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Thank you for the opportunity to comment. My comments focus on how the nature and significance of climate risk should compel the SEC to (1) require the disclosure of information that aids understandings of how publicly-traded companies are increasing risks for other entities and public interest concerns; and (2) acknowledge the limits of disclosure for some key financial system participants and, in turn, the need for additional action by the SEC.

Climate risk is a reflection of the reality that our earth is facing limits in its capacity to assimilate greenhouse gas (GHG) emissions. This pressing against limits is producing weather-related disasters that are more frequent, severe and costly. We will exceed these limits and face more profound, existential impacts if we do not reduce emissions quickly and significantly.

The incredible urgency with which climate change and related financial risks must be addressed is summarized well in a recent [court decision](#) in the Netherlands against Royal Dutch Shell. Echoing conclusions of international scientists, the court states, 'Given the current concentration of greenhouse gases in the atmosphere (401 ppm in 2018), the remaining carbon budget is limited. This applies to both 430 ppm as a limit for a global warming of up to 1.5°C and 450 ppm for a global warming of up to 2°C. The longer it takes to achieve the required emissions reductions, the higher the level of emitted greenhouse gases, and consequently, the sooner the remaining carbon budget runs out. ***At unchanged emission levels, the carbon budget will have been used up within twelve years.*** As has been described by the IEA [International Energy Agency] in its World Energy Outlook 2020..., ***the next ten years will be crucially important for preventing dangerous climate change.*** This also follows from the conclusion of the UNEP (of 2019)...'¹

As documented elsewhere, including by the Commodity Futures Trading Commission's Climate-Related Market Risk Subcommittee, the financial risks related to these climate change impacts are significant and unprecedented. Climate change is impacting a wide array of assets and natural resources within large geographic areas, and doing so with increasing frequency and unpredictability. Often these impacts to assets are simultaneous and significant. And, unlike risks related to the dot-com bubble or the mortgage crisis, climate risk is here to stay.

In the context of this risk, not all entities are equally impacted. The features of climate change are colliding with the particular vulnerabilities of public sector entities.² Unlike many publicly-traded companies, public-sector entities are geographically fixed; they cannot simply move to

¹ Milieudefensie et al. v. Royal Dutch Shell plc., <http://climatecasechart.com/climate-change-litigation/non-us-case/milieudefensie-et-al-v-royal-dutch-shell-plc/>. The ruling is on appeal, and in any event not binding in the US. Nevertheless, the decision offers several salient findings and observations that help explain the increased attention to climate risk in the US.

² Although this comment targets public-sector entities within the US, public-sector entities globally – particularly those in climate vulnerable and developing countries – face similar constraints. Moreover, some private-sector entities, such as small-scale agriculture, share similar traits and constraints.

avoid exposure to climate impacts. They have multiple assets that can be affected simultaneously when disaster strikes. At the same time, they have special responsibilities — they're mandated to build infrastructure, supply water, and ensure the protection of natural resources. Many of these services are essential for publicly-traded companies, and many of these resources are critically important for maintaining the resilience of communities to climate change. Finally, public-sector entities face severe limits in their ability to raise funds to take on these risks and responsibilities.

While public-sector entities are forced to pick up the tab for climate disaster, they face a cruel irony: the more they need money, the harder it is to get. As the SEC and other regulators push to increase disclosure of corporate climate risks, cities in climate change hotspots face credit-rating downgrades, increased insurance costs and fewer investors. Ratings agencies are warning low-lying cities such as New Orleans, for example, that climate risks could [force new downgrades](#). Worse, many of these high-risk "[blue-lined](#)" areas are home to the same communities of color that have long been excluded from access to financing by discriminatory redlining practices.

The financial risks to public-sector entities individually — as both market participants and as guardians of our common good — are significant. And when the assets of many cities in a region are simultaneously impacted, the risks to this group of public-sector entities and to publicly-traded companies that depend on them - for infrastructure, workers, and markets for their products - might be subsystemic. Risks to the corporate community and the broader financial system from climate change must be considered in the broader context of the risks faced by local and municipal entities and the communities that live in these jurisdictions - particularly overburdened and underserved communities and communities of color.

Climate change is also colliding with the public interest in public goods — also with significant implications for our financial system. These include, for example, the public interest in adequate water, healthy soils, and safe temperatures.

As the SEC seeks to respond to this significant unprecedented financial risk, it should advance strong disclosure requirements that inform understandings of risks created by public companies that public-sector entities must assume. These include requirements to disclose Scope 1, 2, and 3 emissions and to disclose corporate activities that otherwise reduce the resilience of public entities and natural resources. The SEC could also require scenario analyses of the risks to publicly-traded companies from potential adverse financial impacts to the municipalities where these companies and their facilities are located. Finally, the SEC could examine the limits of disclosure for addressing climate risks, and consider new approaches.

Requirements for Disclosure of Emissions and Descriptions of Possible Impacts to Resilience

Information related to Scope 1, 2 and 3 emissions is not only material for investors but also critically important for public interest concerns.

The recent shareholder actions at the ExxonMobil and Chevron annual meetings in May 2021, for example, underscore investor interest in climate risk and reducing Scope 1, 2 and 3 emissions. Large institutional investors in concert with smaller investors demanded – and were able to secure – changes at these companies in service to addressing climate change. These and other investors are expressing concerns not only about the transition-related risks faced by companies in which they are considering investing (and related risks to returns), but also risks to short- and longer-term assets in which they have invested elsewhere and might invest in the future.

Many of these investors share an even more fundamental concern about threats posed by emissions to the health of the planet and its capacity to sustain existing and future generations of life. Emissions-related information can help investors avoid support for companies with GHG-intensive activities, and otherwise incentivize the movement of financial flows to activities that moderate climate change and mitigate its impacts.

In addition to requiring disclosure of emissions, the SEC should consider requiring the creation and disclosure of information that describes how public companies are otherwise impacting the mitigation and resilience and adaptation efforts of other private and public entities. Recent efforts of the European Bank for Reconstruction and Development (EBRD)³ to ensure that its financial flows are aligned to the Paris Agreement offer one example. As noted by the EBRD, the Paris Agreement commits signatories to make ‘finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development,’⁴ and this commitment relates to both the mitigation and adaptation goals of the Agreement. Recent proposed EBRD standards recognize that corporate activities that might not be exposed to physical climate risks might exacerbate climate risks for communities or businesses in their vicinity. For example, projects that use large volumes of water might not be exposed to water stress themselves, but could create climate risks for farmers dependent on the availability of water downstream from their business activities. The EBRD proposal observes that determining an activity’s Paris alignment is distinct from the concept of climate-related financial risk.

Acknowledge the limits of disclosure for some key market participants and public interest concerns, and the need for additional action by the SEC

Private sector entities, including particularly the fossil fuel industry, but also the investors, banks, and insurers that invest in, loan to, and underwrite them, originate many of these climate risks through activities that support the production and combustion of fossil fuels and the release of GHGs.⁵ Despite the increased financial risks these entities originate for other entities, however, existing risk management measures do not ensure a just allocation of

³ EBRD Public Consultation Version, June 2021, Guidance Note, Methodology to determine the Paris Agreement alignment of directly financed EBRD investments

⁴ Paris Agreement, Article 2.1(c)

⁵ The recent Royal Dutch Shell decision, for example, advances an understanding of how Royal Dutch Shell’s ‘control and influence’ over Scope 3 emissions (85% of the Shell group emissions in 2018), leave it with responsibilities to address them.

responsibilities for these risks. The SEC's disclosure requirements, for example (and as noted above), do not adequately support the management of climate change-related financial risks faced by public entities and the public interest in common natural resources.

I urge the SEC to consider the limits of traditional disclosure for responding to public-sector and public-interest risks, and the need for measures that allocate risks more fairly.

Thank you for the opportunity to comment.