

June 12, 2021

The Honorable Gary Gensler
Chair
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549

Dear Chairman Gensler:

Re: Request for Public Input on Climate Change Disclosures

The Energy Consumer Market Alignment Project (EC-MAP) appreciates the opportunity to provide comments to the Securities and Exchange Commission (SEC) in response to their request for public input on Climate Change Disclosures. As the SEC considers how to best direct corporate climate change disclosures, these comments urge the SEC to establish a process to ensure that: 1) corporations have a clear process to report on climate risk information in an accurate, transparent, and comparable way; and 2) standards can be aligned to enhance comparability and reliability.

EC-MAP is a Washington, D.C. based non-profit seeking to align public policy with a digital energy future. EC-MAP envisions an energy future where digital technologies drive greater transparency, fair competition, and consumer choice—and where policy enables innovation instead of creating market barriers. EC-MAP is advancing a dialogue around the role of government in this new era of energy digitalization for the transportation, power, and industrial sectors.

Opportunity

The era of carbon transparency is here. The new corporate environmental, social, and governance (ESG)/carbon landscape is responding to the demand for more transparent, granular, and actionable emissions information by regulators, companies, and investors. In EC-MAP's view, a complete emissions profile would include two data components: the technical component (i.e., what is being measured); and the contextual component (i.e., how the measurement is used in a regulatory or investment context).¹ Therefore, the search for more – and better quality – data is complementary to the need for contextualized emissions data and a digital infrastructure to support it.

Digital innovation presents a significant opportunity to transform the existing climate accounting and reporting protocols into a robust system of record to inform future climate policy. Remote sensing, distributed ledger technology (DLT), and artificial intelligence (AI) can be deployed to collect, track, characterize, and automate energy and environmental data in specified formats. This energy and environmental data can then be merged with interconnecting products, markets, and consumers to provide deep end-to-end sustainability insights. If emissions data of a product or commodity can be digitally traced and verified from the production side, through the supply chain, and to the final investment portfolio side, government and market stakeholders can begin to meaningfully compare sustainability performance metrics to make informed decisions.

EC-MAP sees carbon transparency as a data problem. Digital innovations in the measurement, reporting, and verification sector (Digital MRV) offer technologies, systems, and solutions “that has the potential to address these challenges in significant ways and become an imperative for both industry and government.”² Digital MRV can plug in data gaps, make collected data visible, ensure the secure exchange of data within and across systems, and turn data into actionable information so that sustainability attributes can be monetized in the market.

¹ *The Role of Digitalization in Driving Demand for Industrial Decarbonization*. (2020). Energy Consumer-Market Alignment Project (EC-MAP). https://ec-map.org/wp-content/uploads/2020/03/Industrial-Sector-White-Paper_WEB.pdf

² Ibid

However, if digital tools, technologies, and systems are to be appropriately harnessed, **standardization** of both climate disclosures and of specifications of data formats is essential to fully enable this opportunity. While we remain agnostic on whether there should be one or multiple standards entities to evaluate reporting, we believe that the fundamental backbone of a standardized reporting process is transparent and reliable data.

Challenge

The lack of standardization in ESG/carbon reporting protocols is hindering the market's ability to mobilize and deploy investment to meet the financial capital needs necessary for a net-zero economy transition. Current methods for measuring, reporting, and verifying emissions are not transparent and trustworthy. Furthermore, emissions data is not contextualized in consistent ways that enable transactability in markets. Given these structural challenges, the market cannot prioritize carbon transparency, traceability, and verification of emissions.

Strategy: The 3-Ts Approach

In order for companies and industry sectors to meaningfully respond to investor and legislative/regulatory requests for climate action, EC-MAP is proposing the '3-Ts Approach' with a specific mission to drive standardization. This systematic process embeds a product or commodity with digital **Transparency, Trust, and Transactability** across its full value chain, and converts it into a differentiated, secure, and high-value digital asset that can be traded electronically.

For the purpose of our approach, we define the 3-Ts as:

- Transparency: granular measurement, and monitored frequently.
- Trust: verified by independent third-party, and not just industry or NGOs.
- Transactability: interoperable across multiple systems, and enabling certification of differentiated products.

We believe the 3-Ts Approach intersects with three major trends of the 21st century: digitalization, carbon transparency, and climate finance. It brings better quality data for emissions reduction both for streamlining climate disclosures and for shaping climate policy. This Approach will align various moving pieces in voluntary corporate disclosure with unharmonized ESG reporting frameworks and create consolidation under a standardized and interoperable data architecture.

Even though a Digital MRV carbon accounting system could deliver radical carbon transparency for both government compliance and the market, it requires appropriate governance to scale. In our whitepaper on *'The Role of Digitalization in Driving Demand for Industrial Decarbonization'*, EC-MAP identified five key principles to lead the development of a new MRV system:

- Transparency – the ability for consumers, investors, and governments to access machine-readable, open-source data in real time.
- Accuracy – the ability for consumers, investors, and governments to trust the validity of the data they are accessing.
- Replicability – the ability for consumers, investors, and governments to compare similar products, facilities, and companies based on an accepted set of standards and practices that contextualize the data.
- Predictability – the ability for consumers, investors, and governments to more accurately forecast future scenarios based on analysis by automated or AI systems.
- Interoperability – the ability for data to be shared across systems regardless of geographic boundary, vendor, or organization.

We are realistic that technologies governed by these principles are still in the development and/or pilot phase and need to scale to wide-spread adoption to drive climate policy and reduce emissions. To that effect, we recommend the following:

Recommendations

- In order to help corporations that struggle to present emissions data in a comparable and granular way, we suggest that the SEC, in collaboration with the private sector and nonprofits, initiate a multi-agency effort to develop a series of pilot projects that will bring the 3-Ts Approach enabled by digital tools into the carbon disclosure reporting process.
 - These pilots are an opportunity for the SEC to build, accelerate, and support its goals for reliable disclosures information for investors, in concert with accomplishing the goals of the [Federal Data Strategy](#).
 - Based on lessons learned from the pilot projects, the SEC should develop a plan on how to incorporate such Digital MRV technologies and open-source data architecture into its disclosure process over time.
 - Standard-setting bodies and disclosure entities such as Sustainability Standards Accounting Board (SASB), Global Reporting Initiative (GRI), and others would be able to draw upon the common digital tools and platforms to better evaluate companies' progress on reducing emissions and would also be able to access data from the pilot projects to improve current disclosure mechanisms.
- Similar to the essential role of standard data frameworks and protocols in deploying smart grid technologies to achieve interoperability of devices, the SEC should facilitate the development of public-private partnerships and targeted education and communication activities to steer stakeholders towards opportunities to standardize existing climate accounting and reporting frameworks into robust digital systems of record.
 - Concurrently, the SEC should encourage the creation of digital infrastructure that enables interoperability across different commodity and product value chains. This open-source standardized data architecture will be essential to enable comparability and transactability of sustainability attributes in the marketplace.

Conclusion

EC-MAP endeavors to promote the data-driven 3-Ts Approach across multiple sectors to drive comparability to achieve standardization. Executing the 3-Ts Approach requires a “digital handshake” across multi-stakeholder groups and priorities. While we recognize that the efforts required to bridge silos between stakeholders in the digital software and IT services sector and energy, climate policy, and environmental NGO sectors will take time, EC-MAP is committed to building stakeholder consensus to educate on the need for standardization.

We welcome the opportunity for a discussion with the SEC on the necessary digital infrastructure required to build out the transition to an integrated climate accounting and reporting system.

Sincerely,



Tom Hassenboehler
Founder & Executive Director