Congress of the United States
House of Representatives
Washington, DC 20515—1306

June 11, 2021

Via Electronic Mail (rule-comments@sec.gov)

The Honorable Gary Gensler
Chairman
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: Public Input on Climate Change Disclosures

Dear Chairman Gensler:

We write in response to the Securities and Exchange Commission's (SEC) request for public input on climate disclosures. Climate change is one of, if not the single-largest systemic risk to our global financial system and consistent and mandatory climate change disclosures are imperative. Investors are demanding this information to better understand their risk to this exposure. We appreciate the SEC's initiative, which is a necessary first step towards correcting this shortfall in our U.S. capital markets.

It is well established that climate change is a risk to the stability of the global financial system. The United Nations Intergovernmental Panel on Climate Change (IPCC) has found that without rapid, ambitious changes to all sectors of society, we will not limit global warming to 1.5˚C and prevent the ensuing sea level rise, polar ice cap melting, and habitat destruction. The report found that reaching this goal would "require rapid and far-reaching transitions in energy, land, urban and infrastructure [systems] (including transport and buildings), and industrial systems." [1]

Earth has already warmed by about 1 degree Celsius, or 1.8 degrees Fahrenheit, since the 19th century, and the pace of warming is only increasing. It is estimated that global greenhouse gas emissions must peak by 2020 and decline rapidly thereafter to limit the increase in the global average temperature to no more than 1.5°C above pre-industrial levels. But, based on current policies and commitments, "global emissions are not even estimated to peak by 2030—let alone by 2020." Trends show we are not slowing down. It is long past the time for waffling – the climate crisis is a real threat. More heat in the atmosphere is the direct cause of more extreme

[1] IPCC, https://www.ipcc.ch/2018/10/08/summary-for-policymakers-of-ipcc-special-report-on-global-warming-of-1-5c-approved-by-governments/

weather events, rising sea levels, droughts, longer and more destructive wildfire seasons, crop failures, refugee crises, and the migration of tropical diseases into historically temperate regions.

These effects in turn are causing real, measurable declines in our economic output. A recent study by SwissRe found that ***if*** we meet the Paris Agreements targets and stay below 2°C temperature increase by 2050, global GDP will decrease by 4%.[2] Remain on our current trajectory and we can expect an 18% reduction in GDP. The Commodity Futures and Trading Commission (CFTC) recently came to a broadly similar conclusion for the U.S. economy, noting that "the latest research suggests that, by the end of this century, the negative impacts on the United States from climate change will amount to about 1.2 percent of annual gross domestic product (GDP) for every 1 degree Celsius increase."[3] It goes on to say that the existing disclosure regime has not resulted in disclosures of a scope, breadth, and quality to be sufficiently useful to market participants and regulators. They specifically note that the information companies are currently disclosing has significant variations making it difficult for investors and others to understand exposure and manage climate risks.

The U.S. is far behind our global partners in addressing climate-related financial risk. It has been over a decade since the SEC has taken action on this issue, and only recently have our other regulators started to address this issue with the seriousness it demands. We welcome the recent actions of the SEC by Commissioner Allison Herren Lee to direct the Division of Corporation Finance to enhance its focus on climate-related disclosure in public company filings, and issuing this request for public input on climate risk disclosure is beginning that process.[4]

The current voluntary parameters under the SEC's 2010 Guidance Related to Climate Change are untenable.[5] Only a mandatory framework can ensure that the market is able to appropriately assess the severe costs and risks of climate change. We have introduced the *Climate Risk Disclosure Act*, S. 1217/H.R. 2570, to present a market-based solution to understand the impact of a changing climate on companies and provide investors, lenders, and insurers better information.

The *Climate Risk Disclosure Act of 2021* would require public companies to disclose more information about their exposure to climate-related risks, which will help investors appropriately assess those risks, ease the transition from fossil fuels to cleaner and more sustainable energy sources, and reduce the chances of both environmental and financial catastrophe.

Specifically, it states that disclosures must include:

- Evaluation of financial impacts and risk management strategies (including physical and transitional risk),
- Governance structures and processes to identify and manage climate risks,

[2] Swiss Re, https://www.swissre.com/media/news-releases/nr-20210422-economics-of-climate-change-risks.html#:~:text=World%20economy%20set%20to%20lose,stress%2Dtest%20analysis%20%7C%20Swiss%20Re

[3] CFTC, https://www.cftc.gov/sites/default/files/2020-09/9-9-20%20Report%20of%20the%20Subcommittee%20on%20Climate-Related%20Market%20Risk%20-%20Managing%20Climate%20Risk%20in%20the%20U.S.%20Financial%20System%20for%20posting.pdf

[4] Securities and Exchange Commission Review of Climate Disclosure, https://www.sec.gov/news/public-statement/lee-statement-review-climate-related-disclosure

[5] Securities and Exchange Commission 2010 Guidance, https://www.sec.gov/rules/interp/2010/33-9106.pdf

- Actions being taken to address climate risk,
- Resilience strategies for climate scenarios, and
- How climate risk is integrated into overall risk strategy.

Additionally, it directs your agency in consultation with climate experts at other federal agencies, to issue rules within two years of the bill's enactment to establish climate risk disclosure rules that:

- Are tailored to specific industries,
- Include direct and indirect emissions, disaggregated by greenhouse gas,
- Include reporting standards on all fossil fuel related assets and the percentage of fossil fuel related assets relative to total assets owned or managed,
- Specify the requirements for scenario analyses,
- Include quantitative analysis to support qualitative statements, industry specific metrics, a discussion of short- medium- and long-term resilience and risk strategies, and the total cost attributable to direct and indirect greenhouse gases (using at least the social cost of carbon),
- Consider a baseline, 1.5 degree, and other scenario that includes the physical impacts of climate change, and
- Include additional and specific disclosures if the issuer is in the business of commercial development of fossils.

In your examination, we would implore the SEC to develop requirements like these which facilitate consistent, reliable, and comparable disclosures, protect shareholders, and provide needed transparency.

Thank you for your consideration of these issues. We're encouraged by the SEC's engagement on climate-related financial risk and climate risk disclosure and look forward to working with you in the future.

Sincerely,

Elizabeth Warren		Sean Casten