

June 17, 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 Securities and Exchange Commission (SEC) describes its disclosure rule as necessary to address investors' demands for transparency about climate change risks. However, SEC lacks the authority to promulgate this rule, which would elevate climate change over material financial considerations and distort SEC's mission of protecting ordinary investors and promoting efficiency, competition, and capital formation in the marketplace.

At Panhandle Producers & Royalty Owners Association and our 600-member base, we develop oil and natural gas in Texas, Kansas, Oklahoma, and New Mexico. This rule is ill-timed, as it is designed to 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. We are working to increase production but are struggling to obtain financing because of activism from the very organizations and minority investors that are promoting this rule.

We take issue with the suggestion on page 21362 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..."

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 SEC has gone far afield from its mission of capital formation to assuming an air quality role. 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 and our allies in Europe and across the globe.

SEC assumes it is a given that a net-zero or low-carbon transition is the goal. While we are agreed in the oil and natural gas industry that lowering GHG emissions is necessary to address climate change, 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 our products before a viable alternative is 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 where GHG emissions becoming limiting to 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. 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, SEC cannot be used as a substitute to do so.


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. 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 SEC. If large SEC filers start to require such data from all their suppliers, they would be acting as agents of 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. SEC has not considered this impact of the rule on small businesses.

Further, SEC is proposing GHG reporting that goes even further than what is required under Clean Air Act (CAA) regulation. 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. 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 million metric ton threshold set by EPA must already report their emissions under the GHG Reporting Program (GHGRP) §229.1504. Generally, the public companies subject to 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, SEC should simply require companies to report the same emissions numbers reported to EPA. For the oil and natural gas industry, that would be 40 CFR Part 98 Subpart W 98.230-98.232. 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. SEC should not contribute further to this destabilizing situation, but rather should withdraw this rule. Thank you for the opportunity to comment.

Sincerely,

A handwritten signature in cursive script that reads "Judy Stark". The signature is written in black ink and is positioned above the typed name and address.

Judy Stark, President
Panhandle Producers & Royalty Owners Association
3131 Bell St, Suite 209
Amarillo, Texas 79106