Dear Ms. Countryman,

File No. S7-10-22 on The Enhancement and Standardization of Climate-Related Disclosures for Investors

I am writing in support of S7-10-22 on behalf of the Secretariat of the Partnership for Carbon Accounting Financials (PCAF) to provide feedback on the SEC’s Proposed Rule on the Enhancement and Standardization of Climate-Related Disclosures for Investors (Proposed Rule). Our comments represent our technical opinion of the proposed rule and do not necessarily represent the individual views of our signatories.

PCAF is a global industry-led initiative to standardize the measurement and disclosure of greenhouse gas (GHG) emissions from loans and investments, also known as financed emissions. More than 270 financial institutions globally representing over $75 trillion in total financial assets—including 37 in the United States representing over $18 trillion in total financial assets¹—have already joined PCAF. Many of these financial institutions have been in part driven by the objective of enhancing the assessment of risk and opportunity in a carbon-constrained economy and the global push to reach Net Zero by no later than 2050. For financial institutions that are in the process of developing their Net Zero pathway and are now preparing to report their progress to the SEC and other regulators,² PCAF can serve as a critical standard to facilitate compliance in an evolving regulatory landscape. This is especially relevant given that the TCFD’s latest implementing guidance officially recommends using the PCAF Standard to measure financed emissions in its supplemental guidance for the financial sector.³

The PCAF Secretariat is therefore pleased to see reference to the PCAF GHG Accounting and Reporting Standard for the Financial Industry (PCAF Standard) in the preamble to the Proposed Rule. Specifically, the rule preamble acknowledges that for financial institutions, disclosure of material Scope 3 emissions will likely include the institution’s financed emissions. Such disclosure is in fact consistent both with where the industry is already headed and with the global trend of regulators requiring more comprehensive climate disclosures. The rule preamble goes on to additionally note that PCAF complements the Greenhouse Gas Protocol (GHGP) on which the SEC based its GHG disclosure requirements and has been used by financial institutions requiring support in the calculation of financed emissions.

The PCAF Secretariat would urge the SEC, however, to more strongly recommend the PCAF Standard, including in the rule text, recognizing the ways in which it serves the SEC’s goal of promoting consistent, comparable, and reliable climate-related information, while also taking into account the efforts the SEC has made to mitigate the burdens on registrants in complying with the rule.

¹ As of June 2022.
² For example, in the U.K., the Financial Conduct Authority requires financial institutions to perform stress testing and issue climate disclosures.
³ Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures (October 2021)
For example, standardized methodologies and data quality disclosure are both critical to achieving consistent, comparable, and reliable reporting of financed emissions. The PCAF Standard serves these aims in that it has developed standard methodologies across six different asset classes for assessing and disclosing the GHG emissions from their loans and investments. Methodologies for additional asset classes are forthcoming. PCAF also provides in-depth guidance on managing data limitations, including the use of estimated or proxy data where reported data is not available, data quality scoring for increased transparency, and data quality improvements in both the medium- and long-term. Moreover, the official inclusion of the PCAF Standard in the TCFD’s latest implementing guidance plays an important role in the global adoption of the Standard. As TCFD recommendations become more widely adopted globally, the use of the PCAF Standard is likely to become even more widespread. This will further increase comparability between adopters.

In addition, the PCAF Secretariat recommends that the SEC clarify in the final rule that, with respect to the measurement of financed emissions, the PCAF Standard supersedes the GHG Protocol for the measurement and reporting on financed emissions, and that as the PCAF standards expand to cover other activities, reporting firms can then appropriately expand their Scope 3, Category 15 reporting under the PCAF methodology. In November 2020, the GHG Protocol approved the PCAF Standard, which builds upon the GHG Protocol by providing more detailed guidance to the financial sector and making disclosure of Scope 3, Category 15 GHG emissions mandatory, rather than a recommendation. Given that the Proposed Rule is modeled on the GHG Protocol, and that the PCAF Standard is part of the Protocol’s approved guidance for the financial sector, it would be appropriate for the SEC to incorporate the adoption of the PCAF Standard into the final rule text.

The PCAF Secretariat looks forward to continued adoption of the PCAF Standard by governments, standard setters, and financial institutions for the measurement and disclosure of financed emissions.

For questions, please contact info@carbonaccountingfinancials.com.

With kind regards,

Giel Linthorst
Executive Director
Partnership for Carbon Accounting Financials (PCAF)

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