November 23, 2021

The Honorable Gary Gensler
U.S. Securities and Exchange Commission
100 F St. NE
Washington, DC 20549

VIA E-MAIL

Dear Chair Gensler:

I write on behalf of the Solar Energy Industries Association (SEIA) to express our support for the Commission's forthcoming rulemaking on climate change disclosure. I believe this is a critical moment for investors, who face increasing uncertainty posed by the climate crisis and related ESG considerations. The Commission is uniquely positioned to help address gaps in transparency and standardization of climate change disclosure, and we are prepared to assist the SEC throughout the rulemaking process.

SEIA and its members are committed to helping our nation meet the necessary renewable energy targets set forth by President Biden. The fact is, to modernize the grid and meet our climate goals, solar energy must account for *at least* 20% of U.S. generation by the end of this decade and 40-50% by 2035. That means quadrupling our current pace of installations by 2030. We are in a race against time, yet investors lack a uniform system for evaluating the climate impacts and decarbonization goals of some of the largest greenhouse gas (GHG) emitters. Given the significant role in power sector decarbonization that solar energy will have, we believe that climate change disclosure rules are essential to rapid buildout of the power grid of the future. Moreover, in light of recent high-profile extreme weather events impacting the U.S. power sector, the Commission's rules should focus on systemic threats to grid reliability posed by climate change, without which the rest of the U.S. economy cannot function.

Specifically, SEIA encourages the Commission to consider the following issues in a proposed rule, which will help investors make informed decisions about short- and long-term climate risks and align the U.S. disclosure regime with global standards and practices:

- ***Disclosure of Scope 1 and 2 emissions:*** The Commission should require disclosure of Scope 1 and 2 GHG emissions, and Scope 3 GHG emissions as appropriate, based on the Greenhouse Gas Protocol's framework.[1] Scope 1 and 2 emissions reporting is well-developed and already disclosed by many market participants. Investors increasingly request corporate disclosures on Scope 3 emissions, but collecting information on suppliers' GHG emissions continues to evolve, including for companies in the solar energy sector. In light of significant challenges related to Scope 3 reporting, including lack of consensus on methodologies, double-counting concerns, and data verification regarding value chain emissions, the Commission should first focus on Scope 1 and 2 disclosure.

- ***Utility-focused disclosure:*** As noted above, the investment and long-term generation mix decisions made by investor-owned monopoly utilities have an outsize impact on climate impacts throughout the economy by potentially burdening a captive customer base with more emissions-intensive fuel choices such as fossil gas. Because of the unique market position occupied by investor-owned utilities, the SEC should require utilities to

[1] *See* Greenhouse Gas Protocol, https://ghgprotocol.org/.

report on both their owned and purchased generation. Currently, most utilities only report emissions from the generation they own. However, purchased generation should also be reported to provide a more holistic view of a utility's carbon intensity, which will in turn enhance transparency about the emissions intensity of businesses that have no choice but to purchase power from utilities.

- ***Global Warming Potentials:*** The U.S. Environmental Protection Agency's Greenhouse Gas Inventory utilizes Global Warming Potential factors to compare the intensity of various types of GHG emissions, including carbon dioxide, methane, nitrous oxide and chlorofluorocarbons.[2] A proposed rule should align with the Inventory in terms of the types of emissions reported, their relative impacts on global temperatures over time, and an emphasis on reporting the most significant emissions.

- ***Near-term emissions avoidance:*** GHG emissions today have a greater overall impact on climate change than emissions in the future. This is because many emissions persist in the atmosphere, allowing them to affect the global climate over long time horizons. For example, research from the National Renewable Energy Laboratory demonstrates that 1 $kgCO_2$ emitted today will have a 55% larger impact on temperature change than the same $kgCO_2$ emitted in 2046. Accordingly, the SEC should consider prioritizing disclosure of current emissions and deemphasize disclosure of long-term emissions reduction goals in light of the disproportionate impact that present-day emissions will have on global climate change versus future emissions. This emphasis will also minimize the potential for investors to be misled by ambitious future emissions reduction goals or business plans that may not come to fruition.

- ***A tailored approach to ESG disclosure:*** Climate change is an existential threat that has already had a significant impact on multiple sectors of the U.S. economy and the decisions of individual investors. Its effects are only projected to accelerate even in the face of state and federal policy decisions to help decarbonize the economy. SEIA urges the SEC to focus on climate-related disclosures first and foremost, and with respect to ESG matters, on those matters that directly govern and drive future GHG emissions or avoidance. There is no question that a broad slate of ESG matters warrant Commission attention, but a durable climate-focused regime should be the top priority and help lay the groundwork for future guidance or rulemaking.

We have an important opportunity under your leadership to meet this pivotal moment with bold and courageous action. SEIA stands ready to assist the SEC in its forthcoming rulemaking. Thank you for considering our views.

Sincerely,

Abigail Ross Hopper, Esq.
President & CEO
Solar Energy Industries Association

[22] *See* https://www.epa.gov/ghgemissions/understanding-global-warming-potentials.