



**Airlines for America®**

*We Connect the World*

June 11, 2021

Submitted electronically to: [rule-comments@sec.gov](mailto:rule-comments@sec.gov)

Ms. Vanessa Countryman  
Secretary  
Securities and Exchange Commission  
100 F St NE  
Washington, D.C. 20549

**Re: Public Input Welcomed on Climate Change Disclosures**

Dear Ms. Countryman:

Airlines for America® (A4A)<sup>1</sup> appreciates the opportunity to provide comments in response to the Securities and Exchange Commission (SEC) March 15, 2021, solicitation for public input as it evaluates climate change disclosure guidance and regulations.<sup>2</sup> We fully support the SEC's intent to "evaluate [its] disclosure rules with an eye toward facilitating the disclosure of consistent, comparable, and reliable information on climate change." In pursuing this goal, as detailed in our comments below, we urge the Commission to focus on its core mission of ensuring material information is available to the reasonable investor, maintaining fair, orderly, and efficient markets and facilitating capital formation.

While A4A's member airlines have scrupulously reported climate change-related information, we recognize that current SEC climate disclosure guidance is not fully effective in meeting the commission's core mission and we support the SEC's initiative to address this. We suggest the best means for the SEC to address any climate disclosure gaps not satisfied by current guidance is to undertake a formal rulemaking. A formal rulemaking process that complies with the requirements of the Administrative Procedures Act would enable the SEC to transparently propose climate disclosure requirements needed to fulfill its mission as well as afford all stakeholders a full opportunity to provide input on its proposal and ensure any final regulation is clear and effective. With this in mind, we urge the SEC to take a deliberate, incremental approach to modifying its climate change disclosure policies so that any regulation accommodates the unique features and circumstances of individual sectors.<sup>3</sup>

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<sup>1</sup> A4A is the principal trade and service organization of the U.S. airline industry. A4A's members are: Alaska Airlines, Inc., American Airlines, Inc., Atlas Air, Inc., Delta Air Lines, Inc., Federal Express Corporation, Hawaiian Airlines, JetBlue Airways Corp., Southwest Airlines Co., United Airlines Holdings, Inc., and United Parcel Service Co. Air Canada, Inc. is an associate member.

<sup>2</sup> SEC Public Statement: "Public Input Welcomed on Climate Change Disclosures," Acting SEC Chair Allison Herren Lee (March 15, 2021) ("SEC Solicitation").

<sup>3</sup> Our comments are predominately general in nature, but where we address a specific question posed in the SEC Solicitation, we identify the question as **Question X**.

In our comments below, we first provide background on our member airlines' strong record on climate change actions and disclosures and then turn to the specific issues raised by the SEC in its request for comments.

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#### **A4A MEMBERS HAVE A STRONG RECORD ON CLIMATE CHANGE ACTIONS AND DISCLOSURES**

Before COVID-19 struck, the U.S. airlines were transporting a record 2.5 million passengers and 58,000 tons of cargo per day and helping drive \$1.7 trillion in annual economic activity and 10 million jobs, while contributing just 2 percent of our nation's greenhouse gas (GHG) emissions inventory. The primary reason our airlines have been able to deliver such value to the economy while maintaining a low carbon footprint has been and remains their keen focus on fuel efficiency, which translates directly into GHG emissions savings. Indeed, U.S. airlines have improved their fuel efficiency over 135 percent since 1978, saving over 5 billion metric tons of carbon dioxide (CO<sub>2</sub>).

In addition to the airlines' innate drive for fuel efficiency, our progress and initiatives have been driven by ambitious climate goals. Since 2009, A4A and our members have been active participants in a global aviation coalition that committed to 1.5 percent annual average fuel efficiency improvements through 2020, with goals to achieve carbon-neutral growth beginning in 2020 and a 50 percent net reduction in CO<sub>2</sub> emissions in 2050, relative to 2005 levels. While we are proud of our accomplishments to date, we recognize that the climate change challenge our country and world face is only intensifying. That is why in March of this year, A4A members committed to do even more by working in a positive partnership with government leaders and other stakeholders to achieve net-zero carbon emissions by 2050, with a medium-term goal to rapidly expand the production and deployment of sustainable aviation fuel (SAF) so 2 billion gallons of cost-competitive SAF are available for U.S. aircraft operators in 2030.

In addition to the focus on reducing GHG emissions, the airline industry is committed to addressing other elements of environmental, social and governance (ESG) disclosure appropriate to inform stakeholders regarding ESG topics. Safety, for example, is paramount in aviation, and the industry continues to maintain its record as the safest mode of intercity travel. A4A's members have used a variety of recognized ESG reporting platforms and company-specific corporate social responsibility reports to provide information to investors and the broader public on an array of ESG issues. Furthermore, A4A and our members have worked directly with the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB) to inform their ESG topic disclosures and improve the relevance of disclosure topics and metrics to the industry and reliability for stakeholder use. Notwithstanding these frameworks and standards, investors increasingly make individual ESG information requests, increasingly referencing emerging ESG reporting platforms, which, in the face of limited SEC climate guidance have created competing and sometimes confusing requests and expectations. This has imposed a substantial burden on our membership. Thus, we would welcome SEC action to help establish consensus regarding disclosure standards that meet investor needs and hopefully reduce the proliferation of "bespoke" disclosure requests from investors.

To be clear, A4A members are committed to complying with all SEC disclosure requirements, thus ensuring material information is available to the reasonable investor. We are also committed to our greater stakeholder audience and their desire for additional information on ESG topics that matter to them, which is why all A4A members provide detailed information on their corporate responsibility. To that end, A4A and our members provide the following guiding principles for the SEC's consideration as it

evaluates climate change disclosure guidance and regulation to ensure any SEC climate change disclosure requirements remain faithful to SEC's mission and authority.<sup>4</sup>

## **COMMENTS ON THE ISSUES RAISED BY THE SEC**

### **1. SEC action on climate change disclosure must reflect the SEC's mission and core principles on disclosure, be clear and fend off calls to create substantive climate policy. (Questions 1, 2, 4, 9, 10, 12)**

#### **a. SEC mission**

The SEC's mission is to protect investors; maintain fair, orderly, and efficient markets; and facilitate capital formation. To protect investors while facilitating capital formation in any climate change disclosure regulation, SEC must appropriately balance any additional reporting burden on public companies with assurances for investors on the reliability of that reporting. There is no doubt that compliance with current SEC reporting obligations requires significant investment of resources. In addition, current voluntary climate disclosures that our carriers make take substantial time and resources to compile, review, and publish. Accordingly, SEC should seek to establish stakeholder consensus on what disclosure elements are needed to adequately inform investors, while ensuring consistency and reliability of the information disclosed. Achieving this balanced objective may also have the additional benefit of reducing the burden on registrants of individual bespoke investor requests.

In order to maintain fair, orderly, and efficient markets, SEC should also ensure that reporting requirements recognize the diverse business models of companies within any one industry. This should include flexibility to support companies that report to SEC based on business segments and respect for company-specific materiality determinations vis à vis particular climate reporting elements. SEC may accomplish these ends by using the "comply or explain" approach for any mandatory disclosures and by avoiding overly prescriptive disclosures or blunt climate metrics that could inadvertently penalize corporate business models. For example, an air carrier's aircraft fleet fuel efficiency can vary based on the degree of congestion in the airspace in which it operates and how efficient the Federal Aviation Administration's air traffic control patterns are at the airports at which the carrier operates. Further, a carrier that provides a relatively high proportion of short-haul flights, which often are necessary to serve smaller communities, may have different fuel efficiency outcomes than a carrier that provides a relatively greater proportion of long-haul flights. As such, any metrics SEC considers including in its requirements should be flexible enough to convey this kind of nuanced information so as not to unfairly penalize any particular company's business model.

In addition, implementing whatever climate disclosure provisions the SEC may specify will require companies to develop appropriate structures and procedures that can be executed reliably. As such, A4A recommends SEC provide substantial lead time for companies to implement the processes needed to comply with additional climate disclosures. We would also recommend the disclosures be addressed outside of Regulation S-K and due outside the reporting schedules for annual reports on Form 10-K and proxy statements as it is our carriers' experience that the relevant data inputs for climate information would be difficult to collect and evaluate within the 10-K filing timeline.

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<sup>4</sup> We understand from **Question 15** that the Commission is only just beginning the process of evaluating broader ESG disclosure issues. Accordingly, our comments focus predominantly on climate change disclosure.

## **b. SEC disclosure principles**

SEC action on climate change disclosure must also reflect the SEC's core disclosure principles on materiality and the reasonable investor. The bedrock of SEC disclosure regulation continues to be based on what financially material information a reasonable investor would want to know in making an investment decision. Importantly, the "reasonable investor" the SEC is concerned with is interested in the financial performance of the company they invest in, seeking value creation that leads to financial return on investment. Therefore, SEC action should remain focused on the nexus between climate change and a company's financial performance.

Additionally, SEC has historically focused on streamlining reporting to the benefit of both investors and public companies. A4A supports the application of this overall reporting principle in the climate change disclosure context to meet the dual goals of minimizing the reporting burden on registrants and avoiding misleading investors about the relevance of any disclosed climate information.

## **c. Clarity**

Companies began voluntarily reporting on environmental issues decades ago. Over time, stakeholder interest, sophistication, and expectations have evolved, and registering companies have spent considerable time ensuring they disclose helpful and accurate information. Companies developed corporate social responsibility/sustainability reports to better inform all their stakeholders, but in recent years our carriers have seen a substantial increase in requests from investors for detailed climate information tailored to each investor's specific needs. These recent developments make SEC's interest in revisiting climate disclosure encouraging because while voluntary corporate reporting has helped customers, employees, and suppliers understand the company's thinking on climate change, investors are clearly seeking distinct information. That said, as previously noted, the SEC is concerned with information material to the reasonable investor. While companies may voluntarily disclose additional climate information that is significant to a more sophisticated investor, the SEC should not mandate the disclosure of this type of climate information. Accordingly, any climate disclosure regulation SEC adopts must clearly lay out for all stakeholders where registrants have reporting obligations to the SEC for securities and exchange purposes, leaving any additional information a company may wish to disclose beyond those purposes to other forms of corporate stakeholder communications including corporate social responsibility reports.

In addition, because SEC climate reporting requirements should only include information that may be material to a company's financial performance, SEC must also clearly define reporting expectations to ensure the regulation can be applied consistently across companies and to avoid confusing investors with too much information or with information that may mislead investors about the relative importance of any particular disclosure. For example, reporting on total scope 1 GHG emissions may seem to be an obvious metric for air carriers to report, but carriers may have de minimis scope 1 emissions from certain sources. Accordingly, the SEC should very carefully consider the scope of any prescriptive metric it may include in its disclosure requirements to ensure any such metric only captures information that is material to investors. It is also critical that SEC very clearly articulate the scope of any metric to ensure companies interpret the requirements consistently and investors understand the information reported. Furthermore, it is perfectly reasonable for the SEC to draw the line between when disclosures meet a reasonable investor's expectations and when information can and should be left to voluntary reporting mechanisms.

#### **d. Fending off calls to create substantive climate policy**

As the SEC has acknowledged, “financial regulators like the SEC are not at the forefront of substantive policymaking to address climate change.”<sup>5</sup> Rather, the SEC is interested in what information investors need to know to assess how climate change affects the potential financial risks and opportunities public companies face. Reporting obligations must therefore remain focused on that aim, reflecting, *not establishing*, climate policy. For example, SEC should not require disclosure related to a company’s estimated climate impacts (i.e., the impact of an individual registrant’s emissions on climate change). As a further example, companies should continue to disclose the material effects of government policies and regulations relevant to climate that may impact their financial performance (e.g., the recently finalized GHG Emission Standards and Test Procedures for Airplanes and Airplane Engines).<sup>6</sup>

In addition, SEC should consider a principles-based approach to give public companies the flexibility to provide important context around climate change disclosures. A4A recommends this be done *not* by dictating what contextual information is required, but by permitting companies to determine which considerations will enable investors to evaluate financial risk and opportunity in context. For example, an air carrier’s scope 1 GHG emissions from jet fuel consumption are not solely a function of the carrier’s environmental practices. Rather, emissions levels fluctuate with factors beyond the carrier’s control, including changing market conditions, varying air traffic control efficiencies, sufficiency of airport infrastructure, and the availability of mitigation strategies (e.g., sustainable aviation fuel, direct air capture). Accordingly, it is of paramount importance that SEC regulation allows companies to provide context around these factors that contribute to changes in emissions levels over time. By including the important context in which climate information is disclosed, SEC can better ensure it remains focused on the overall financial performance of companies from a climate perspective rather than unintentionally setting substantive climate policy.

## **2. SEC should take an incremental approach to the subject of climate and other ESG disclosures. (Questions 2, 15)**

As alluded to above, climate science and policy is continuing to evolve; as too are other ESG topics and metrics, particularly as they relate to company performance. Consequently, as SEC undertakes this assessment on climate change disclosure regulation, it should ensure any regulation and its attendant requirements remain flexible enough to incorporate developments in the understanding of the impact of climate change on corporate risks and opportunities. One way in which SEC may consider these evolving topics is by undertaking periodic reviews of registrant disclosures to assess their usefulness to investors for securities and exchange purposes.

Finally, if SEC decides to consider guidance or regulation on other ESG topics, we urge SEC to continue to rely on its core disclosure principles and mission to guide which topics and information should be

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<sup>5</sup> Commissioner Allison Herren Lee, “Playing the Long Game: The Intersection of Climate Change Risk and Financial Regulation,” (Nov. 5, 2020) available at <https://www.sec.gov/news/speech/lee-playing-long-game-110520>.

<sup>6</sup> 86 Fed. Reg. 2136 (Jan. 11, 2021).

Securities and Exchange Commission  
June 11, 2021

disclosed with an eye toward flexibility to incorporate future developments in understanding of those topics' impact on corporate risks and opportunities.

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Thank you in advance for your consideration of these comments. We would be pleased to provide any additional information or answer any questions SEC may have as it considers next steps on this matter.

Sincerely,

A handwritten signature in black ink, appearing to read 'V Bradley'.

Veronica Bradley  
Director, Environmental Affairs

A handwritten signature in black ink, appearing to read 'Tim Pohle'.

Timothy Pohle  
Senior Managing Director, Environmental Affairs