Spark Change Group Ltd (UK)
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August 16, 2022

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

Re: Environmental, Social, and Governance Disclosures for Investment Advisers and Investment Companies

Dear Secretary Countryman,

Thank you for the opportunity to provide comments in response to the Securities and Exchange Commission's ("SEC" or the "Commission") proposal to enhance disclosures by certain investment advisers and investment companies about environmental, social, and governance ("ESG") factors. Spark Change Group Ltd (UK) ("SparkChange") is a provider of specialist carbon investment products and data who supports the Commission's efforts to help investors make more informed decisions about ESG investing.

SparkChange believes it is critical that funds, corporates, and advisers report their carbon *pricing risk*, not just their carbon *footprint*.

In a recent study by S&P Global, the importance of considering carbon pricing risk is described as follows: "Relying on the carbon footprint as the only indicator of carbon pricing risk could create a blind spot regarding the financial implications of carbon policies for companies and their investors. Companies should look at how carbon prices affect the cost of global value chain impacts, as well as the net impact on profitability across different scenarios and time horizons. This type of financial scenario analysis will be important in responding to climate risk disclosure initiatives, such as the Task Force on Climate-related Financial Disclosures ("TCFD"), which aims to help investors, lenders, and insurance underwriters appropriately assess and price climate-related risks and opportunities."[1]

This rapid expansion of carbon pricing, which currently covers 22% of global emissions, poses an increasing risk to investors.[2] Studies have shown that in some sectors, up to 60% of corporates could face default by 2030 in certain carbon price scenarios.[3] For example, in one of its most recent stress tests, the European Central Bank ("ECB") found that more than 70% of banks' short-term climate risk is due to carbon pricing.[4]

Requiring funds to report their carbon *pricing risk* would introduce much-needed additional disclosures to facilitate responsible ESG investing by helping investors identify, understand, and compare carbon price exposure across corporates, funds, and advisers.

SparkChange would be happy to provide additional information, respond to any questions the Commission may have about our comments, and participate in future discussions about these proceedings.

Sincerely,

Dan Barry
Director, Spark Change Group Ltd (UK)

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[1] Carbon Pricing: Discover Your Blind Spots on Risk and Opportunity - Research: S&P Dow Jones Indices. S&P Global, Jan. 2018, https://www.spglobal.com/spdji/en/research/article/carbon-pricing-discover-your-blind-spots-on-risk-and-opportunity/.
[2] World Bank. 2022. State and Trends of Carbon Pricing 2022. State and Trends of Carbon Pricing. Washington, DC: World Bank. © World Bank. https://openknowledge.worldbank.org/handle/10986/37455 License: CC BY 3.0 IGO.
[3] Bouchet, Vincent and Le Guenedal, Théo, Credit Risk Sensitivity to Carbon Price (April 7, 2020). Available at SSRN: https://ssrn.com/abstract=3574486 or http://dx.doi.org/10.2139/ssrn.3574486
[4] 2022 Climate Risk Stress Test - Europa. European Central Bank , July 2022, https://www.bankingsupervision.europa.eu/press/pr/date/2022/html/ssm.pr220708~565c38d18a.en.html