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By Electronic Submission

Richard Gensler
Chair

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Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

RE: Request for Public Comment on Climate Disclosure Proposed Rule

Orsted Wind Power North America LLC ("Ørsted") is pleased to provide comments to the Securities and Exchange Commission ("SEC") in response to their request for additional detail after an introductory meeting on Ørsted's climate risk disclosure. The world is on the cusp of an unprecedented build-out of renewable energy. In the coming years, we as an energy industry will have to address a number of challenges to drive rapid and sustainable action. The Biden-Harris Administration has set an ambitious goal to deploy 30 gigawatts of offshore wind in the United States by 2030, while protecting biodiversity, promoting ocean co-use, and ensuring a just transition. Ørsted is the global leader in offshore wind development and operation, with 7.6 GW installed capacity globally and a 5 GW project pipeline in the United States alone. Ørsted applauds the Administration for the hard work it has done to enable the clean energy transition and is eager to support that effort.

Ørsted works every day to meet our goal to decarbonize our own operations and energy generation (scopes 1 and 2) by 2025, and to reach net-zero emissions across our entire value chain (scopes 1-3) by 2040. By 2025, Ørsted will become the first major energy company to reach carbon neutrality in our energy generation, far ahead of science-based decarbonization targets for limiting global warming to 1.5°C. As we accelerate our green energy build-out, decarbonizing the supply chain will become increasingly important to reach net-zero emissions by 2040. Ørsted's program covers the offshore wind supply chain, as it is here where we currently produce the majority of our supply chain emissions, including manufacturing of wind turbines, foundations, substations and cables, fossil-fuels used by the vessels that transport and install offshore wind farms. Because decarbonizing our supply chain is related to the decarbonization of adjacent sectors, namely heavy manufacturing and heavy shipping, we see value in engaging in cross-sector collaborative initiatives to leverage our efforts together with other relevant actors.

The SEC has requested public feedback on the right balance between principles and metrics, standardization, assurance, and the process of standing up an internal climate disclosure

capability. We have attached our 2020 ESG (Environment Social Governance) performance report, which contains our detailed Scope 3 reporting for FY2020. The Scope 3 results are also integrated into our Sustainability report 2020, which we have also attached. Ørsted appreciates the opportunity to provide feedback on financial reporting requirements that can expedite rapid decarbonization. As elaborated in the comments below, Ørsted recommends that the SEC consider how to set science-based targets and verification, establishing internal infrastructure for accurate and effective reporting, the cost of that infrastructure and external validation, and our recommendations for implementation at the Federal level.

I. Ørsted's emissions disclosure standards are motivated by science

We participate in *third-party, science-based verification* of our decarbonization targets that inform our emissions reductions initiatives across the company and throughout the supply chain. Ørsted was one of the first energy companies to set a near-term science-based target, validated by the Science-based Targets Initiative (SBTi) in 2019. We set a goal for 98% reduction in carbon intensity by 2025 (compared to 2006) in Scope 1 and 2 – we are on track to phase-out coal by 2023 – and in addition be carbon neutral in Scopes 1-2 by 2025. We have set a goal of 50% absolute reduction of our indirect emissions (Scope 3) by 2032 (compared to 2018). In 2020, Ørsted launched our commitment to net-zero emissions across the full value chain by 2040. Just last month, we substantiated our net-zero strategy through long-term reduction targets[1] (and a firm cap on offsets) under SBTi's new Net-Zero Standard – the world's first framework for corporate net-zero target setting in line with climate science. Ørsted is the first and only energy company to receive the new net-zero validation and one of only seven companies globally on the list. Corporate net-zero targets that prioritize reductions and cap offsets help build credibility and reputation of corporate climate action – Ørsted is encouraging all companies to align climate strategies with the SBTi Net-Zero Standard, and emissions and climate risk disclosure is a crucial tool in making measurable progress.

For Ørsted, this reporting has served as an internal driver to include all parts of our business in our GHG (greenhouse gas) reporting and strategic targets and a platform for working with our suppliers on GHG reductions. Our investors requested similar reporting to those SBTi Net-Zero Standard inputs, which were also necessary for CDP A-level and other ESG ratings. As a green leader, it was simply necessary to establish clear metrics for emissions reporting and, subsequently, reduction.

II. Measuring, Estimating & Reporting on Scope 3

From Ørsted's perspective, profitability and sustainability go hand-in-hand. That is why we view climate action – and transparency – as being part of our core long-term value proposition. From our experience, the more efforts we make to disclose our decarbonization across the value-chain, the stronger position we are in to respond to increasing interest from shareholders about our climate risks and growth strategy. Our historical focus was to decarbonize our direct emissions from energy generation, operations, and administration (Scope 1); and indirect emissions from our energy consumption (Scope 2). These processes and our reporting apparatus were already in place to meet general ESG reporting requirements, including financial scoping

and consolidation, the GHG protocol, and Organization and IT support. We established this function with the goal of complete reporting. The greatest challenge in that preliminary process was to find all the necessary guidance in the GHG protocol, e.g., how to report on gas trading and power sales, lack of activity data, and to identify many emission factors (using preliminary UK DEFRA factors originally). The next frontier of our emissions reductions is the supply chain (Scope 3). By mapping out and accounting our Scope 3 emissions, we identify what decarbonization actions are needed to reach our net-zero by 2040 commitment. This helped us build out our supply chain decarbonization program, engage suppliers, and develop actions towards net-zero targets.

We began this process by mapping upstream (procurement, SAP) and downstream (products sold) emissions in Scope 3, using GHG Protocol guidance. This originally relied on a combination of actual data already reported as part of the existing ESG reporting, estimates and varying levels of data quality for direct spend and fuels at power stations, and renewable energy supply chain through LCA data and volumes, and estimates on indirect spend. Elements of our Scope 3 reporting include:

- Performance Data
- Data development commenting
- Target establishment
- Base year adjustment
- Accounting policies
- Financial scope and consolidation
- Review statement
- References to the emission source factors.

This process enabled us to set strategic targets to gradually phase out natural gas sales, and to identify 30 key suppliers from 'emission hotspots' in our renewable energy supply chain. With this information, we established a programme to improve the ability of suppliers to report and manage their GHG emissions. It was a challenge to find available supplier-specific data, which we originally addressed through base case estimates. Even with coal power stations still existing in our fleet, Scope 3 emissions were much bigger when we started reporting these emissions.

III. Corporate Costs of Scope 3 Emissions Reporting

To stand up Scope 3 reporting infrastructure, we estimate that the preliminary investment was about 650+ hours of development cost. This is a best guess estimate as we do not register working hours spent on our different ESG reporting tasks. We had many parts of basic ESG reporting in place, which limited start-up costs for specialist competences within ESG and especially scope 1 and 2 reporting based on the Greenhouse Gas Protocol. This included a reporting and consolidation IT system that we can develop and modify to be used for Scope 3 reporting with internal resources, and reporting competences and templates that could easily implement Scope 3 reporting results in the current ESG format. To accommodate Scope 3 reporting, initial inputs included:

- Project management and central development of the Scope 3 reporting in ESG Accounting (400+ hours)
- Internal meetings with different internal specialists: 50 meetings of one+ hour with different specialists (100+ hours)
- Implementation in our IT systems: Reporting of spends in SAP, Scope 3 account structure and calculations in our group consolidation system. (70+ hours)
- Preparation of reporting formats (30 hours+)
- Documentation and first external verification (50+ hours Ørsted time + audit fee)

After that, the cost for daily operations in our group accounting and reporting departments is approximately 100 hours per year, which includes:

- Annual update of emission factors (20+ hours per year)
- Monthly reporting: Most of our Scope 3 reporting is automatically done as calculations in the system using existing activity data (2+ hours per month)
- Monthly controlling of Scope 3 reporting (2+ hours per month – part of total ESG reporting controlling and builds on data that are already controlled)
- Reporting of Scope 3 (2+ hours per reporting cycle)
- Annual external verification (5+ hours internal work plus audit fee – again most of the input part builds on existing data)

There will be future costs associated with the Scope 3 reporting for the following tasks, which could range from 0 to 500 hours per year:

- Improving the data quality of parts of the reporting that potentially becomes more material (e.g., going from estimates or rough high-level calculations to more precise data: 30 hours).
- Adjusting base year emissions if you have a Scope 3 target and significant divestments or acquisitions (20+ hours)
- Improving data quality for parts of Scope 3 that become strategic development areas like our example of the supply chain for building offshore wind farms. In practice we will go from using supplier data to developing our own ability to generate the relevant Scope 3 data for our new assets. This is potentially very time consuming (hundreds of hours +) but it is also an integrated part of developing our business and therefore not something that can only be seen a cost associated with Scope 3.

IV. Cost of external verification

We estimate that the cost for our first external verification with limited assurance level for Scope 3 was in the order of 15% of the total cost of the ESG review. In the following years, the cost is estimated to be at around 5% of the total cost of the ESG review.

V. Recommendations on US Rules on Reporting

We strongly urge Scope 3 and supply chain reporting to be included in the rule, with companies to report on all relevant Scope 3 categories. We support a requirement for companies to secure third party verifications of their Scope 3 disclosure, at least at a level of limited

assurance. The rule should utilize established global standards (i.e., GHG Protocol), which underpin GHG mapping and estimation processes for most companies. While it took some effort to define and implement the reporting processes, once it is up and running it becomes just another part of our total ESG reporting. Keeping those components simple, based on the GHG protocol, built on existing, ideally automatable, activity data, and room for fine-tuning and adjusted focus as performance develops.

VI. Conclusion

The world is on the cusp of an unprecedented build-out of renewable energy, and the key to delivering on that promise is a reliable and predictable government approach to permitting, reporting, and compliance, and public investment. The Biden-Harris Administration has set an ambitious goal to deploy 30 gigawatts of offshore wind in the U.S. by 2030, while protecting biodiversity, promoting ocean co-use, and ensuring a just transition. Ørsted applauds the Administration for the hard work it has done to enable the clean energy transition and is eager to support that effort. We have already developed an offshore wind supply chain that reaches across the U.S., from New York to Texas, and Baltimore to Anchorage, and will continue to take steps to build a robust domestic industry committed to reducing societal emissions from energy production. But, to do so in a way that is meaningful, sustainable, and competitive with an already developed global market will require immediate support from Federal, State, and local governments that align with global best practices. We look forward to further collaboration with this Administration to advance President Biden's goal and develop a new industry to benefit for American for generations to come.

Sincerely,

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