to management that are reasonably likely to cause reported financial information not to be necessarily indicative of future operating results or of future financial condition".[13] The Commission has issued guidance on applying the existing disclosure rules to climate change matters to the extent they have a material effect on a registrant's business and operations,[14] including most recently, though the sample comment letter published by the Division of Corporation Finance in 2021. The Commission could provide issuers updated or additional interpretive guidance if there is concern that a company's disclosures are inadequate under the existing framework, or enforce the existing disclosure requirements through comment letters and other existing enforcement mechanisms available to the Commission.

The existing concept of materiality under the U.S. securities laws is well established. If the Commission moves forward with amendments to the Securities Act and Exchange Act to adopt rules specific to climate-related risks, we would urge the Commission to adhere to existing materiality standards and not mandate disclosure of specific climate-related matters if not material to an understanding of an issuer's business as a whole or material to an investor making an investment decision. To the extent a company provides disclosure of climate-related matters that are not material to an understanding of a company's business, this disclosure should not be "filed" with an issuer's Securities Act or Exchange Act filings, but provided separately on the issuer's public website. It would be consistent with existing disclosure requirements were the Commission to require an issuer to include in their Securities Act or Exchange Act filings a statement of whether the issuer makes additional climate-related

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[13] Regulation S-K, Item 303.

[14] *Commission Guidance Regarding Disclosure Related to Climate Change* (February 8, 2010).

disclosure available on their website. Such disclosure would be readily accessible by investors and would still be subject to the requirements of Section 10(b) under the Exchange Act. However, as an immaterial disclosure, and consistent with other immaterial disclosures, it would not be subject to the stricter liability requirements of Section 11 of the Securities Act or Section 18 of the Exchange Act.

Similarly, the requirement to disclose the financial impacts of climate-related risks if such impact exceeds 1% of an individual financial statement line item should be removed. Such disclosure is inconsistent with, and much lower than, existing financial statement materiality determinations for additional disclosure required in notes to a company's financial statements. The immaterial disclosure in the notes to the financial statements required by the Proposed Rules risks diverting an investor's attention away from the disclosures that are material to an understanding of the financial statements. We recommend that any climate-related financial statement disclosure requirements or guidance be considered and issued by the Financial Accounting Standards Board ("FASB"), and consistent with existing materiality standards.

In revising the Proposed Rules to limit disclosure to the extent material to an understanding of an issuer's business as a whole or material to an investor making an investment decision, we would also urge the Commission to eliminate any disclosure of Scope 3 GHG emissions. The Commission itself recognizes the difficulties in collecting such information. Scope 3 emissions are difficult to identify and accurately quantify and are uniquely uncertain and speculative. Such speculative and uncertain disclosure contrasts with the other disclosures to investors in Securities Act and Exchange Act filings and the usefulness and value of such information in making investment decisions is difficult to understand.

We also do not see the value to investors of the attestation requirement and recommend that such requirement be eliminated. Requiring assurance over disclosure of GHG emissions, information not presented in the company's financial statements, especially if the Proposed Rules are not revised to remain consistent with existing materiality considerations, is not typical under the Commission's existing disclosure requirements. As a novel requirement, there are not a sufficient number of attestation providers with the proficiency and experience required to provide a meaningful addition to the disclosure. Further, we believe obtaining such an attestation will be considerably costly, given the specialized nature of the experience required to provide the attestation, as well as the limited number of providers. Given the cost involved, and the limited usefulness and value to investors, we would recommend that such requirement be eliminated.

Given the breadth and scope of the Proposed Rules, unless they are greatly revised, including to eliminate a requirement to include GHG emissions for all years prior to the effective date of the rules, we would urge the Commission to extend the effective dates two years beyond those indicated in the Proposed Rules. Such time would be necessary for companies to develop and implement the new processes, procedures and controls, and collect reliable data required to assure compliance with the Proposed Rules.

We believe the existing disclosure framework and materiality standard already covers climate-related disclosures to the extent material to a company's business, operations or financial condition. Coupled with the current increase in sustainability disclosures driven by institutional investor policies and other market pressures, existing EPA disclosure requirements and any additional disclosure that may be required by the EPA or under other legislative action, investors already have access to climate-related

disclosures that are material to their investment or voting decision. We recommend the Commission reconsider the Proposed Rules as costly, representing an expansion of the scope of the Commission's mandate, and are not needed to drive additional climate-disclosure or further efforts to address climate change.

If I can be of further assistance in your deliberations, we are happy to engage.

Best regards,

Kenneth M. Fisher

Kenneth M. Fisher
Executive Vice President and Chief Financial Officer