June 13, 2021

Via Web Form

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

Re: Request for Public Input on Climate Change Disclosures

Dear Chair Gensler:

Total Energies is responding to the request for public input regarding climate change disclosures, issued by Acting Chair Allison Herren Lee on March 15, 2021.

SEC general positioning and its role in regulating climate-related disclosures

- Question 1: How can the Commission best regulate, monitor, review, and guide climate change disclosures in order to provide more consistent, comparable, and reliable information for investors while also providing greater clarity to registrants as to what is expected of them? Where and how should such disclosures be provided? Should any such disclosures be included in annual reports, other periodic filings, or otherwise be furnished?

How can the Commission best regulate, monitor, review, and guide climate change disclosures in order to provide more consistent, comparable, and reliable information for investors while also providing greater clarity to registrants as to what is expected of them?

TotalEnergies believes that climate disclosures should be globally harmonized, mandatory and reliable (verified by a third party) in order to be comparable. Standardization enables companies to know more precisely what information they should report. It is also essential because companies themselves require climate-related information from their providers and customers in order to properly set and assess climate related targets and metrics.

TotalEnergies believes that the SEC has a key role to play in the process of establishing and promoting a set of mandatory, globally accepted standards and measurements for climate change disclosures.

Where and how should such disclosures be provided? Should any such disclosures be included in annual reports, other periodic filings, or otherwise be furnished?

We recommend that the company's climate change disclosures be integrated in the company's annual management report for the following reasons:

- Climate change related information should be easily accessible for the intended users. Stand-alone reporting or cross-references to other reports or documents should be avoided as it complicates accessibility to the information and weakens the comparability of the disclosures between companies.
- Climate change related company disclosures are important for investors to make informed investors decisions. They should therefore not be limited to a list of quantitative indicators but also include qualitative information about how climate change influences the corporate governance, its strategy and its risks and opportunity management. The integration of climate-related information with financial and non-financial information of the company is therefore logical, making the annual report the appropriate report for these disclosures.

Metrics and KPIs to be considered for climate related disclosure

- Question 2: What information related to climate risks can be quantified and measured? How are markets currently using quantified information? Are there specific metrics on which all registrants should report (such as, for example, scopes 1, 2, and 3 greenhouse gas emissions, and greenhouse gas reduction goals)? What quantified and measured information or metrics should be disclosed because it may be material to an investment or voting decision? Should disclosures be tiered or scaled based on the size and/or type of registrant)? If so, how? Should disclosures be phased in over time? If so, how? How are markets evaluating and pricing externalities of contributions to climate change? Do climate change related impacts affect the cost of capital, and if so, how and in what ways? How have registrants or investors analyzed risks and costs associated with climate change? What are registrants doing internally to evaluate or project climate scenarios, and what information from or about such internal evaluations should be disclosed to investors to inform investment and voting decisions? How does the absence or presence of robust carbon markets impact firms' analysis of the risks and costs associated with climate change?

What information related to climate risks can be quantified and measured?
Are there specific metrics on which all registrants should report (such as, for example, scopes 1, 2, and 3 greenhouse gas emissions, and greenhouse gas reduction goals)?
TotalEnergies believes that the reporting metrics should be specific for each industry ("one size fits all" will not work). For the energy sector, we believe that the following metrics are key to measure a company's commitment to progress in the energy transition:

- Absolute Scope 1 & 2 emissions, operated and equity based: this metrics measures progress of a company in reducing emissions from its own facilities.
- Absolute Scope 3 emissions (from sales and/or production): this metric measures the ability of a company to reduce the overall emission of its products (sold or produced), in absolute terms, accounting for emissions that are generated outside the direct scope of a company (usage of products, purchase of material etc…). It is key to reduce worldwide emissions as those indirect emissions can represent more than 80 % of the lifecycle emissions of some energy products (fossil fuels in particular). We recommend that only material indirect emissions be accounted for as scope 3 indirect emissions can be complex and far-reaching. Materiality definitions could be set by SEC for each sector,
- Average net carbon content of energy product sold (scope 1, 2 and 3 intensity): the metric will measure the ability of a company to provide its clients with energy that is less and less carbonized. It addresses the dual challenge of providing more energy to a growing population, while reducing emission.

We recommend that emissions be expressed in CO_2 equivalent, which means that they include in particular methane, a key green-house gas.

How are markets currently using quantified information?
Markets used quantified information to analyze and benchmark registrants' corporate strategy regarding climate risks and associated decarbonization targets. Available information is used by analysts to assess the progress along the energy transition path (emissions Scope 1&2, emissions Scope 3, carbon intensity of energy products sold).
Markets also use quantified information to identify potential outliers or companies at risk in the energy transition for portfolio arbitrage.
Current climate-related disclosures from different companies are difficult to compare because of a lack of standardization, resulting in different definitions and methodologies in climate-related metrics (intensity vs absolute values, emissions boundaries, full vs net value chain…). Therefore, only a limited benchmark is feasible.

What quantified and measured information or metrics should be disclosed because it may be material to an investment or voting decision?
For the energy sector, TotalEnergies recommends the disclosure of absolute Scope 1&2 emissions, material Scope 3 emissions and the average net carbon content of energy products sold (as described above).

TotalEnergies believes that climate change disclosures can only be used to its full extent if they are standardized within a given industry with methodologies that are transparent and comparable. The perimeter of the reported emissions however varies widely from one company to the other. This makes comparing the GHG emissions unnecessarily complicated. To ensure that the climate performance of different companies can be compared, we suggest that the SEC considers defining recommended reporting perimeters of Scope 1, 2 & 3 emissions. These SEC preferences can provide guidance for companies on how to report their emissions. Does the SEC recommend disclosing the Scope 1 & 2 emissions based on its operational perimeter or on the equity share perimeter? Should some of the Scope 3 emission categories be reported based on the company's sales or on the production volumes? When are the different categories of Scope 3 emissions considered to be material?
TotalEnergies recognizes that this is not an easy task, especially because relevant disclosures will vary between industries and companies according to their activities and scale but sees tremendous value in more uniform industry-dependent reporting metrics.

Should disclosures be tiered or scaled based on the size and/or type of registrant? If so, how? Should disclosures be phased in over time? If so, how?
TotalEnergies firmly believes that climate-related disclosures should be industry specific irrespective of the registrant's size. Climate related risks and opportunities vary widely from one business to another and so do the relevant KPIs. For example, for steel companies, Scope 1&2 emissions are the most relevant in analyzing climate performance whereas for a plane manufacturer or a fossil fuel company, Scope 3 emissions also play an important role. Consultancy firms on the other hand have a more limited exposure to climate-related risks and should therefore have different reporting requirements.
As it is a new complex area, disclosures should be phased over time and gradually improved.

How are markets evaluating and pricing externalities of contributions to climate change?
Markets take the externalities of contributions to climate change into account in a direct and indirect way.
The direct way is to take into account the possible negative impact on registrants' results of i) an increase of carbon pricing for emissions not covered by quotas, in regions that have set emissions quotas and trading systems or ii) an increase in carbon tax in a given region/country. This negative impact will be included in the registrants' enterprise value and share price estimates by the markets.
The risks not to be able to keep up with the necessary pace of the energy transition is also indirectly priced in the market capitalization of the company. It corresponds to the risk of not being able to provide customers with the energy they want, with the right level of decarbonization.
There is however not a simple method to calculate the size of these externalities and to price it in.

Do climate change related impacts affect the cost of capital, and if so, how and in what ways? How have registrants or investors analyzed risks and costs associated with climate change?
Climate performance can affect the capacity and modalities to access equity and debt markets.
On the equity market, criteria and methodology are being defined by national bankers' associations or federations or other initiatives to what extent companies can be eligible for Sustainable equity funds. Not being able to demonstrate one's alignment with those criteria can lead to increase cost of equity.
On debt market, with the emergence of Sustainable finance, lenders are challenged to demonstrate that their financing initiatives help limiting global warming. To do so, they need to have widely accepted criteria to screen which projects/registrants they can finance. Once again, companies not being able to demonstrate that they are compliant with those climate criteria or at least best-in class in their categories with regards to the climate challenge can be deprived of such financing. To mitigate such risk, Sustainable Linked Bonds can link the cost of debt directly to climate related performance targets.

What are registrants doing internally to evaluate or project climate scenarios, and what information from or about such internal evaluations should be disclosed to investors to inform investment and voting decisions?
In order to ensure the viability of its projects and its long-term strategy in the light of climate change

challenges, TotalEnergies integrates into the financial evaluation of its investments a long-term oil and gas price scenario of 50 $/b and 2.5 $/mmbtu (Henry Hub) respectively, and factoring in a long-term CO_2 price of $40 per ton[(1)] and a sensitivity analysis of $100 per ton of CO_2 as from 2030.

How does the absence or presence of robust carbon markets impact firms' analysis of the risks and costs associated with climate change?
The volatility of the carbon market is problematic for companies, as they need a certain degree of predictability and stability to correctly assess the risks and costs associated with CO_2 emissions. To manage this uncertainty, TotalEnergies uses a long-term CO2 price of $40 per ton[(2)] and also performs a sensitivity analysis of $100 per ton of CO_2 as from 2030.
Indicating the impact of a carbon price increase on the discounted present value of the registrant's assets could be helpful to investors. As an example, TotalEnergies indicated in its 2020 Universal Registration Document that a long-term CO_2 price of $40/t applied worldwide would have an estimated negative impact of around 6% on the discounted present value of the Group's assets (upstream and downstream).

Taking the lead in standard setting: The SEC or the industry

- Question 3: What are the advantages and disadvantages of permitting investors, registrants, and other industry participants to develop disclosure standards mutually agreed by them? Should those standards satisfy minimum disclosure requirements established by the Commission? How should such a system work? What minimum disclosure requirements should the Commission establish if it were to allow industry-led disclosure standards? What level of granularity should be used to define industries (e.g., two-digit SIC, four-digit SIC, etc.)?

TotalEnergies welcomes constructive dialogue and collaboration between investors, companies and other industry participants to develop detailed disclosure standards. On the one hand, we recognize global harmonization and standardization is essential in industry specific climate disclosures. On the other hand, specificities of firms should be recognized within a frame. In this regard, attention should be paid to the fact several companies act or plan to act across different sectors or industries and standards should reflect such complexity.

Industry specific reporting standards

- Question 4: What are the advantages and disadvantages of establishing different climate change reporting standards for different industries, such as the financial sector, oil and gas, transportation, etc.? How should any such industry-focused standards be developed and implemented?

What are the advantages and disadvantages of establishing different climate change reporting standards for different industries, such as the financial sector, oil and gas, transportation, etc.?
TotalEnergies believes that climate-related disclosures should be industry specific, because climate related risks and opportunities vary widely from one business to another and so do the relevant KPIs to analyze these risks (risks and relevant metrics vary significantly between a consultancy firm, a steel company or an energy company).

How should any such industry-focused standards be developed and implemented?
Industry specific standards could be developed by the SEC, in constructive dialogue with companies and other industry actors and should build on already existing standards.

The role of existing standards

(1) $40/ton as from 2021 for all countries, or the current price in a given country if it is higher than $40/ton.
(2) $40/ton as from 2021 for all countries, or the current price in a given country if it is higher than $40/ton.

- Question 5: What are the advantages and disadvantages of rules that incorporate or draw on existing frameworks, such as, for example, those developed by the Task Force on Climate-Related Financial Disclosures (TCFD), the Sustainability Accounting Standards Board (SASB), and the Climate Disclosure Standards Board (CDSB)?[7] Are there any specific frameworks that the Commission should consider? If so, which frameworks and why?

  In recent years, several initiatives have been launched to encourage and standardize climate related disclosures by companies, such as the Task Force on Climate-Related Financial Disclosure (TCFD) and the Sustainability Accounting Standards Board (SASB). These initiatives have matured, and investors have been requesting companies to disclose information according to these standards.

  TotalEnergies believes that the SEC could have a key role to play to consolidate those initiatives and establish a set of mandatory standards for climate change disclosures. TotalEnergies recommends that the SEC builds on those existing standards, specifically:
    - the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)
    - the standards of the Sustainability Accounting Standards Board (SASB)
    - the non-binding guidelines on non-financial reporting from the European Commission, especially on reporting climate-related information, as well as the proposed amendments on the Non-Financial Reporting Directive (2021/0104)

The evolution of the standards

- Question 6: How should any disclosure requirements be updated, improved, augmented, or otherwise changed over time? Should the Commission itself carry out these tasks, or should it adopt or identify criteria for identifying other organization(s) to do so? If the latter, what organization(s) should be responsible for doing so, and what role should the Commission play in governance or funding? Should the Commission designate a climate or ESG disclosure standard setter? If so, what should the characteristics of such a standard setter be? Is there an existing climate disclosure standard setter that the Commission should consider?

  How should any disclosure requirements be updated, improved, augmented, or otherwise changed over time?
  TotalEnergies emphasizes the need for globally harmonized standards. By its essence, standards should not change too frequently, so that we would recommend minimizing updates. However, emission reporting remains a relatively immature subject and we recognize the need to improve and update methodologies on a regular basis. When an update is necessary, TotalEnergies recommends that the SEC collects views from companies, investors, relevant industry actors and other standard setting initiatives in a public consultation and takes these views into account in the updated standards.

  Should the Commission itself carry out these tasks, or should it adopt or identify criteria for identifying other organization(s) to do so? If the latter, what organization(s) should be responsible for doing so, and what role should the Commission play in governance or funding? Should the Commission designate a climate or ESG disclosure standard setter? If so, what should the characteristics of such a standard setter be? Is there an existing climate disclosure standard setter that the Commission should consider?
  We recommend that the Commission itself carries out these tasks.

Regulation S-K or Regulation S-X

- Question 7: What is the best approach for requiring climate-related disclosures? For example, should any such disclosures be incorporated into existing rules such as Regulation S-K or Regulation S-X, or should a new regulation devoted entirely to climate risks, opportunities, and impacts be promulgated? Should any such disclosures be filed with or furnished to the Commission?

  TotalEnergies would welcome that the climate-related disclosures be incorporated in Regulation S-K and Regulation S-X. Climate related disclosures could be filed with the Commission.

Internal governance of climate-related issues

- Question 8: How, if at all, should registrants disclose their internal governance and oversight of climate-related issues? For example, what are the advantages and disadvantages of requiring disclosure concerning the connection between executive or employee compensation and climate change risks and impacts?

How, if at all, should registrants disclose their internal governance and oversight of climate-related issues?
TotalEnergies believes that climate change disclosures should allow investors to better assess the strategy, the risks and opportunities of a company. For this, information on internal governance is essential. Information on internal governance and oversight gives insight on the level of awareness of climate-related issues in the company. A qualitative description with supporting evidence would be the natural way to disclose this information. In this view, we recommend that the SEC considers the recommended TCFD disclosures on Governance.

TotalEnergies believes that the SEC should ensure that companies disclose sufficient information for investors to conclude on the level of awareness of climate-related issues. Companies also have an interest in convincing the investors that climate change related issues are treated at the right level. However, as this is qualitative information, the exact way to do this should be at the discretion of the company, but can benefit from recommendations from the SEC.

For example, what are the advantages and disadvantages of requiring disclosure concerning the connection between executive or employee compensation and climate change risks and impacts?
Disclosures on the connection between compensation and climate change risks and impacts are quite specific and may therefore not be mandatory but recommended. Those metrics can serve as evidence that climate change mitigation is key in the company strategy, whilst acknowledging that there can also be alternative indicators that can lead to a similar conclusion.
As far as the energy sector is concerned, TotalEnergies recommend such connection between executive or employee compensation and climate change risks and impacts be disclosed.

Single versus multiple standard setters and standards

- Question 9: What are the advantages and disadvantages of developing a single set of global standards applicable to companies around the world, including registrants under the Commission's rules, versus multiple standard setters and standards? If there were to be a single standard setter and set of standards, which one should it be? What are the advantages and disadvantages of establishing a minimum global set of standards as a baseline that individual jurisdictions could build on versus a comprehensive set of standards? If there are multiple standard setters, how can standards be aligned to enhance comparability and reliability? What should be the interaction between any global standard and Commission requirements? If the Commission were to endorse or incorporate a global standard, what are the advantages and disadvantages of having mandatory compliance?

What are the advantages and disadvantages of developing a single set of global standards applicable to companies around the world, including registrants under the Commission's rules, versus multiple standard setters and standards?

TotalEnergies believes that climate disclosures should be globally harmonized. There should be an industry specific single set of global standards applicable to companies from the same sector around the world. This strengthens the comparability and transparency, whilst at the same time avoiding that different stakeholders request climate-related information according to different standards (simplicity). In addition, it provides clarity for companies to what is expected from them and helps companies who operate in different countries to fulfill their obligations.
If there were to be a single standard setter and set of standards, which one should it be?
TotalEnergies believes in that case the SEC can play a key role as single standard setter.

If there was to be a single set of standards, it should be limited to Scope 1&2 as it is additive.

What are the advantages and disadvantages of establishing a minimum global set of standards as a baseline that individual jurisdictions could build on versus a comprehensive set of standards?
TotalEnergies believes that there should be one industry specific set of global standards applicable to companies around the world. The process of establishing a minimum global set of standards as a baseline that individual jurisdictions could build on will lead to de-facto different standards based on geographic location of companies and diminish comparability and simplicity.

If there are multiple standard setters, how can standards be aligned to enhance comparability and reliability? What should be the interaction between any global standard and Commission requirements?
TotalEnergies believes that there should be a clear alignment of standards setters towards one industry specific set of global standards applicable to companies around the world.

If the Commission were to endorse or incorporate a global standard, what are the advantages and disadvantages of having mandatory compliance?
TotalEnergies recommends mandatory compliance for certain basic quantified standards (Scope 1&2 emissions, material Scope 3 emissions) to enhance comparability. Qualitative and more detailed disclosures could be recommended. Recommended disclosures can serve as supporting evidence, whilst acknowledging that there can also be alternative indicators that can lead to a similar conclusion.

Enforcement and assessment of standards (1/3)

- Question 10: How should disclosures under any such standards be enforced or assessed? For example, what are the advantages and disadvantages of making disclosures subject to audit or another form of assurance? If there is an audit or assurance process or requirement, what organization(s) should perform such tasks? What relationship should the Commission or other existing bodies have to such tasks? What assurance framework should the Commission consider requiring or permitting?

TotalEnergies believes that climate related disclosures should be subject to limited assurance from an independent third party such as auditors or independent assurance services providers.

Enforcement and assessment of standards (2/3)

- Question 11: Should the Commission consider other measures to ensure the reliability of climate-related disclosures? Should the Commission, for example, consider whether management's annual report on internal control over financial reporting and related requirements should be updated to ensure sufficient analysis of controls around climate reporting? Should the Commission consider requiring a certification by the CEO, CFO, or other corporate officer relating to climate disclosures?

As for other measures to ensure the reliability of climate-related disclosures, TotalEnergies believes that climate related disclosures should be certified by a C-Suite officer.

Enforcement and assessment of standards (3/3)

- Question 12: What are the advantages and disadvantages of a "comply or explain" framework for climate change that would permit registrants to either comply with, or if they do not comply, explain why they have not complied with the disclosure rules? How should this work? Should "comply or explain" apply to all climate change disclosures or just select ones, and why?)

What are the advantages and disadvantages of a "comply or explain" framework for climate change that would permit registrants to either comply with, or if they do not comply, explain why they have not complied with the disclosure rules? How should this work?
Best practices and methods for climate related disclosure may vary between industries and companies, and are likely to evolve in the near future. A certain level of flexibility is needed for more detailed climate related disclosures to account for the different activities carried out by different companies. TotalEnergies therefore supports the approach of a "comply or explain" framework.

How should this work? Should "comply or explain" apply to all climate change disclosures or just select ones, and why?
A "comply or explain" framework should only apply to more detailed climate related disclosures. The most general disclosures should not need the same level of flexibility and should therefore fall outside the scope of the "comply and explain" framework.

Disclosure of climate-related risks and opportunities

- Question 13: How should the Commission craft rules that elicit meaningful discussion of the registrant's views on its climate-related risks and opportunities? What are the advantages and disadvantages of requiring disclosed metrics to be accompanied with a sustainability disclosure and analysis section similar to the current Management's Discussion and Analysis of Financial Condition and Results of Operations?

TotalEnergies believes that the SEC should consider an approach consistent with the recommendations of the TCFD where qualitative disclosures regarding governance, strategy and risk management are recommended, and forward-looking analyses are embedded.

Climate disclosures for private companies

- Question 14: What climate-related information is available with respect to private companies, and how should the Commission's rules address private companies' climate disclosures, such as through exempt offerings, or its oversight of certain investment advisers and funds?

TotalEnergies would support the SEC to encourage private companies to adopt the Commission rules as the climate issue is global and does not apply only to listed companies.

Climate disclosures & ESG framework

- Question 15: In addition to climate-related disclosure, the staff is evaluating a range of disclosure issues under the heading of environmental, social, and governance, or ESG, matters. Should climate-related requirements be one component of a broader ESG disclosure framework? How should the Commission craft climate-related disclosure requirements that would complement a broader ESG disclosure standard? How do climate-related disclosure issues relate to the broader spectrum of ESG disclosure issues?

TotalEnergies believes that the significance and the complexity of climate change related disclosures requires a separate, independent framework. However, gradually broadening climate-related disclosures under full ESG disclosure will develop and should be considered by the Commission.

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