

Congress of the United States
House of Representatives

COMMITTEE ON OVERSIGHT AND REFORM

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July 7, 2022

The Honorable Gary Gensler
Chair
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

Re: File Number S7-10-22

Dear Chair Gensler:

We write in support of the Securities and Exchange Commission’s proposed rule to enhance and standardize climate-related disclosures for investors.¹ The Commission’s proposed climate disclosure rule is a first and long-overdue step in eliciting truthful and standardized information about climate-related risks and exposures from public companies. The proposed rule will help investors understand the financial risks they are taking, send a market signal to fuel the clean energy transition, and let the American people see firsthand the quantifiable risks carbon-intensive businesses operations pose to the planet and our economy. We also support two crucial enhancements to the rule, to strengthen disclosures for “Scope 3” emissions related to companies’ supply chains and end products, and to accelerate the rule’s timeline to require climate disclosures from all registrants.

The Oversight Committee has been focused for several years on climate change disinformation in the United States. In the 116th Congress, the Subcommittee on Environment held a series of hearings to uncover the truth about industry influence, widespread public misinformation, and distrust of climate science.² In the current Congress, the Committee is investigating the fossil fuel industry’s climate disinformation campaign and efforts to greenwash their images through climate pledges.³ One feature of the industry’s current greenwashing

¹ Securities and Exchange Commission, *Proposed Rule: The Enhancement and Standardization of Climate-Related Disclosures for Investors* (Apr. 11, 2022) (87 FR 21334).

² Majority Staff, Committee on Oversight and Reform, Subcommittee on Environment, *A Call for Immediate Climate Action: Findings and Recommendations to the Biden Administration and 117th Congress to Advance Climate Action* (Jan. 2021) (online at <https://oversight.house.gov/sites/democrats.oversight.house.gov/files/Oversight%20Environment%20Subcommittee%20-%20116th%20Climate%20Change%20Series%20Staff%20Report.pdf>).

³ Committee on Oversight and Reform, *Press Release: Oversight Committee Launches Investigation of Fossil Fuel Industry Disinformation on Climate Crisis* (Sept. 16, 2021) (online at

campaign involves fossil fuel company pledges to achieve net zero greenhouse gas emissions—pledges that do not follow universally standard metrics, are not independently audited, include very few details, avoid any commitment to transparent reporting, and do not appear to align with the companies' operations and spending.⁴

The oil companies under investigation by the Committee—Chevron, BP, Exxon, and Shell—have spent millions of dollars to advertise their support for the Paris Agreement and have announced ambitions to reach net zero greenhouse gas emissions by 2050.⁵ However, these companies have failed to demonstrate how their spending aligns with their pledges, have resisted reasonable regulations, and have lobbied against shareholder resolutions that would commit the companies to taking actions consistent with their pledges.⁶ In the absence of transparent information on internal decision-making surrounding climate-change lobbying and advocacy at these companies, and in light of a history of denial and delay-tactics, climate-related disclosures are essential. They may allow retail and institutional investors alike, as well as regulators, to determine if the actual decisions these companies make align with public pledges. Without this information, investors lack adequate tools to judge whether investment choices align with portfolio theses, client preferences, and established risk tolerance.

At a Committee hearing in October 2021, executives from each of these four companies acknowledged for the first time under oath that climate change is real and that burning fossil

<https://oversight.house.gov/news/press-releases/oversight-committee-launches-investigation-of-fossil-fuel-industry>); Committee on Oversight and Reform, *Press Release: At Historic Hearing, Fossil Fuel Executives Admit Climate Crisis is an “Urgent” Threat* (Oct. 28, 2021) (online at <https://oversight.house.gov/news/press-releases/at-historic-hearing-fossil-fuel-executives-admit-climate-crisis-is-a-n-urgent>); Committee on Oversight and Reform, *Press Release: At Hearing, Climate Experts Expose Inadequacies of Big Oil’s Climate Pledges* (Feb. 8, 2022) (online at <https://oversight.house.gov/news/press-releases/at-hearing-climate-experts-expose-inadequacies-of-big-oil-s-climate-pledges>).

⁴ John Armour, Luca Enriques, and Thom Wetzler, *Corporate Carbon Reduction Pledges: Beyond Greenwashing*, Oxford Business Law Blog (July 2, 2021) (online at www.law.ox.ac.uk/business-law-blog/blog/2021/07/corporate-carbon-reduction-pledges-beyond-greenwashing).

⁵ ExxonMobil, *ExxonMobil Announces Ambition for Net Zero Greenhouse Gas Emissions by 2050* (Jan. 18, 2022) (online at https://corporate.exxonmobil.com/News/Newsroom/News-releases/2022/01/18_ExxonMobil-announces-ambition-for-net-zero-greenhouse-gas-emissions-by-2050); Chevron, *Climate Change Resilience: Advancing a Lower Carbon Future* (Oct. 12, 2021) (online at www.chevron.com/-/media/chevron/sustainability/documents/2021-climate-change-resilience-report.pdf); Royal Dutch Shell PLC, *Shell Energy Transition Strategy* (2021) (online at www.shell.com/promos/energy-and-innovation/shell-energy-transition-strategy/_jcr_content.stream/1618407326759/7c3d5b317351891d2383b3e9f1e511997e516639/shell-energy-transition-strategy-2021.pdf); BP, *From International Oil Company to Integrated Energy Company: BP Sets Out Strategy for Decade of Delivery Towards Net Zero Ambition* (Aug. 4, 2020) (online at www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/news-and-insights/press-releases/from-international-oil-company-to-integrated-energy-company.pdf).

⁶ Committee on Oversight and Reform, *Hearing on Fueling the Climate Crisis: Exposing Big Oil’s Disinformation Campaign to Prevent Climate Action* (Oct. 28, 2021) (online at <https://docs.house.gov/meetings/GO/GO00/20211028/114185/HHRG-117-GO00-Transcript-20211028.pdf>); Committee on Oversight and Reform, *Hearing on Fueling the Climate Crisis: Fueling the Climate Crisis: Examining Big Oil’s Climate Pledges* (Feb. 8, 2022) (online at <https://docs.house.gov/meetings/GO/GO00/20220208/114392/HHRG-117-GO00-Transcript-20220208.pdf>).

fuels is the primary cause.⁷ This admission came four decades after the companies first learned that their product was causing climate change. In the intervening 40 years, the companies pursued profits and engaged in denial and delay tactics, as humanity lost four decades that would have allowed us to avoid the worst aspects of the crisis we now face.⁸

During the Committee's October 2021 hearing, Members of the Committee asked the companies' executives if they would pledge on the record to stop spending money in opposition to efforts to reduce greenhouse gas emissions. Each executive refused to make that pledge.⁹ Clearly, unless the federal government requires transparency and action, the companies will continue to use the fossil fuel playbook from the past four decades to delay meaningful climate action while deceiving the public with its greenwashing campaign.

The Committee held another hearing in February 2022 with climate experts and activists who assessed the companies' pledges in comparison to the Paris Agreement's mitigation goals.¹⁰ Dr. Michael Mann, Professor of Atmospheric Science at Pennsylvania State University, testified to shortcomings in the companies' pledges including a lack of clarity on absolute emission reductions, reliance on offsets, the hidden costs of fossil fuels, and the uncertainty surrounding the scalability of still-developing carbon capture and sequestration technologies. Dr. Mann testified that Congress should enact climate policies and incentives to encourage these companies to act in line with their stated commitments.¹¹

Shareholder activist Mark Van Baal, Founder of Follow This, testified that investors, shareholders, and consumers have borne—and will continue to bear—the costs of corporate climate inaction. Mr. Van Baal testified that if these climate pledges were made in good faith, the companies would be spending at least 50% of their investments to support their clean energy transitions, but their spending on clean energy transition has not come anywhere close. Instead, Mr. Van Baal testified that the companies' marketing budgets are greater than their investments in a transition from carbon-emitting fuels. Mr. Van Baal testified that American investors deserve to know if their retirement plans are at risk due to climate exposures.¹²

⁷ Committee on Oversight and Reform, *Hearing on Fueling the Climate Crisis: Exposing Big Oil's Disinformation Campaign to Prevent Climate Action* (Oct. 28, 2021) (online at <https://docs.house.gov/meetings/GO/GO00/20211028/114185/HRG-117-GO00-Transcript-20211028.pdf>).

⁸ *Id.*; *Exxon's Own Research Confirmed Fossil Fuels' Role in Global Warming Decades Ago*, Inside Climate News (Sept. 16, 2015) (online at <https://insideclimatenews.org/news/16092015/exxons-own-research-confirmed-fossil-fuels-role-in-global-warming>); *Shell Foresaw Climate Dangers in 1988 and Understood Big Oil's Role*, Washington Post (Apr. 5, 2018) (online at www.washingtonpost.com/news/energy-environment/wp/2018/04/05/documents-show-shell-foresaw-climate-change-three-decades-ago-and-knew-how-big-its-own-contribution-was/).

⁹ Committee on Oversight and Reform, *Hearing on Fueling the Climate Crisis: Exposing Big Oil's Disinformation Campaign to Prevent Climate Action* (Oct. 28, 2021) (online at <https://docs.house.gov/meetings/GO/GO00/20211028/114185/HRG-117-GO00-Transcript-20211028.pdf>).

¹⁰ *Id.*

¹¹ *Id.*

¹² *Id.*; *Big Oil Spent \$3.6 Billion to Clean up Its Image, and It's Working*, Grist (Dec. 24, 2019) (online at <https://grist.org/energy/big-oil-spent-3-6-billion-on-climate-ads-and-its-working/>); Dario Kenner and Richard

Echoing Mr. Van Baal, Tracey Lewis, Policy Counsel at Public Citizen, testified that fossil fuel companies are not making the necessary investments to meet their pledges. Ms. Lewis stated that she believed the corporate pledges were meant to mislead the American public, and that the goal was to “cause people to believe one thing while the company is doing the exact opposite.”¹³

This testimony has been echoed by fossil fuel company shareholders and investors. Recently, a Shell public safety contractor publicly resigned in protest for the company’s “double talk” on its climate goals.¹⁴

Accountability starts with transparency. We applaud the Commission’s proposal because it will require standardized climate disclosures that our investigation suggests are urgently needed. The proposed rule will allow investors and market participants to efficiently track climate performance, including management of climate risks, strategy, and governance. The proposed rule provides the right incentives to ensure companies are operating in line with their public statements on climate risks and management and ensure that investors have the information they need to protect themselves and align their investments with their future financial goals.

We encourage the Commission to consider enhancing the final rule in two areas. First, we suggest strengthening the reporting requirements for Scope 3 emissions, which are the emissions related to a company’s supply chain and end products. The proposed rule would require Scope 1 and 2 greenhouse gas emissions reporting in both absolute and intensity terms, without netting, and assured by third parties. We believe the rule must require similar disclosures for Scope 3 emissions. Without this requirement, the vast majority of greenhouse gas emissions associated with a company’s products might not be reported accurately, potentially representing a major portion of greenhouse gas emissions economywide. As such, the purpose and value of the rule are undercut if Scope 3 emissions are not reported.

Heede, *White Knights, or Horsemen of the Apocalypse? Prospects for Big Oil to Align Emissions with a 1.5°C Pathway*, Energy Research and Social Science (2021) (online at www.sciencedirect.com/science/article/pii/S2214629621001420#b0365).

¹³ Committee on Oversight and Reform, *Hearing on Fueling the Climate Crisis: Examining Big Oil’s Climate Pledges* (Feb. 8, 2022) (online at <https://docs.house.gov/meetings/GO/GO00/20220208/114392/HHRG-117-GO00-Transcript-20220208.pdf>).

¹⁴ *Q&A: The Activist Investor Who Shook Up the Board at ExxonMobil, on How—or if—It Changed the Company*, Inside Climate News (May 17, 2022) (online at <https://insideclimatenews.org/news/17052022/charlie-penner-engine-no-1-exxonmobil/>); Climate Action 100+, *Net Zero Company Benchmark Shows an Increase in Company Net Zero Commitments, But Much More Urgent Action is Needed to Align with a 1.5°C Future* (Mar. 30, 2022) (online at www.climateaction100.org/news/climate-action-100-net-zero-company-benchmark-shows-an-increase-in-company-net-zero-commitments-but-much-more-urgent-action-is-needed-to-align-with-a-1-5c-future/); Caroline Dennett, LinkedIn (May 23, 2022) (online at www.linkedin.com/posts/caroline-dennett-6161a814_jumpship-truthteller-activity-6934409781495431168-711f/).

This is a particular problem in the fossil fuel industry, where Scope 3 emissions make up the vast majority of the industry’s overall emissions, yet some companies exclude these emissions from their climate pledges.¹⁵

Second, we have concerns about the Commission’s timeline for implementation and compliance for the proposed rule. Based on the information we received and reviewed in our investigation, we believe that fossil fuel companies already have the information and tools in place to comply with the disclosure requirements proposed by the rule, and that full compliance may be achieved in a matter of months, if not weeks. These companies have already made and publicized climate pledges, each of them has teams of employees in place who have tracked international and domestic regulatory proposals for decades, and non-profit and academic recommendations to understand how their companies can adapt as the rest of the world responds to climate change. A broad range of major financial industry actors and investors have expressed support for Scope 3 disclosures.¹⁶ These companies are familiar with the recommendations of the Financial Stability Board’s Task Force on Climate-Related Financial Disclosures (TCFD) and the Group of Thirty (G30) recommendation that governments, including in the United States, mandate TCFD-aligned climate disclosure rules by 2023.¹⁷ The TCFD disclosure framework has been in place for several years and has become the “go to framework globally because it is streamlined, developed by the private sector with a focus on financially material information, and applicable to companies across all sectors.” The G30 explained that countries should adopt mandatory disclosures using the TCFD framework to “accelerate disclosure by climate laggards, and further embed TCFD as a common international standard.”¹⁸

In short, fossil fuel companies have seen the Commission’s proposal coming for years and have lobbied to delay it for long enough. To avoid further delays, we encourage the Commission to expeditiously finalize the rule and move implementation requirements forward from fiscal year 2027 to fiscal year 2025. The earlier deadline is reasonable and necessary to limit warming in line with the Paris Agreement’s goals and avert a climate catastrophe.

¹⁵ Committee on Oversight and Reform, *Hearing on Fueling the Climate Crisis: Examining Big Oil’s Climate Pledges* (Feb. 8, 2022) (online at <https://docs.house.gov/meetings/GO/GO00/20220208/114392/HHRG-117-GO00-Transcript-20220208.pdf>); Center for American Progress, *Why Companies Should Be Required to Disclose Their Scope 3 Emissions* (Dec. 13, 2021) (online at www.americanprogress.org/article/why-companies-should-be-required-to-disclose-their-scope-3-emissions/).

¹⁶ *SEC’s Climate Rule Heats Up Debate on Supply Chain Emissions*, Roll Call (June 23, 2022) (online at <https://rollcall.com/2022/06/23/secs-climate-rule-heats-up-debate-on-supply-chain-emissions/>); World Resources Institute, *Trends Show Companies Are Ready for Scope 3 Reporting with US Climate Disclosure Rule* (June 24, 2022) (online at www.wri.org/update/trends-show-companies-are-ready-scope-3-reporting-us-climate-disclosure-rule); Pfizer, *Task Force on Climate-Related Financial Disclosure (TCFD)* (online at www.pfizer.com/sites/default/files/investors/financial_reports/annual_reports/2019/our-performance/tcfd-table/index.html).

¹⁷ Group of Thirty, *Mainstreaming the Transition to a Net-Zero Economy* (Oct. 2020) (online at https://group30.org/images/uploads/publications/G30_Mainstreaming_the_Transition_to_a_Net-Zero_Economy.pdf).

¹⁸ *Id.*

For more than 40 years, fossil fuel companies have followed a strategy of denial and delay in addressing their contributions to climate change. The issue of climate change is no longer a distant and non-tangible threat. It is a present-day and escalating risk to our livelihoods and prosperity. Public companies have a limited amount of time left to mitigate the climate damage they have caused and adapt to a warmer world. Finalizing the Commission's proposal with all deliberate speed will help our financial system survive and provide a path forward for companies with climate risks, including a path for fossil fuel companies to become the diversified energy companies they publicly claim they wish to be.

The American people and future generations deserve accountability from fossil fuel companies, and that begins with the transparency mechanisms the Commission's climate disclosure rule will put in place. We thank you for your leadership on this important issue.

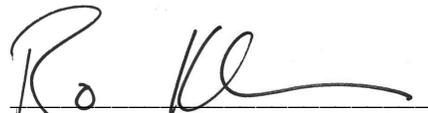
Sincerely,



Carolyn B. Maloney

Chairwoman

Committee on Oversight and Reform



Ro Khanna

Chairman

Subcommittee on Environment

cc: The Honorable James Comer, Ranking Member
Committee on Oversight and Reform

The Honorable Ralph Norman, Ranking Member
Subcommittee on Environment