**David A. Inchausti**
Vice President and Controller

June 11, 2021

**Via E-mail to** rule-comments@sec.gov

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

**Subject: Request for Public Input on Climate Change Disclosures**

Dear Secretary Countryman:

Chevron Corporation ("Chevron", "the company", or "we") appreciates the opportunity to provide comments to the U.S. Securities and Exchange Commission (the "Commission" or "SEC") regarding the request for public input on climate change disclosures.

Chevron is one of the world's leading integrated energy companies. We believe affordable, reliable, and ever-cleaner energy is essential for human progress and a sustainable world. Chevron produces crude oil and natural gas; manufactures transportation fuels, lubricants, petrochemicals, and additives; and develops technologies that enhance our products, our business, and the industry. To advance a lower carbon future, we are focused on cost efficiently lowering our carbon intensity, increasing renewables and offsets in support of our business, and investing in low-carbon technologies that enable commercial solutions.

Chevron has a long history of reporting on sustainability topics, and we aim to provide transparency in our reporting on Environmental, Social, and Governance (ESG) topics so that we can share our progress with stakeholders. Chevron recognizes that climate change is a growing area of interest for stakeholders, including our investors. Chevron has extensive experience in reporting climate-related information, and we have continuously worked to enhance our reporting in line with increasing market-driven expectations. We support efforts by the Commission to enhance the consistency and comparability of climate information in public disclosures. Chevron appreciates the SEC's efforts to explore issues related to climate change disclosure, and we hope to serve as a resource in this endeavor.

## Executive summary

Chevron supports efforts to enhance the consistency and comparability of climate-related information. Chevron has reported its U.S. greenhouse gas (GHG) emissions to the Environmental Protection Agency (EPA) under the Greenhouse Gas Reporting Program (GHGRP) since 2011 and has experience reporting on GHG emissions under other jurisdiction-specific programs. Chevron has also issued voluntary climate reports aligning with the Task Force for Climate-related Financial Disclosure (TCFD) and sustainability reports leveraging leading frameworks and standards as we seek to provide information of interest to a broad set of stakeholders, including investors. We encourage the Commission to leverage these existing frameworks and standards to inform its work on any new disclosure requirements, with a focus generally on providing material, decision-useful information to investors. We further urge the Commission to consider a phased approach to any new sustainability-related disclosures. We also request that the Commission strive for harmonization and consistency with the sustainability-related requirements and reporting timelines of other U.S. agencies, including EPA's GHGRP, to the extent practicable.

Climate change reporting landscape

Chevron believes that it is important for the SEC to leverage the experience of issuers, investors, framework developers, and standard setters in the existing reporting landscape as the SEC moves forward with climate change disclosure initiatives. Climate change disclosure includes a variety of topics, and among the key topics on climate change disclosure is GHG reporting. Chevron has quantified its GHG emissions from its operations for over 20 years, in line with the World Resources Institute (WRI)/World Business Council for Sustainable Development (WBCSD) GHG Protocol.[1] The GHG Protocol "establishes comprehensive global standardized frameworks to measure and manage greenhouse gas (GHG) emissions from private and public sector operations, value chains and mitigation actions."[2]

EPA references the GHG Protocol[3] in its mandatory GHGRP, established in 2009. Under EPA's GHGRP, sources that emit 25,000 metric tons or more of carbon dioxide equivalent per year in the United States are required to report their GHGs. This annual, mandatory GHG reporting applies to direct greenhouse gas emitters, fossil fuel suppliers, industrial gas suppliers, and facilities that inject $CO_2$ underground for sequestration or other reasons and is collected on an operated basis.[4] EPA estimates that 85 to 90 percent of the total U.S. GHG emissions from over 7,000 facilities are covered by the GHGRP.[5] EPA leverages the detailed emissions data it collects through the GHGRP to develop its annual Inventory of U.S. Greenhouse Gas Emissions and Sinks (Inventory).[6] The Inventory is submitted to the United Nations in accordance with the Framework Convention on Climate Change.

The SEC may also be aware of current industry initiatives dedicated to enhancing GHG reporting. Chevron is a key partner in progressing external guidance on emissions inventory development and reporting to ensure that it is based on the latest technical information and meets the needs of stakeholders. For example, Chevron is working with the American Petroleum Institute (API) to update the 2009 API Compendium of Greenhouse Gas Emissions Methodologies for the Oil and Natural Gas Industry.[7] The API Compendium provides guidance on emissions calculation approaches. Chevron is also working with the International Petroleum Industry Environmental Conservation Association (IPIECA) on its GHG and sustainability reporting guidance developed in conjunction with API and the International Association of Oil & Gas Producers (IOGP). In March 2020, IPIECA/API/IOGP released their fourth edition of the Sustainability Reporting Guidance for the Oil and Gas Industry, which provides a framework for reporting climate and sustainability risks and opportunities.[8]

To help drive more consistent and comparable climate reporting, Chevron has been working in leadership roles within API to develop a voluntary template for oil and gas companies' reporting of core GHG data. By developing a template for reporting of consistent, comparable GHG data, API seeks to support member companies in reporting climate information in a transparent manner to the financial sector, policy makers,

[1] https://ghgprotocol.org/about-wri-wbcsd
[2] https://ghgprotocol.org/about-us
[3] EPA describes the GHG Protocol as foundational guidance for "GHG accounting principles, defining inventory boundaries, identifying GHG emission sources, defining and adjusting an inventory base year, and tracking emissions over time." See https://www.epa.gov/climateleadership/ghg-inventory-development-process-and-guidance.
[4] https://www.epa.gov/sites/production/files/2019-11/documents/ghgi_nov2019workshop_eisele.pdf
[5] https://www.epa.gov/ghgreporting/learn-about-greenhouse-gas-reporting-program-ghgrp
[6] https://www.epa.gov/ghgemissions/inventory-us-greenhouse-gas-emissions-and-sinks
[7] https://www.api.org/~/media/Files/EHS/climate-change/2009_GHG_COMPENDIUM.pdf
[8] https://www.ipieca.org/our-work/sustainability/performance-reporting/sustainability-reporting-guidance/

industry customers, and other stakeholders.[9] The API template is informed by existing leading reporting templates and leverages EPA's GHGRP as a basis for common definitions and methodologies. When finalized, the template will be a tool that individual energy companies can use in their climate reporting.

Chevron's climate change reporting experience

Chevron has a long history of reporting its ESG performance on a voluntary basis. Chevron reports its ESG performance through its Corporate Sustainability Reports, its Climate Change Resilience Reports, the Sustainability pages of chevron.com, and in related reports. Chevron believes engagement with stakeholders is critical in determining which ESG performance measures and metrics to include in its reporting. Chevron aims to be a leader in ESG reporting and provides important ESG data to stakeholders, including investors. Chevron has voluntarily disclosed its Scope 1, 2, and 3 GHG emissions data for over fifteen years.[10] We have also disclosed our ESG data, including GHG emissions data, in the IHS Markit ESG Reporting Repository, which enables investors and other stakeholders to efficiently compare ESG data across corporations, sectors, and reporting frameworks.[11]

Chevron's Corporate Sustainability Report provides the company's most expansive set of ESG disclosures, including the qualitative and quantitative information that the company believes is most useful and responsive to investors and other stakeholders' interests.[12] When determining which data to include in the report, we consider the reporting guidelines, indicators, and terminology in the IPIECA/API/IOGP's 2020 Sustainability Reporting Guidance for the Oil and Gas Industry to inform us, as well as other leading reporting frameworks.

In response to feedback from our investors and other stakeholders, beginning with Chevron's 2019 Corporate Sustainability Report, we enhanced our reporting by providing an index aligning our performance data table to the recommendations of the Sustainable Accounting Standards Board (SASB) voluntary framework.The SASB index helps provide comparable information of interest to investors and other stakeholders. Building on our engagement with SASB since 2018, Chevron recently joined the SASB Advisory Group to further engage constructively and share our experience with reporting in alignment with voluntary standards.

In March 2021, Chevron published its third Climate Change Resilience Report, reporting our actions aligned to the recommendations of the TCFD.[13] Chevron values the TCFD framework and believes that the TCFD's four pillars of governance, strategy, risk management, and metrics and targets would be useful for consideration as the SEC formulates its approach to enhancing climate-related disclosures, including as possible guideposts for the development of principles-based climate disclosure requirements. In addition to the TCFD's well-reasoned framework, Chevron believes another reason that the TCFD framework has gained strong traction among issuers and investors is the flexibility it offers in application across businesses and jurisdictions.

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[9] https://www.api.org/climate

[10] Scope 1 emissions are direct greenhouse (GHG) emissions that occur from sources that are controlled or owned by an organization (e.g., emissions associated with fuel combustion in boilers, furnaces, vehicles). Scope 2 emissions are indirect GHG emissions associated with the purchase of electricity, steam, heat, or cooling. https://www.epa.gov/climateleadership/scope-1-and-scope-2-inventory-guidance Scope 2 can be reported on a market or location basis. https://ghgprotocol.org/sites/default/files/Scope2_ExecSum_Final.pdf Scope 3 emissions are the result of activities from assets not owned or controlled by the reporting organization, but that the organization indirectly impacts in its value chain. https://www.epa.gov/climateleadership/scope-3-inventory-guidance Scope 3 has 15 categories of reporting. https://ghgprotocol.org/sites/default/files/standards_supporting/Intro_GHGP_Tech.pdf Chevron reports its Scope 1, 2, and 3 emissions on both an operated and an equity basis.

[11] See https://ihsmarkit.com/products/esg-reporting-repository.html.

[12] Available at https://www.chevron.com/-/media/shared-media/documents/chevron-sustainability-report-2020.pdf.

[13] Available at https://www.chevron.com/-/media/chevron/sustainability/documents/climate-change-resilience-report.pdf.

Phased approach and other implementation considerations

We strongly encourage the Commission to consider a phased approach to any new sustainability-related disclosures. This would allow the Commission to focus first on those topics it deems of most importance, such as climate change disclosures. Once any climate-related disclosures are considered, the Commission could revisit other sustainability-related topics.

In addition, we recommend that phase-in periods be provided in any new requirements to allow issuers time to properly address them. A phased approach to any new climate-related disclosures could be used to help address potential issuer timing concerns. The Commission should allow sufficient time to address any data collection or system implementation issues, particularly if any new requirements differ from what companies are reporting on a voluntary basis or in mandatory reporting, such as for EPA's GHGRP. Issuers would need to address any internal processes and disclosure controls and procedures that may need to be implemented, dependent on the specific climate-related disclosure requirements. In addition, standard assurance practices may need to be developed drawing upon the expertise of specialists and potentially leveraging existing assurance frameworks. We also support measures to appropriately address liability considerations, such as safe harbor protections and allowing the information to be furnished (and not filed) for purposes of the Securities Exchange Act of 1934.

Chevron believes a principles-based approach rooted in materiality is the most effective and flexible approach for incorporating SEC disclosure requirements regarding climate change and other sustainability-related disclosures. The current SEC principles-based approach to issuer reporting that is included in a number of SEC disclosure requirements, which are informed by standards of materiality that have been central to U.S. securities regulation for decades, provides the best approach to reporting by issuers on climate- and sustainability-related topics relevant to each issuer. The principles-based approach offers needed flexibility to allow for relevant disclosure that accounts for differences across issuers, industries, and sectors. A principles-based approach allows flexibility for issuers to adapt disclosures and provide relevant information as climate risks and opportunities evolve and market expectations change.

Harmonization and consistency

For new prescriptive requirements, we believe the Commission should focus on decision-useful information that is relevant to all sectors in order to align with the stated goals of consistency and comparability. This would allow the SEC to maintain an effective approach to climate change disclosure without having to regulate technical aspects of measurement methodology that vary across industries.

As the Commission considers new climate change disclosures, we encourage the Commission to also seek harmonization and consistency with the sustainability-related disclosure requirements of other U.S. agencies. The Commission should strive to align any new disclosure requirements with those already established by other U.S. agencies to avoid potentially conflicting requirements, which would then impose higher costs on issuers to comply with any new or differing SEC requirements and could also cause confusion for stakeholders. In addition, the Commission can leverage the experience and expertise of other U.S. agencies on specialized climate- and sustainability-related topics.[14]

For example, EPA has expertise in global GHG emissions data collection, methodologies, and reporting. Chevron recommends that any new SEC disclosure requirements with respect to GHG information should be harmonized with the reporting parameters of EPA's GHGRP and strive to align any proposed reporting timeline with those of existing EPA requirements. By building upon existing requirements of other U.S. government agencies, the Commission could further strengthen its efforts to establish common methodologies, definitions,

[14] For instance, the U.S. Equal Employment Opportunity Commission (EEOC) has expertise in demographic workforce data categories and reporting.

and metrics in its aim to provide consistent and comparable climate- and sustainability-related disclosures to investors.

As previously described, Chevron reports Scope 1, 2, and 3 GHG emissions in its voluntary reports, and we strongly encourage all companies to share that information with their stakeholders. One approach that the SEC could undertake is to issue a proposal to require all issuers to report Scope 1, 2, and 3 GHG emissions in a furnished, not filed, report. In connection with such a proposal, Scope 1 emissions reporting could leverage the well-defined approach of EPA's GHGRP. Standardization of Scope 2 and 3 emissions reporting is ongoing. We believe a furnished report would be appropriate given the evolving nature of the GHG reporting landscape.

Finally, we see merit to a global sustainability standard that could streamline and simplify sustainability reporting. Chevron has expressed support for the International Financial Reporting Standards (IFRS) Foundation Trustees' initiative to establish a global sustainability standards board, as well as the benefits of a global comprehensive corporate reporting system that includes sustainability standards.[15] We appreciate the SEC's role as the co-chair of the International Organization of Securities Commissions (IOSCO) technical group to review efforts underway by IFRS to develop a proposed prototype climate-related disclosure standard, which seeks to harmonize some of the existing voluntary frameworks and standards. We would encourage the Commission to leverage the TCFD framework and voluntary standards, as well as private sector industry standards, to inform its work on any new disclosure requirements with a focus generally on material, decision-useful information for investors. As there are differences across voluntary frameworks and standards (e.g., target audience) and jurisdictions (e.g., materiality definitions), we appreciate the needed flexibility for each regulator to consider how to best address climate-related disclosure in its jurisdiction.

<u>Conclusion</u>

We appreciate the opportunity to provide comments, and we offer our assistance as the Commission moves forward with climate change disclosure initiatives.

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We hope our comments are helpful to the Commission. If you have any questions on the content of this letter, please contact Amit Ghai, Assistant Controller, at [redacted].

Sincerely,

cc:
Chair Gary Gensler
Commissioner Caroline A. Crenshaw
Commissioner Allison Herren Lee
Commissioner Hester M. Peirce
Commissioner Elad L. Roisman
John C. Coates, Acting Director, Division of Corporation Finance
Kristina S. Wyatt, Senior Counsel, Division of Corporation Finance

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[15] http://www3.weforum.org/docs/WEF_IBC_ExCom_Statement_to_IFRS.pdf