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Ocean Conservancy

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June 14, 2021

Re: Public Statement: Public Input Welcomed on Climate Change Disclosures, Acting Chair Allison Herren Lee, March 15, 2021.

Dear Chair Gensler:

Ocean Conservancy appreciates the opportunity to provide comment in response to Acting Chair Lee's March 15, 2021 Request for Input related to the ongoing Securities and Exchange Commission (SEC) effort to facilitate "the disclosure of consistent, comparable, and reliable information on climate change."[1]

Ocean Conservancy is a non-profit organization with 160,000 members across the United States (U.S.) working to protect the ocean from today's greatest global challenges. As an economic driver, the ocean and coasts provide more than two million jobs,[2] and 127 million people—nearly 40 percent of the U.S. population—live in coastal counties, and all Americans rely on services the ocean and coasts provide.[3] For the past 50 years, Ocean Conservancy has worked to protect the ocean by creating science-based solutions for a healthy ocean and the wildlife and communities that depend on it.

Ocean Conservancy supports the substantive recommendations provided in the comment letter submitted by the Americans for Financial Reform and Public Citizen. The SEC should move quickly to propose, adopt, implement, and enforce detailed requirements related to climate and environmental, social, and governance (ESG) disclosures. The ongoing climate crisis and the shift away from fossil fuels and carbon-intensive industry will reshape our economy and climate impacts will deepen substantial social justice, equity and human rights imbalances that must be addressed. Detailed disclosure requirements will ensure that investors have necessary information about companies' growing climate financial risk, their contribution to climate change, and their plans for remaining viable in a low-carbon future economy, so that they can make financially and socially responsible decisions.

Additionally, more specific comments pertaining to the petrochemicals industry and plastic production are warranted. This information is most relevant to Questions 1 and 2 from the Request for Input. Plastics pollution and climate change share a common source and pose overlapping, interconnected threats to ocean ecosystems and coastal communities. More than 99 percent of all plastics are made from fossil fuels,[4] and the feedstock extraction, production, use, and disposal of plastics is responsible for 3-4 percent of global greenhouse gas emissions[5] as well as significant local air and water pollution. Moreover, petrochemicals, driven by plastic production, are projected to be the largest source (60 percent) of oil demand growth through 2030,[6] and plastics are estimated to make up 20% of oil demand by 2050.[7] The

[1] https://www.sec.gov/news/public-statement/lee-climate-change-disclosures.
[2] National Oceanic and Atmospheric Administration. Marine economy in 2018 grew faster than U.S. overall. Available from: https://www noaa.gov/media-release/marineeconomy-in-2018-grew-faster-than-us-overall
[3] National Oceanic and Atmospheric Administration Office for Coastal Management. Economics and Demographics. Available from: https://coast noaa.gov/states/fastfacts/economics-anddemographics.html
[4] CIEL (2019). Plastic & Climate: The Hidden Costs of a Plastic Planet, https://www.ciel.org/plasticandclimate/.
[5] Estimate for 2015, based on Zheng, J., & Suh, S. (2019). Strategies to reduce the global carbon footprint of plastics. Nature Climate Change, 9(5), 374-378. and ODI (2020). Phasing Out Plastics, https://odi.org/en/publications/phasing-out-plastics/.
[6] IEA (2020), World Energy Outlook 2020, IEA, Paris https://www.iea.org/reports/world-energy-outlook-2020
[7] World Economic Forum, Ellen MacArthur Foundation and McKinsey & Company (2016). The New

American Chemistry Council estimated that $205 billion was invested in petrochemicals production in the U.S. from 2010-2018; other estimates indicate that $30-34 billion is projected to be invested globally each year in ethylene and ethylene derivatives, the base chemicals used to make plastics, during the period 2020-2025.[8]

As demand for transportation fuels has fallen, in response to the climate transition, investment in petrochemicals has grown as a broader diversification strategy. Investors are at risk of locking in infrastructure that perpetuates demand for fossil fuels and slows the transition to a clean energy economy if the impacts, growth and scope of the petrochemicals industry are not clearly disclosed. The growing investment in plastics and petrochemical production, therefore, is an important part of companies' climate change and ESG impacts and they should be incorporated into any new disclosure requirements.

Scope of emissions reporting

Petrochemical producers must be required to report on all three scopes of emissions specified in the Greenhouse Gas Protocol. Scope 3 emissions, which would include those associated with upstream production processes and downstream waste management options, can make up as much as half of the emissions associated with plastics and are therefore particularly important.

Upstream emissions. The emissions associated with the production of feedstocks for petrochemicals can vary significantly depending on feedstock type, source and other management controls. The greenhouse gas intensity of oil can vary by more than 80 percent, taking into account factors such as methane management.[9] Consumer consciousness is growing around this issue: for example, in November 2020, the French trading house Engie cancelled a $7 billion liquefied natural gas deal with an American supplier, citing concerns about environmental risks, such as mismanaged methane, in U.S. oil fields.[10] Disclosure of upstream emissions will identify risks like these and support investments in more efficient and lower carbon feedstocks.

Waste Management Emissions. A number of the waste management options for plastics have significant greenhouse gas emissions associated with them, in particular, waste to energy, incineration, and open burning. In fact, the emissions associated with plastic doubles if that plastic is incinerated at the end of life.[11] Further, plastic leakage into the ocean also has emissions consequences: a recent study shows that when plastic is exposed to sun and sea water, plastic releases methane at twice the rate it would in a landfill, significantly increasing the greenhouse gas impact of the material.[12]

Physical risk to petrochemical facilities

Climate change also poses significant physical risk to petrochemical facilities themselves, which are often sited in coastal areas experiencing sea level rise and more frequent and intense extreme weather events. Approximately 89 percent of U.S. plastic resin production capacity is based along the U.S. Gulf Coast in Texas and Louisiana, where 34 facilities are below, at, or just slightly above sea level, putting them at risk

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plastics economy: rethinking the future of plastics. Cowes, UK: Ellen MacArthur Foundation.www.ellenmacarthurfoundation.org/publications/the-new-plastics-economy-rethinking-the-future-of-plastics.

[8] The Long View: There will be blood - the oil companies are becoming an existential threat to the petrochemicals companies, Alliance, 2020

[9] Deborah Gordon et al., Carnegie Rndowment for International Peace, Know your Oil: Creating a Global Oil-Climate Index 1 (2015), https://carnegieendowment.org/files/know_your_oil.pdf.

[10] https://www.lemonde fr/economie/article/2020/11/03/gaz-de-schiste-engie-renonce-a-un-megacontrat-americain-sous-la-pression-de-l-etat-et-des-ong_6058335_3234.html

[11] Materials Economics. "The Circular Economy: A Powerful Force for Climate Mitigation," (2018). It is also important to note that waste to energy is becoming a more common waste management strategy in Europe and Asia.

[12] Royer, S. J., Ferrón, S., Wilson, S. T., & Karl, D. M. (2018). Production of methane and ethylene from plastic in the environment. PLoS One, 13(8), e0200574.

of incurring substantial damage. The risk to facilities in the region and investors was apparent in 2017 during Hurricane Harvey, which caused 75 percent of U.S. polyethylene production capacity to stop unexpectedly.[13] The 2021 freeze in Texas also caused major plant closures across the region, resulting in severe supply chain disruptions and price fluctuations.[14]

Reputational Risk

Rising consumer consciousness about the combined climate, human health, and ocean impacts of plastics foretells a major transition in this industry as well. There is significant and growing public attention to the impacts from plastic production on communities and environment, which creates material risk to investment and held assets. In fact, a recent survey of insurers shows that this reputational risk is a key concern: of the risks associated with plastic production and use, respondents cited reputational risk of highest concern for both under-writing and investment activities.[15] Further, companies with a high degree of exposure to packaging and single use plastics generally underperformed between 2015 and 2020, with significant underperformance beginning before the COVID-19 outbreak.[16]

Changing Policies

The changing tide of public opinion on plastics has spurred a transition in policies which create new transition risks for investors. There is a substantial push to regulate plastics at the state and local level in the U.S., with nearly 300 municipalities enacting bans or charges on various plastic items. In addition, the World Economic Forum reports that 170 nations have pledged to "significantly reduce" use of plastics by 2030. China, which has been forecast as the market with the largest plastics demand growth potential, is set to ban and restrict single-use and disposable plastics over the next five years Europe is on a similar trajectory, with plans to release the latest update of its single-use plastics directive, which seeks to ban certain single-use products, set recycled content targets, and issue a plastic production levy. Canada also recently announced a ban on single-use plastics that is to go into effect in 2021. [17]

Justice and Equity

Disclosures must include elements of environmental and climate justice, as well as other diversity, equity, and inclusion considerations to allow investors to make a holistic assessment of an issuer's overall commitment to sustainability and make more informed investment decisions. This issue is particularly visible and problematic for the plastics industry, where these inequities are becoming a material risk to investments in petrochemical facilities.

Historically disadvantaged communities, including communities of color, bear a disproportionate burden from the pollution that results from facility siting choices, and many are also at increased risk from climate change. The U.S. Gulf of Mexico petrochemicals corridor was recently cited by the United Nations Office of Human Rights, who called for a halt to expansion of Louisiana's "Cancer Alley" due to the serious and disproportionate threats to the human rights of the area's Black residents.[18] Local fights against this industry are beginning to gain traction. For example, protests organized by RISE St. James

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[13] Planet Tracker. "Stormy Outlook for US Plastics Refiners: Risk of stranded assets in the Gulf of Mexico," (2020). https://planet-tracker.org/download/1493/

[14] https://www.spglobal.com/platts/en/market-insights/latest-news/petrochemicals/030121-factbox-texas-petrochemical-restarts-continue-slowly-after-freeze

[15] UNEP's Principles for Sustainable Insurance Initiative. "Unwrapping the risks of plastic pollution to the insurance industry: The first global insurance industry study on managing the risks associated with plastic pollution, marine plastic litter and microplastics,"(2019). https://www.unepfi.org/wordpress/wp-content/uploads/2019/11/PSI-unwrapping-the-risks-of-plastic-pollution-to-the-insurance-industry.pdf

[16] PlanetTracker, "Unwrapping Investor Risk in the Global Plastic Containers and Packaging Sector, "(2021). https://planet-tracker.org/download/1604/

[17] As You Sow, "Plastics:The Last Straw for Big Oil? An Investor Brief on the Risks of Overinvestment in Petrochemicals," (2021). https://www.asyousow.org/reports/plastics-the-last-straw-for-big-oil

[18] https://news.un.org/en/story/2021/03/1086172

forced the Chinese company Wanhua Chemical Group to abandon its plans for a $1.85 billion petrochemical plant in St. James Parish, LA.[19] That same year, Formosa Plastics Corp. agreed to pay $50 million to settle a lawsuit over federal Clean Water Act (CWA) violations at its Texas plant, the largest ever settlement of a CWA suit filed by private individuals.[20] These are examples of growing social risk to this industry which must be disclosed to investors.

In closing, we commend the SEC for taking steps to increase the disclosure of the material risks from climate change. As part of that process, we encourage the full consideration of risks from the continued investment in petrochemical and plastics production. We look forward to working with you on this important issue.

Sincerely,

Anna-Marie Laura
Director, Climate Policy
Ocean Conservancy

[19] https://www.wwltv.com/article/news/local/chinese-company-drops-plans-for-new-chemical-plant-in-st-james-parish/289-2e2f83de-1ff1-4d4b-a30e-2ecedddd03ed

[20] https://coast noaa.gov/states/stories/historic-pollution-settlement-to-nurdle-patrol html#:~:text=Formosa%20Plastics%20Corporation%20USA%20has,the%20federal%20Clean%20Water%20Act.