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06.17.22

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

Re: File No. S7-10-22

Dear Ms. Countryman:

Occidental Petroleum Corporation ("Occidental," "our" or "we") appreciates the opportunity to submit comments to the U.S. Securities and Exchange Commission (the "Commission") regarding the Commission's rule proposal, Release No. 33-11042, *The Enhancement and Standardization of Climate-Related Disclosures for Investors* (the "Rule Proposal"). We support the Commission's objective to improve the consistency, comparability and reliability of climate-related disclosures and provide investors with decision-useful information regarding climate change metrics.

Occidental was the first U.S. oil and gas company to establish net-zero goals for our total carbon inventory of Scope 1, 2 and 3 emissions – including emissions from the transportation, processing and use of our oil and gas products by consumers. We were the first U.S. upstream company to establish sustainability-linked credit facilities, and our key performance indicator for these facilities is based on achieving Scope 1 and 2 emissions reductions. We were also the first U.S. oil and gas company to endorse the World Economic Forum's Stakeholder Capitalism Metrics, which we believe align with the Commission's stated objective to enhance and standardize climate-related disclosures but which importantly recognize the diversity of public companies across industry sectors and promote the innovation occurring in greenhouse gas ("GHG") emissions detection, reporting and control technologies and strategies. In addition to expanding our voluntary GHG emissions disclosure and interim reduction targets, we have presented our detailed pathway to net zero to our investors, which includes our plans to expand our carbon management operations to commercialize direct air capture technology, carbon capture and sequestration hubs, zero-emission power generation and low-carbon products, including net-zero oil and sustainable aviation fuels, in the coming years. Accordingly, we support increased climate-related disclosure and transparency through a well-crafted rule that allows public companies the flexibility to report efficiently on the aspects of the energy transition and climate change that they view as most important.

In our view, the proposed Regulation S-X amendments in the Rule Proposal would not advance the Commission's stated objective. We strongly recommend that the Commission assign this effort to the Financial Accounting Standards Board ("FASB"), which should be directed to develop a climate-related accounting standard. The Commission has a long history of relying on the FASB, an independent, not-for-profit organization, to set the highest-quality financial accounting and reporting standards. In addition, we recommend that the Commission clarify and conform the GHG emissions reporting methodology. We also recommend that the Commission reevaluate and reconfigure the timing and method for GHG emissions reporting in the Rule Proposal to be less burdensome. Lastly, we believe that companies should be afforded a reasonable phase-in period to allow for the implementation of effective controls and procedures with respect to the required GHG emissions disclosure. Our recommendations regarding these provisions of the Rule Proposal are discussed below.

Direct the FASB to Develop a Climate-Related Accounting Standard

In our view, the proposed Regulation S-X amendments[1] would result in disclosure of immaterial information that would not be useful for investors and would likely be inconsistently applied. The 1% line-item threshold applicable to the impacts of severe weather or climate transition plan efforts (together, "climate-related impacts") would not provide investors with consistently decision-useful information. Different line items would have different disclosure thresholds (in some instances, vastly different),[2] thereby resulting in incomplete information about a company's climate-related impacts. Moreover, while materiality includes both qualitative and quantitative assessments, we believe it would be unusual for a climate-related impact to be qualitatively material yet have a quantitative value comprising just 1% of a line item.[3] Indeed, this is even more likely to be the case since the 1% threshold is to be met by aggregating the absolute values of individual climate-related impacts. As a result, this footnote disclosure is unlikely to inform a reasonable shareholder's investment or voting decision, and would only serve to increase compliance costs.

As a general matter, Occidental believes that the effectiveness of any disclosure requirement decreases with the accumulation of unnecessary detail or uninformative content that obscures material information. Such would be the case, in our view, if the Commission were to adopt a disclosure threshold for climate-related impacts at 1% of each financial statement line item.

[1] *See* proposed 17 CFR 210.14-02(c) - (f).
[2] For example, Occidental's Oil and gas operating expense was $3.16 billion for 2021, while its Exploration expense was $252 million for the same period.
[3] As noted above, this would vary depending on the particular line item.

The determinations required by the proposed Regulation S-X amendments are also highly subjective and, as a result, would likely be inconsistently applied. The Rule Proposal does not define key terms, such as "severe weather events" and "other natural conditions." The Rule Proposal also would lead to many open-ended determinations, such as "the impact of any efforts to reduce GHG emissions or otherwise mitigate exposure to transition risks."[4] Companies make countless decisions every day that affect their energy use and emissions profiles, often for multiple reasons and often imbedded in development projects or routine operations and maintenance. At a minimum, the Commission should clarify whether it expects companies to report on the costs associated with projects done for the express purpose of GHG emissions reduction or energy transition, or to compile all costs that relate in some way to GHG emissions or transition risks. For example, would the purchase of an ENERGY STAR certified refrigerator need to be accounted for as an "effort to reduce GHG emissions or otherwise mitigate exposure to transition risks"?

Given the absence of any definition or guidance in interpreting these key phrases, there would likely be uneven interpretation and application of this disclosure requirement. As another example, a severe weather event experienced by a registrant may not be considered severe by another registrant, even if it is in the same geographic location, and some effects of climate-related impacts may be combined with the impacts of other macroeconomic factors, such as the COVID-19 pandemic or geopolitical turmoil, making it difficult to discern or ascertain which factor is predominant. In view of these ambiguities, disclosure regarding climate-related impacts under the Rule Proposal would likely be highly judgmental and subjective, and therefore, not comparable even across peer companies. Moreover, because this information would be subject to audit, registrants would need to develop new controls and procedures and accounting records, with respect to these subjective determinations. This would be a costly exercise, without, in our view, an appreciable benefit to investors.

The Commission has appropriately relied on the FASB to develop financial accounting and reporting standards that implement Commission priorities, which the FASB has done pursuant to a process that is robust, comprehensive and inclusive. This process has helped ensure that accounting rules are clear, are consistent and comparable with the existing Accounting Standards Codification, can be implemented by finance and accounting departments at public companies and their independent auditors, and can be understood by institutional, retail and private investors. Our recommendation is that the Commission direct the FASB and its staff to develop a climate-related accounting standard. The FASB's professional involvement in the rule process would ensure alignment of quantitative financial statement disclosures on

[4] *See* proposed 17 CFR 210.14-02(c) and (d).

climate-related impacts with existing accounting and reporting standards and principles. While the FASB promulgates its climate-related accounting standard, the Commission could proceed with implementing other provisions of its Rule Proposal.

Clarify and Conform the GHG Emissions Reporting Methodology

We request that the Commission align the emissions reporting standards in the Rule Proposal with those of the GHG Protocol. As the Commission notes, the GHG Protocol is a leading accounting and reporting standard for GHG emissions.[5] Adopting standards that correspond to the GHG Protocol would provide investors with comparable disclosures to those which companies have made historically and to those made by companies not subject to the Commission's reporting requirements. However, the standards in the Rule Proposal differ significantly from those in the GHG Protocol. For example, the Rule Proposal requires companies to set organizational boundaries for GHG emissions disclosure using the same scope of entities and holdings as those included in their consolidated financial statements.[6] Conversely, the GHG Protocol allows for an equity share or control boundary. This difference in boundaries could lead to companies reporting significantly different emissions than they have historically. Deviating from the GHG Protocol would only serve to confuse investors with differences from companies' previous GHG emissions disclosure and unnecessarily increase compliance costs as companies would need to recalculate their emissions disclosure both historically and going forward. We urge the Commission to revise the emission standards in the Rule Proposal to match those of the GHG Protocol.

We also request that the Commission further clarify the categories of Scope 3 emissions that are required to be disclosed under the Rule Proposal. Proposed Item 1504(c)(1) of Regulation S-K requires companies to disclose "total Scope 3 emissions if material" and "the categories of upstream or downstream activities that have been included in the calculation of the Scope 3 emissions." It is not clear from this language whether the total Scope 3 emissions disclosed is meant to include only those categories that are material to the company, which we believe is the customary approach, or instead if the Commission proposes that a company report Scope 3 emissions from all 15 current categories of Scope 3 emissions if any single category is considered material to the company. We recommend that the Commission clarify that companies are required to identify and report emissions estimates only from the Scope 3 emissions categories that are material to their business. We believe this would lead to greater comparability with existing company disclosures, as we believe many companies that adopted Scope 3

5 The Enhancement and Standardization of Climate-Related Disclosures for Investors, 87 Fed. Reg. 21334, 21374 (Apr. 11, 2022).
6 *Id.* at 21384.

targets did not adopt targets covering all 15 Scope 3 categories. These companies are likely to have historically reported Scope 3 emissions most relevant to the target (*i.e*., those material to the company). Requiring disclosure of all categories of Scope 3 emissions, rather than those that are material, would likely require many companies to recalculate their Scope 3 emissions and targets and thereby further increase compliance costs and investor confusion.

Reevaluate and Reconfigure the Timing and Method for GHG Emissions Reporting

We urge the Commission to revise the Rule Proposal to implement a more practicable deadline for GHG emissions disclosure, which may include incorporating the GHG emissions disclosure in a supplement to, or a document furnished separately from, the Form 10-K. We believe that including GHG emissions disclosure in the Form 10-K would not be workable for most companies. The collection, compilation and auditing of GHG emissions metrics is incredibly time-intensive. This is particularly the case for companies with assets in multiple sectors and multiple countries, as well as for information about Scope 3 emissions, the collection of which is reliant on the participation of third parties for effective reporting. For example, the third-party assurance process under our sustainability-linked credit facilities for Scope 1 and 2 emissions for our operations must be completed by September 30 of the year following the reporting year, which enables us to address questions posed by the Environmental Protection Agency ("EPA") for domestic facilities that report under the EPA's GHG reporting rule (the "EPA Rule"), and to consolidate domestic emissions estimates with those from international facilities. In the same time frame, we generate Scope 3 emissions estimates for the categories we believe are most relevant to our stakeholders, namely, the transportation, processing and use of our sold oil and gas products.

The Rule Proposal would require that companies complete all of these processes within the same time period in which they are preparing the Form 10-K. The preparation of the Form 10-K is already demanding on the staff of public companies and their advisors. Adding the GHG disclosure requirement to this process would further strain staff and resources and require greater reliance on third parties to properly manage the burden, thereby greatly increasing compliance costs. Perhaps more importantly, this would essentially redirect our interdisciplinary professionals away from implementing our ongoing emissions reduction projects to achieve our GHG targets, and toward meeting the compressed timeline of the Rule Proposal across different organizational boundaries. The time constraints on the GHG emissions reporting process may also require companies to increase their reliance on assumptions and estimates, potentially undermining the accuracy and usefulness of the disclosure. While the Rule Proposal provides companies with flexibility with respect to fourth quarter GHG emissions metrics, we believe that it would still be unnecessarily burdensome to require companies to collect and compile the

GHG emissions metrics, and meet the demands of the assurance process, for the remaining three-quarters of the year within the time frame contemplated by the Rule Proposal. By design, companies would also need to revise their emissions reporting to amend preliminary estimates of fourth quarter emissions after initial filings to reflect actual operating data, creating confusion for investors and unnecessary duplication of work for company personnel and auditors.

Concerningly, the deadline in the Rule Proposal would require many companies to file assured GHG emissions metrics prior to the deadline for the unverified metrics required by the EPA under the EPA Rule. Under the Rule Proposal, large accelerated and accelerated filers with calendar year-ends would be required to file the assured GHG emissions metrics by March 1 and March 16, respectively. Under the EPA Rule, those same companies are required to submit unverified metrics by March 31. While we expect that the Rule Proposal's deadline would be difficult for companies that do not report GHG emissions, even companies that have adopted GHG emissions reporting practices meant to comply with the EPA Rule would incur significant costs to adapt their controls and procedures to meet the Form 10-K reporting deadline.

Additionally, the disclosure required under the Rule Proposal overlaps with, but is broader than, disclosure required under the EPA Rule. Companies that will report under both rules will need sufficient time to verify and report consistent figures to both agencies where overlaps exist. Moreover, in order to calculate accurate Scope 2 and Scope 3 emissions for reporting to the Commission, companies may want to rely upon data submitted to the EPA and made public under the EPA Rule, which typically occurs in the fall following the reporting year. Accordingly, we believe it would be more appropriate to set the deadline for the Commission's expansive reporting requirement after the deadline and publication of the reports required under the EPA Rule.

Given the significant burden of completing the GHG emissions reporting and assurance processes within the proposed time frame, the likelihood that disclosures would be undermined by the need to further rely on assumptions and estimates in order to meet such time frame, and the significant cost savings that could be realized with a deadline that occurs after the publication of GHG emissions reports under the EPA Rule, we recommend that the Commission extend the deadline for GHG emissions disclosure. There are a number of possible options. The Commission could require that GHG emissions be reported in a year-in-arrears basis. This would provide companies with ample time to prepare and assure their GHG emissions disclosure independently from the Form 10-K, and would allow those companies reporting to the EPA to retain their existing controls and procedures. Alternatively, the Commission could require that the GHG emissions disclosure be included in a supplement to, or furnished separately from, the Form 10-K, with a deadline permitting submission within at least 240 days of the deadline of the Form 10-K. This would be similar to the Part III information in Form 10-K, which is simply incorporated by reference into the Form 10-K when a company's proxy statement is filed, which can be up to 120 days after fiscal year-end. Allowing the GHG emissions disclosure to be provided in this way would provide investors with the disclosure sooner than the year-in-arrears approach, while still allowing companies the time necessary to prepare the GHG emissions disclosure and the ability to align disclosure preparation with the EPA reporting process.

Extend the Phase-in Period for GHG Emissions Metric Disclosure

We support the requirement to disclose GHG emissions metrics. Yet we recommend that the Commission extend by at least one year the phase-in period for all GHG emissions metric disclosure requirements under the Rule Proposal and only apply the requirements prospectively.

This recommendation is in part due to the EPA's recent announcement of proposed rulemaking to modify the EPA Rule in many significant respects.[7] For companies required to report under the EPA Rule, both the Rule Proposal and the revised EPA Rule will materially affect the controls and procedures for GHG emissions metrics in the U.S. Aligning the phase-in of the Rule Proposal to be subsequent to the revised EPA Rule, which is currently proposed to be effective beginning with calendar year 2023, would simplify adjusting controls and procedures, and could prevent unnecessary cost and confusion among companies subject to the EPA Rule, auditors and investors. Further, linking the effectiveness of the Commission's emissions disclosure rule to the finalized EPA Rule gives the Commission the opportunity to ensure that the requirements of each do not conflict.

Even if the EPA were not revising the EPA Rule, the currently proposed phase-in period would give large accelerated filers only a short window to implement effective controls and procedures with respect to their GHG emissions metric disclosure. Implementation of controls and procedures for this disclosure will be time-consuming for many companies, particularly those diversified in multiple industry sectors. Even for companies that have been voluntarily reporting their Scope 1 and Scope 2 emissions, such as Occidental, the inclusion of such information in a Form 10-K will necessarily require the application of additional controls and procedures. For similar reasons, we believe an extended phase-in period for any climate-related financial statement metrics contained in the final rule would also be beneficial to investors

[7] *See* Revisions and Confidentiality Determinations for Data Elements Under the Greenhouse Gas Reporting Rule, EPA-HQ-OAR-2019-0424 (Apr. 29, 2022).

due to the cost and time associated with enhancing existing systems, controls and procedures to yield additional disclosure pursuant to the Rule Proposal that is reliable and precise for investor use.

We believe that an extension to the phase-in period by at least one year would benefit both registrants and investors. The extension would allow companies to establish controls and procedures on a prospective basis in accordance with both EPA and Commission rules, which we believe would result in year-over-year information that would likely be more consistent and useful to investors in comparing the emissions of peer companies or tracking the effects of a registrant's energy transition plan.

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We appreciate the opportunity to participate in the rulemaking process and respectfully request that the Commission consider our recommendations and suggestions. We are available to meet and discuss these comments or any questions the Commission and its staff may have.

Sincerely,

Nicole E. Clark
VICE PRESIDENT, DEPUTY GENERAL COUNSEL AND CORPORATE SECRETARY
OCCIDENTAL PETROLEUM CORPORATION
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