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10 June 2021

Request for Comment on Climate Change Disclosures

Dear Chair Gensler

The United Nations Economic Commission for Europe (UNECE) welcomes the opportunity to respond to the request for public comment on Climate Change Disclosures by the United States Securities and Exchange Commission (SEC).

UNECE, which covers North America, Europe, the former Soviet Union, Turkey and Israel, has a global mandate from the UN Economic and Social Council to develop and maintain an ESG-focused framework of project classification to reflect the environmental, social and economic impacts, technical feasibility, and value of resource projects.

The classification and management framework that UNECE has developed is conceived to serve the needs of capital allocation, business process management, government resource management and international policy formulation. Being project-based, the information the framework provides may be linked to the legal, regulatory, fiscal and contractual conditions that define assets. The framework is ideal to support enterprise value assessments and hence the SEC and the International Financial Reporting Standards (IFRS) Foundation may find it useful in their standard setting.

Transparency is essential for investors who judge the risks associated with policy uncertainty and for policymakers who design them. A collaborative partnership among actors must enable industry to deploy its best capabilities in ways that the capital market can finance to meet climate ambitions and the UN Sustainable Development Goals (SDGs). In this partnership, investors will need to compare and contrast investments in different sectors on a common basis and corporations will need to obtain consistent recognition for their activities in different sectors.

The UNECE’s Expert Group on Resource Management (EGRM) supports attainment of the 2030 Agenda for Sustainable Development by providing and facilitating use of a universal information framework for integrated, circular and sustainable resource management. The Expert Group’s work is fully aligned with the priority areas mentioned by the International Organization of Securities Commissions (IOSCO) Board for improvement in sustainability-related disclosures.

Hon. Gary Gensler
Chair
United States Securities and Exchange Commission
Washington D.C.
Email: rule-comments@sec.gov
The United Nations Framework Classification for Resources (UNFC) and the United Nations Resource Management System (UNRMS) that is under development provide measures and reporting guidance that can be applied consistently and comparably across all energy and resource commodities. Comprehensive assessment and reporting of the benefits and risks of resource development and production are essential to ensuring investments in the resource sector are aligned with the 2030 Agenda and its SDGs.

Both UNFC and UNRMS are globally applicable systems serviced by UNECE in cooperation with the other UN Regional Commissions, international organizations, governments, industry, NOCs and the financial community. They are bridged to a number of other systems, including the Petroleum Resource Management System (PRMS) of the Society of Petroleum Engineers and the Template of the Committee for Mineral Reserves International Reporting Standards (CRIRSCO) that the SEC has used in setting its reporting standards for the petroleum and minerals industries respectively. UNFC and UNRMS are the only systems that offer comprehensive coverage of resources with global applicability.

The Director of the UNECE Sustainable Energy Division (Scott Foster), the secretariat of UNECE supporting the UNECE Expert Group on Resource Management (Charlotte Griffiths and Harikrishnan Tulsidas), the Chair (David MacDonald) of the Expert Group on Resource Management and the Chair (Sigurd Heiberg), Kathryn Campbell, Michael Lynch-Bell, Donald Lessard and other members of the Commercial Applications Working Group of the Expert Group on Resource Management have prepared this response.

We believe the SEC should engage in its framing of sustainability disclosure standards together with other international standard setting organizations, such as IOSCO and the IFRS Foundation, since it is critical that they cohere with international financial reporting requirements and that they be capable of assurance and verification in a global context. The SEC, in our view, should not attempt to define these standards alone. Setting such standards will require the collaboration/consent of many jurisdictions and stakeholders, including many not commonly represented in financial reporting and investment decisions, as sustainability affects everyone and reflects scientific understanding as well as values regarding the processes of climate change and environmental degradation in general.

While the initial focus of establishing a global framework should be on the most salient and urgent aspect of sustainability, that is, the contribution of greenhouse gases (GHGs) to global warming, the standards also should address broader global environmental impacts, e.g., local pollutants/environmental damage (e.g. particulates, groundwater), and social conditions including but not limited to displacement resulting from the projects, all as detailed in the SDGs.

Sustainability reporting for resource exploitation processes, including minerals and fossil fuels development, subsoil injection and storage, renewable energy projects, water utilization as well as recovery of anthropogenic (secondary) resources, represents unique challenges. Simple reporting of the instantaneous GHG emissions or society impacts are not sufficient. Consideration needs to be made of the full life cycle costs and benefits of projects that may span many decades as part of their initial investment.
In our view international collaboration in framing global sustainability reporting standards would be a positive step toward achieving the aims of the 2030 Agenda.

Yours sincerely,

Scott Foster
Director, UNECE Sustainable Energy Division

David MacDonald
Chair
UNECE Expert Group on Resource Management

cc. Hon. Hester M. Peirce, Commissioner
Hon. Elad L. Roisman, Commissioner
Hon. Allison Herren Lee, Commissioner
Hon. Caroline A. Crenshaw, Commissioner