June 14, 2021

The Honorable Gary Gensler
Chair
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Dear Chairman Gensler,

The Business Council for Sustainable Energy (BCSE) is pleased to submit the following comments in response to the March 15, 2021 Request for Public Input on Environmental, Social and Governance (“ESG”) and climate change disclosures.¹

Founded in 1992, the Council is a coalition of energy efficiency, natural gas and renewable energy companies and associations. Its membership includes investor-owned and public utilities, independent power producers, manufacturers, technology providers, energy services companies, and sector-specific trade organizations.

BCSE is pleased to have an independent small business division under its banner, the Clean Energy Business Network (CEBN). Together, BCSE and CEBN represent a broad range of the clean energy economy, from Fortune 100 companies to small businesses working in all 50 states. Together, these industries support over 3 million U.S. jobs.

BCSE members have a strong understanding of the key policy, regulatory and market drivers that are necessary to help deploy clean energy technologies and reduce greenhouse gas emissions. Market transparency is a critical component to attracting investment. BCSE appreciates the opportunity to share our members’ perspectives on some of the issues we believe are important for the Securities and Exchange Commission (the “SEC”) to consider as it evaluates proposing ESG and climate change-related disclosure rules.

Further, several BCSE members intend to submit their own comments to the SEC during the comment period, including the American Gas Association. BCSE has benefitted from their expertise in the development of its submission, and we encourage thoughtful review of their submission. Please note, as a diverse coalition, not all members take a position or endorse the recommendations that follow.

BCSE Supports the Commission’s focus on ESG and Climate Change Disclosures

BCSE members offer technologies, products and services to mitigate the impacts of climate change and recognize the risks that climate change place on communities, business operations and the economy. BCSE members also understand that investors are increasingly requesting information on ESG and climate-related topics. The Commission’s focus on ESG and climate change disclosures will improve data collection and dissemination and will aid investors in making decisions.

BCSE Urges Collaboration Between Investors and Registrants to Ensure Relevant, Concise and Comparable Disclosures

ESG—and specifically climate change—disclosures are best determined in collaboration between registrants and investors. They also should be flexible, sector-specific, and principles-based. We urge the Commission to focus its efforts on the provision of concise and financially material climate change information by issuer companies for investors.

Disclosure requirements should take into account that the materiality of climate change varies among industries and companies within industries. As such, disclosure requirements should provide flexibility for sub-sector diversity. Further, disclosure requirements should allow registrants to report company performance in the context of the overall economy. Some metrics may be insufficient to fully evaluate a registrant’s broader ESG and climate change-related impacts. Therefore, we recommend that, to the extent disclosure of specific metrics is required, they should be industry-specific—and when appropriate, sub-sector specific—metrics rather than uniform, across-the-board standards for all registrants. This could be done in a fashion analogous to the industry guides the SEC has adopted for other industry-specific disclosures. This will maximize the likelihood that registrants will provide investors with consistent, comparable and reliable information. This approach also would be consistent with the Commission’s focus on principles-based disclosure.

Disclosures and Quantitative Metrics Should be Accompanied by Qualitative Information

Currently, issuers that disclose climate-related metrics on a voluntary basis use many different methodologies. As the Commission adopts its rules, it should request that the issuer provide information to explain the underlying methodologies and assumptions in sufficient detail for an investor to understand and evaluate the metrics. In addition, quantitative metrics should be required to be accompanied by explanatory text that provides sufficient context on why the metrics are meaningful and relevant to the issuer and its investors.

Disclosure Rules Should Adopt Safe Harbor Provisions for Data Submissions

To ensure the most comprehensive disclosures, BCSE recommends that the Commission adopt safe harbor provisions for estimates and data that are provided in good faith and are either inherently unreliable or that issuers do not control. In addition, the Commission should consider adopting a “furnished” not “filed” approach that includes enhanced safe harbor provisions. This recommended treatment reflects the experience of the industry that ESG and climate change disclosures are evolving and are at least several years from being sufficiently mature to support the more rigorous liability structure attendant to “filed” information.

Nationally Recognized, Industry-Developed Reporting Standards Should be Eligible Disclosure Processes

To foster relevant data reporting and disclosure practices, the Commission should provide registrants the flexibility to make climate disclosures using either nationally recognized, industry-developed, or internally developed reporting standards. Should the Commission opt to identify an entity to oversee the reporting framework, BCSE recommends an independent body with characteristics similar to the Financial Accounting
Standards Board (FASB) and the Public Company Accounting Oversight Board (PCAOB). These characteristics include a focused mission, an expert board representing the full diversity of stakeholder interests, a rigorous and open process, transparent and impartial funding and sound governance, complemented by Commission oversight before such standards are finalized. We also caution against delegating the development of public-company disclosure requirements to non-governmental organizations (NGOs) or private disclosure companies.

Disclosure Processes Should Be Structured to Adapt Over Time and Allow for Innovation

As the Commission moves forward with rule development, it should establish processes that can adapt over time and that build upon existing frameworks. This is important as the risks of climate change are evolving. Further, processes should be open to and supportive of innovation – in both institutions and policies – on the content, format and process for developing ESG disclosures.

EEI-AGA ESG/Sustainability Reporting Template

As an example of a model process that works for a subset of BCSE members for their reporting purposes is the Edison Electric Institute (EEI) -American Gas Association (AGA) ESG/Sustainability Reporting Template. This first-of-a-kind tool was developed with investors to assist them in evaluating electric and natural gas utility sectors. It seeks to provide consistent, brief, relevant disclosure metrics accompanied by narrative, qualitative discussion. The investor advisory group has included 9 of the 10 largest institutional investors in the United States, representing over $31 trillion of assets under management.

The EEI-AGA ESG/Sustainability Reporting Template process is transparent and inclusive and has evolved over time. It has included participation by policymakers and representatives of proxy advisory firms, rating agencies, ESG rating providers, NGOs, including Ceres, the Sustainability Accounting Standards Board (SASB), and the Task Force on Climate-related Financial Disclosures (TCFD), among other key stakeholders. BCSE encourages the Commission to review the approach and design of the EEI-AGA ESG/Sustainability Reporting Template as it considers rules for ESG and climate change disclosures.

Closing

The Business Council for Sustainable Energy appreciates the opportunity to participate in the Request for Public Input on Environmental, Social and Governance (“ESG”) and climate change disclosures. Please contact [BCSE] for any questions related to this submission.