June 28, 2022

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

Re: File Number S7-10-22

Dear Chair Gensler:

As the Securities and Exchange Commission works to update its regulations to improve disclosure of a range of risks, we welcome the proposed rule on climate-related financial disclosures. The rule is squarely within your authority and mission to protect investors; maintain fair, orderly, and efficient markets; and facilitate formation of capital. We urge you to finalize the rule to ensure that investors have timely and accessible information regarding registrants’ climate-related risks that are reasonably likely to have a material impact on a company’s business, operations, or financial condition.

The economic impact of climate change is clear. Last year in the United States alone, climate change-fueled extreme weather caused more than $145 billion in damage. These events, from increasingly severe wildfires to more frequent flooding, affect numerous corporate assets and operations by disrupting essential supply chains, damaging facilities, endangering workers, and undermining the ability of businesses to meet targets. A 2021 report from the Financial Stability Oversight Council identified that climate change is an emerging threat to U.S. financial stability. However, in the same year, fewer than half of registrants reported aligning with frameworks for disclosing risks and impacts of climate change. Such trends show that the system is making unacceptably slow progress towards the intended effect of the Commission’s 2010 interpretive guidance, which instructed firms to disclose material risks from climate change. As the impacts of climate change continue to drive increasingly severe economic disruption and loss, investors are intensifying their demands for information regarding the legal, technological, and market changes from these impacts and the global transition to a net-zero economy.

Investors need climate-related disclosures that are standardized to be comparable, specific, and decision-useful to enable meaningful evaluation of the risks associated with the physical impacts of a changing climate and the ongoing transition to a clean energy economy. Registrants should be required to disclose: 1) information about their corporate governance of climate-related risks and relevant risk management processes; 2) how climate-related risks can affect the registrant’s strategy, business model, and outlook; and 3) the impacts of climate-related events, such as

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severe weather, and transition activities on the registrant’s consolidated financial statements, as well as on the estimates and assumptions used in those statements. In addition, specific climate-related metrics should be required in a registrant’s disclosures. These metrics should include physical risks and risk reduction targets; Scopes 1-3 greenhouse gas emissions and any clean energy and emissions reduction targets; and performance against those targets. Scenario analyses that test the resilience of a company’s strategy in different climate-related futures, such as a 1.5°C warming scenario, also should be considered to enhance financial disclosures.

Without a robust disclosures approach, widespread asset mispricing could lead to market disruptions due to abrupt price corrections. In 2016, Mark Carney, then-Governor of the Bank of England, warned that sharp changes in valuations of energy equities could cause a chain reaction throughout the financial sector. In 2019, Commissioner Rostin Behnam of the Commodity Futures Trading Commission (CFTC), who is now Chairman of the CFTC, compared the financial risks of climate change to the 2008 financial crisis. For these reasons, the CFTC’s Climate-Related Market Risk Subcommittee concluded that climate change “poses a major risk to the stability of the U.S. financial system and to its ability to sustain the American economy.” It is precisely this sort of instability that consistent disclosures can uncover and address, preventing abrupt market disruptions.

It is the Commission’s responsibility to exercise its authority to address the needs of investors and issuers alike by requiring that registrants disclose consistent, comparable climate-related information that may affect financial performance. Climate-related metrics and methodologies are available to support approaches from U.S. regulators and counterparts around the world to ensure disclosure of consistent, comparable, and decision-actionable information about climate risks of companies. The rule will support greater consistency for investors and companies working to navigate regulatory systems in international markets by better aligning U.S. reporting with other countries that already require these types of disclosures.

We applaud the Commission and staff for the thorough approach in seeking input, exploring the full range of options and methods, and designing a rule to respond to growing investor demand for climate-related risk information.

We urge the Commission to finalize the rule as quickly as possible.

Sincerely,

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4 These disclosures should be similar to those that many companies already provide based on broadly accepted disclosure frameworks, such as the Task Force on Climate-Related Financial Disclosures (TCFD) and the Greenhouse Gas Protocol. See, e.g., TCFD, Guidance on Metrics, Targets, and Transition Plans (Oct. 2021).
6 Commodity Futures Trading Commission, Opening Statement of Commissioner Rostin Behnam Before the Market Risk Advisory Committee (June 12, 2019).
Kathy Castor
Kathy Castor
Member of Congress
Chair, Select Committee on the Climate Crisis

Sean Casten
Member of Congress

Jared Huffman
Jared Huffman
Member of Congress

Veronica Escobar
Veronica Escobar
Member of Congress

Mike Levin
Mike Levin
Member of Congress

Lisa Blunt Rochester
Lisa Blunt Rochester
Member of Congress

Paul D. Tonko
Paul D. Tonko
Member of Congress

Suzanne Bonamici
Suzanne Bonamici
Member of Congress

Juan Vargas
Juan Vargas
Member of Congress

Donald S. Beyer Jr.
Donald S. Beyer Jr.
Member of Congress
Donald M. Payne, Jr.
Member of Congress

André Carson
Member of Congress

Jesús G. "Chuy" García
Member of Congress

Adriano Espaillat
Member of Congress

Thomas R. Suozzi
Member of Congress

Eleanor Holmes Norton
Member of Congress

Salud Carbajal
Member of Congress

Mark Pocan
Member of Congress

Alan S. Lowenthal
Member of Congress

Jerrold Nadler
Member of Congress
Jamie Raskin
Member of Congress

Robert C. "Bobby" Scott
Member of Congress

Emanuel Cleaver, II
Member of Congress

Dina Titus
Member of Congress

Jan Schakowsky
Member of Congress

Ted W. Lieu
Member of Congress

Andy Levin
Member of Congress

Haley M. Stevens
Member of Congress

Steve Cohen
Member of Congress

Bobby L. Rush
Member of Congress
John B. Larson  
Member of Congress

Al Lawson  
Member of Congress

Dwight Evans  
Member of Congress

Carolyn B. Maloney  
Member of Congress

David J. Trone  
Member of Congress

Ilhan Omar  
Member of Congress

Ro Khanna  
Member of Congress

Lori Trahan  
Member of Congress

Julia Brownley  
Member of Congress

Bonnie Watson Coleman  
Member of Congress
Raja Krishnamoorthi  
Member of Congress

Yvette D. Clarke  
Member of Congress

Mondaire Jones  
Member of Congress

Joe Neguse  
Member of Congress

Pete Aguilar  
Member of Congress

Tom Malinowski  
Member of Congress

Troy Carter  
Member of Congress

Debbie Dingell  
Member of Congress

Alma S. Adams, Ph.D.  
Member of Congress

Peter A. DeFazio  
Member of Congress
Gerald E. Connolly  
Member of Congress

Betty McCollum  
Member of Congress

Henry C. "Hank" Johnson, Jr.  
Member of Congress

Lois Frankel  
Member of Congress

Marcy Kaptur  
Member of Congress

Lauren Underwood  
Member of Congress

Jamaal Bowman, Ed.D.  
Member of Congress

Charlie Crist  
Member of Congress

Gwen S. Moore  
Member of Congress

Karen Bass  
Member of Congress
Mark Takano  
Member of Congress

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Member of Congress

John Yarmuth  
Member of Congress

James R. Langevin  
Member of Congress

Carolyn Bourdeaux  
Member of Congress

Darren Soto  
Member of Congress

Diana DeGette  
Member of Congress

Deborah K. Ross  
Member of Congress

Ritchie Torres  
Member of Congress

Doris Matsui  
Member of Congress
C. A. Dutch Ruppersberger  
Member of Congress

Lucille Roybal-Allard  
Member of Congress

Bill Foster  
Member of Congress

Brad Sherman  
Member of Congress

Sean Patrick Maloney  
Member of Congress

Shontel M. Brown  
Member of Congress

Jason Crow  
Member of Congress

Mike Doyle  
Member of Congress

Eric Swalwell  
Member of Congress

Judy Chu  
Member of Congress
Katie Porter  
Member of Congress

Grace Meng  
Member of Congress

Sara Jacobs  
Member of Congress

Jimmy Gomez  
Member of Congress

Joe Courtney  
Member of Congress

David N. Cicilline  
Member of Congress

Linda T. Sánchez  
Member of Congress

Bennie G. Thompson  
Member of Congress

Katherine M. Clark  
Member of Congress

Frank Pallone, Jr.  
Member of Congress
Jackie Speier  
Member of Congress

Sheila Cherfilus-McCormick  
Member of Congress

Terri A. Sewell  
Member of Congress