



**Via Electronic Mail
to rule-comments@sec.gov**

**Secretary Vanessa Countryman
U.S. Securities and Exchange Commission
100 F Street, NE Washington, DC 20549**

Re: Public Input on Climate Change Disclosures

Dear Ms. Countryman:

I am pleased to submit comments in response to the Request for Public Input on Climate Change Disclosure on behalf of RMI. We are encouraged by President Biden's [Executive Order](#) on Climate-Related Financial Risk and the [G7 Finance Ministers and Central Bank Governors Communiqué](#). The Securities and Exchange Commission's (SEC) commitment to enhance corporate disclosure on climate risks will be critical to support these important commitments and help mitigate systemic risks associated with climate change.

Background on RMI and Our Disclosure Expertise

RMI is an independent nonprofit founded in 1982 that transforms global energy systems through market-driven solutions to align with a 1.5°C future and secure a clean, prosperous, zero-carbon future for all. We work in the world's most critical geographies and engage businesses, policymakers, communities, and NGOs to identify and scale energy system interventions that will cut greenhouse gas emissions at least 50 percent by 2030.

RMI has worked on climate change disclosure through various workstreams. Last year, we launched the [Center for Climate-Aligned Finance](#) (the Center) to help the financial sector transition the global economy toward a zero-carbon, 1.5°C future. Through deep partnerships in finance, industry, government, and civil society, the Center works to develop decarbonization agreements within high-emitting sectors and support financial institutions in decarbonizing their lending and investing portfolios. By addressing systemic barriers, including a lack of consistent, quality assured, and validated data to inform climate-aligned decision-making, the Center works to enable more financial institutions to make climate alignment commitments and ensure those commitments can be implemented more effectively.

Our [Climate Intelligence](#) team at RMI is focused on supporting timely, high quality, context relevant, trusted data, translating this data into intelligence, and using that intelligence to align decisions with 1.5C pathway. An example of this is the [Climate Action Engine](#), which is an emissions platform that weaves together emissions data with other oil and gas information to provide irrefutable, real time knowledge to respond to the industry's needs to make emissions reduction actionable.

RMI's [Utility Transition Hub \(UTH\)](#), developed earlier this year, is another good example of RMI's work that surfaces the less visible forces that drive future emissions outcomes in the power sector—investments, operations, customer and community impacts, regulations, and policies. The UTH uses historical data sourced from multiple public datasets including emissions, capacity and generation, and book value net of depreciation, all broken down by technology type. Data are converted into metrics that are useful for advocates, regulators, and investors interested in understanding the climate and transition risks and opportunities faced by individual utilities. The UTH can serve as an example for how SEC could make climate change disclosure easy to understand and actionable.



RMI strongly believes effective climate change disclosure is critical for a 1.5°C future, and that a 1.5°C future is critical for mitigating systemic risks to US capital markets. The financial sector has a key role to play in enabling and accelerating this transition, and recent years have seen a rapid increase in “climate alignment” commitments by the largest US financial institutions. However, without sufficiently quality and consistent climate-related disclosures, US investors face a pernicious challenge in understanding the climate performance and risk of their clients and investees.

Our recent report, [Zeroing In: The US Financial Sector Perspective on Net-Zero Lending and Investing](#), is based on a series of workshops RMI held in December 2020 with US banks and institutional investors to understand challenges they face in implementing climate alignment commitments. During these workshops, data and disclosure gaps were repeatedly cited as a key challenge, especially in the US where regulatory precedent suggests legal ramifications for basing decisions on unverified data. To facilitate the caliber of quality assured and verified data that financial institutions require to consider climate-related data in financial decision-making, workshop participants expressed strong support for mandatory climate-related disclosure from the SEC.

RMI recently published a report, [Scaling US Climate Ambitions to Meet the Science and Arithmetic of 1.5°C Warming](#), which emphasized the most important year to reduce carbon pollution is always the current year. With that in mind, we believe urgent action is needed around mandatory climate change disclosure, and we commend the SEC’s actions to evaluate and welcome public input on current rules. It may not be possible to act swiftly and be fully comprehensive right away, but we can build on a new baseline and improve from there.

We hope the SEC seizes this important moment to establish an improved baseline for climate-related disclosures, providing a stronger foundation for informed investment and efficient markets in this era of climate change.

Our Approach to This Submission

RMI reviewed and contributed to both the Ceres and COMET submissions. RMI’s comments herein are additional to Ceres’ more comprehensive comments ([linked in full here for reference](#)) and are based on RMI’s own work and expertise.

Additional Considerations for Elements to Be Included in Climate Change Disclosure Rulemaking

Before answering the specific questions laid out by the SEC, the Ceres letter recommends 10 elements that should be included in climate change disclosure rulemaking and 4 additional elements that should be considered in related rulemaking and processes. RMI has provided additional considerations for select elements.

- **Element 3 – Metrics and Targets:**
 - Include medium- and short-term targets: Longer-term emission reduction targets (e.g., net zero by 2050) do not sufficiently convey to investors how each corporate entity is managing risk in the shorter term. Sound financial assessment requires measuring progress in a way that can be used to quantitatively assess exposure to climate risk or reductions in risk, both in the next 1-5 years and in the next 1-3 decades. RMI’s [Utility Transition Hub](#) is a tool that provides useful metrics for investors interested in assessing power sector and electric utility performance on energy transition, focusing on information that underpins climate risk. The Hub’s Climate Alignment dashboard demonstrates how long-term net-zero targets can significantly differ from each other in total emissions produced between the present and the achievement of the long-term goal, depending upon the ambition of short-term targets.

- Common metrics to assess progress toward targets: The SEC should consider generating a list of acceptable key performance indicators (KPIs) to measure short-term progress toward targets. Verified year-over-year changes in greenhouse gasses (GHG), energy, or other operational metrics could be overly burdensome for reporting companies. However, investors need to assess company progress toward interim targets that align with longer term targets. Progress against KPIs should be disclosed annually. Additionally, the SEC could require companies to disclose how/if Board or executive compensation is tied to achievement or progress toward short-term targets, and if short-term climate-linked incentives were paid out in the reporting year.
 - Net zero targets and offsets: We recommend that the SEC look to the standards developed and released by the Science-Based Targets initiative (SBTi) on net-zero targets and the role of carbon offsets.
 - Guidance for assurance: The SEC should leverage the expertise of other federal agencies such as Department of Energy (DOE), Environmental Protection Agency (EPA), or NGOs such as SBTi to establish clear rules for assurance. If companies can independently acquire third-party verification, the SEC should develop guidance on acceptable assurance standard(s). The SEC should make explicit how government audits will be consistent with independently acquired third-party verification or assurance services.
 - Inclusion of investment or resource plans: Reporting entities that create investment or resource plans for regulators (e.g., rate-regulated utilities in some states are required to submit regular Integrated Resource Plans to their state-level regulator) should disclose this information to the SEC, along with an explanation for how these plans align or deviate from short- and long-term climate targets. RMI's [Utility Transition Hub Climate Alignment dashboard](#) provides a template for assessing alignment between utility Integrated Resource Plans (IRPs) and climate targets.
- **Element 4 – GHG Emissions:**
 - Data collection to support carbon productivity metric: Normalizing direct emissions by unit of economic output allows for measuring the emissions intensity of companies, sectors, and economy-wide carbon productivity relative to historical performance, where carbon productivity is defined as a measure of the economic value created per ton of carbon emitted. Therefore, we recommend that the SEC require annual emissions and industry-relevant economic output value metrics (e.g., \$ sales or units of goods or services) so that the carbon productivity of each reporting entity can be calculated and adjusted over time to measure that entity's performance. The collection of this data by the SEC may facilitate the future establishment of policy tools (e.g., tax credits) that could reward improvements in carbon productivity for the delivery of goods and services of the same or greater value and thereby incentivize low-carbon economic growth. In addition to collecting Scope 1, 2 and 3 emissions in a consistent manner using methodologies aligned with the GHG Protocol, the SEC should ensure that annual industry-appropriate economic value metrics are reported in a consistent manner. To ensure consistency, the SEC should develop a list of allowed economic value metrics and develop clear guidelines and definitions for each sector. The carbon productivity metric is a useful tool for focusing incentives on the emissions an entity can directly control—primarily Scope 1 emissions—or impact through purchase of energy or goods, while avoiding leakage. This provides entities with the flexibility to finance emissions reductions they control, while encouraging continued low-carbon economic growth.
 - Report scope 1 & 2 emissions at useful levels of detail: We recommend that the SEC require Scope 1 and 2 emissions to be broken down by geography and business activity. Transition risks (e.g., those related to carbon pricing) can be variable by country or region. Similarly, if certain business activities or departments are more emissions intensive, providing a breakdown of emissions that indicates any disparities in emissions intensity between activities could spur investors to push for greater diversification towards lower-carbon activities.

- Pair scope 1 & 2 emissions reporting with associated financial data: The SEC should require companies to disclose financial data associated with Scope 1 & 2 emissions, broken down by geography and business activity. This detail is important for investors seeking to compare the emissions intensities or carbon productivities of different parts of a business. For example, in addition to disclosing Scope 1 & 2 emissions by business unit, the company should disclose revenues by those same business unit definitions.
 - Report Scope 3 emissions at useful levels of detail: We recommend that the SEC require relevant Scope 3 emissions categories to be broken out at levels of detail useful for investors. For example, for Category 1 (purchased goods and services), companies should break down emissions by supplier type and/or supplier region or by type of goods/service. For Category 15 (investments), companies should break down emissions by investment type and/or location of investment.
 - Streamline scope 3 emissions reporting for companies: Within a fixed number of years, SEC should require companies to complete a third-party assured or verified screening of all Scope 3 categories to determine categories material to their business. Companies should then be required to annually measure and disclose material categories. Companies that enact a significant change (e.g., major acquisition or divestment or diversification of business activities) should be required to complete a new screening. Guidance for measuring Scope 3 emissions, determining materiality, and reporting should align with the GHG Protocol.
 - Pair scope 3 emissions reporting with associated financial data: Companies should disclose financial data by the same sub-categories of Scope 3 to allow investors to better understand the emissions intensity of different parts of a company's value chain. For example, within Category 1, a company should disclose the spend on a certain type of supplier or good as well as the Scope 3 emissions associated with that type of supplier or good.
 - Provide guidance to ensure comparable reporting: Implementing the principles of Task Force on Climate-related Financial Disclosures (TCFD) and the guidance of the GHG protocol into a regulatory setting will require methodological, sector specific intervention & guidance, coordinated by the SEC, to ensure the delivery of comparable, reliable, and financially material data beyond what current frameworks provide. Reporting companies who currently follow the GHG Protocol or other frameworks are not required to disclose how they came up with their emissions estimates, making disclosures, even that follow the same protocol or framework, completely incomparable.
- **Element 6 – Capex:**
 - Inclusion of metrics relevant to capital turnover: We recommend that the SEC consider requiring disclosure of asset depreciation rates and/or average remaining life for assets that are linked to carbon intensive activities. This data is important for investors to assess stranded asset risks. [RMI's Utility Transition Hub Investments dashboard](#) provides an example for how this data can be used to create metrics that are useful for investors, such as the assets net of depreciation owned by utilities broken down by technology type.
 - Categorize capex metrics by the carbon intensity of assets: The SEC should require companies to include, in any forward-looking estimates or projections of future capital expenditures, the anticipated breakdown of those expenditures into categories reflecting the level of their use linked to carbon intensive activities. The SEC should also consider whether companies should disclose rates of return on low carbon versus carbon intensive investments, if such a distinction is possible given different asset financing structures.

- **Element 7 – Scenario Analysis:**
 - Clearly define scenario analysis scope: A scenario analysis that includes a scenario in which the world achieves net-zero by 2050 is different than one that includes a scenario focused on the U.S., a specific sector, or an individual company achieving net-zero by 2050. The SEC’s guidance on a net-zero scenario analysis should align with existing and agreed upon definitions and frameworks for net-zero scenarios.
 - Clearly define “net zero”: the SEC should identify with as much specificity as possible what parameters included in a scenario would be considered to meet the criteria for “net-zero” and ensure these scenarios can be understood by investors. The following are essential: transparency into parameters, clarity into assumptions made in each scenario, and usability of information by investors.
 - Consider defining scenarios to be used in scenario analysis: If the definition of net-zero is global, the SEC may consider identifying international organization- or intergovernmental body-developed scenarios that meet their criteria and can be applied consistently and understood by the domestic and international investment communities (e.g., IEA NZE). If the disclosure of specific scenarios is too burdensome or restrictive, the SEC should provide guidance on what resources companies should use for sourcing or developing net-zero scenarios.
- **Element 8 – Industry Metrics & Guidance**
 - Consider Mission Possible Partnership metrics: Metrics under development by the [Mission Possible Partnership](#) (MPP) for steel, aluminum, cement & concrete, chemicals, aviation, shipping and trucking, could be used as guidance for any amendments to SEC’s existing industry-focused disclosure requirements, as well as for financial disclosures of asset owners in those specific industries.¹ The metrics will stem from decarbonization scenarios that will give a sense of the magnitude of investment needed. The steel roadmap will be ready in 2021. Additional sectors will be available in 2022.
- **Element 9 – Climate-related environmental risks**
 - Define requirements and methodology for disclosure on physical risk: Due to the challenging nature of understanding physical risk, we recommend that the SEC develops a general guidance on methodology, beginning with identifying and documenting a company’s asset base, understanding the engineering thresholds of different asset classes related to different environmental hazards, and disclosing built-in redundancies within networks or operations. The SEC should define categories of financial impact associated with environmental risks (e.g., increased costs due to physical damage to assets from acute weather events, increased costs from additional maintenance expenditures due to chronic physical changes, lost revenues due to delays or shutdowns in operations, etc.). These categories could be sector-specific and developed with industry groups. The SEC could work with industry groups – including [Mission Possible Partnership](#) – to develop a high-level checklist or ranking scale of common environmental or climate-related risks associated with industry operations, assets, infrastructure, and other relevant categories.
 - Ensure consistent and comparable reporting: The SEC should ensure consistent and comparable reporting on climate-related water issues by requiring use of a common assessment tool, for example [WRI’s Aqueduct tool](#).

¹ MPP core partners are the Energy Transitions Commission, RMI, We Mean Business Coalition, and World Economic Forum. Strategic and supporting partners include the BSR, the Center for Climate Aligned Finance, Ceres, The Climate Group, the Global Cement and Concrete Association, the Global Maritime Forum, the International Energy Agency, the Marrakech Partnership for Global Climate Action, Race to Zero, SYSTEMIQ, UNEP Finance Initiative, and the World Business Council for Sustainable Development. To learn more about the Mission Possible Partnership, please visit <https://missionpossiblepartnership.org/>.

- **Element 11 – Climate-related social risks**
 - Require disclosure on business relationships with state or local jurisdictions: We recommend that the SEC request disclosure on specific metrics that point to the role different business activities may play in their state or local jurisdictions, such as employment by business activity (e.g., low-carbon vs. carbon-intensive activities) as well as taxes or other payments. Understanding the ways in which a company's activities may be entrenched in their local community or geography may help identify potential barriers to diversification of business activities and other potential social and economic risks associated with a low-carbon transition.
- **Element 13 – Inter-agency collaboration on climate**
 - Harmonize federal regulatory disclosures between agencies: In addition to identifying what information should be collected and to which regulator it should be disclosed, inter-agency collaboration should ensure that information disclosed to multiple agencies is reported in a standardized format so that users can connect different datasets and be confident that the reporting standards are the same across agencies. For example, electric utilities report information to the Federal Energy Regulatory Commission (FERC), Energy Information Administration (EIA), and EPA that is material to investors seeking to understand climate risk. However, linking these federal datasets is a challenging analytical task. For example, the numeric codes used to identify reporting entities are different between reporting frameworks, reporting entities provide different levels of detail about asset ownership (e.g., at the operating company or parent company level), asset level information is characterized in different ways (e.g., at the plant versus the unit level), and both company and asset names can differ between reporting frameworks and within reporting frameworks (e.g., from year to year). RMI's [Utility Transition Hub](#) provides an example for how utility disclosures to FERC, EIA, and EPA can, when integrated, be used to create metrics that provide useful information for investors on climate risk and transition risk (e.g., assets on utility books net by technology type). Asset level information is often incomplete in existing reporting across agencies. SEC should push for improved collaboration and coordination so data users can more easily make use of complimentary disclosures.
 - Coordinate with federal partners to develop verification standards: We recommend that the SEC leverage the climate-specific expertise of other agencies (e.g., DOE, EPA, etc.) in developing and consistently applying verification or assurance standards. Additionally, the SEC should develop an explicit set of rules for how companies can acquire third party assurance or verification in a way that is consistent with government assurance/verification/auditing.

Additional Considerations for Answers to the Commissioner's Enumerated Questions

In Appendix A of the Ceres response, Ceres answered all 15 question sets outlined in [SEC's public input request on climate change disclosure](#). RMI's has provided additional guidance and examples for select question sets.

- **Question set 2: Should disclosures be tiered or scaled based on the size and/or type of registrant? If so, how? Should disclosures be phased in over time?**
 - Disclosures from small companies provide information for emissions accounting across supply chains: Large, consumer-facing corporates require information from other companies along their supply chains to accurately assess and disclose their own upstream Scope 3 emissions. While smaller companies, such as niche manufacturers, often have fewer reporting resources than large or vertically integrated companies, a lack of disclosures from companies of any size can 'break' the chain of custody for information moving through complex industrial supply chains, challenging the ability for larger corporates to disclose

themselves. For example, ready mix concrete manufacturers are often smaller companies operating on a localized scale. However, cement production is an emissions-intensive process that contributes to a downstream construction company's Scope 3 emissions as embodied carbon in their building stock. As another example, original equipment manufacturers (OEMs) manufacture steel parts for large automakers, but often lack the visibility, resources, or imperative to retain GHG information on their steel inventory. Without adequate information from their direct suppliers, and because the supply chain is increasingly opaque further upstream from direct suppliers, large automakers are often forced to use industry averages in place of actual emissions. Thus, while a tiered or scaled approach merits consideration from the perspectives of i) ensuring reporting is feasible and ii) not overly burdening smaller companies with fewer resources, disclosures from smaller companies is often key for enabling larger companies to satisfy their own disclosure requirements. The SEC should prioritize an approach that balances these factors.

- **Question set 2: What are registrants doing internally to evaluate or project climate scenarios, and what information from or about such internal evaluations should be disclosed to investors to inform investment and voting decisions?**
 - Sectoral decarbonization roadmaps through the Mission Possible Partnership: The Mission Possible Partnership (MPP), an alliance of climate leaders focused on supercharging efforts to decarbonize some of the world's highest emitting industries, is currently developing decarbonization roadmaps for seven heavy industry and transport sectors: steel, aluminum, cement & concrete, chemicals, trucking, shipping, and aviation. These roadmaps can be used for industry-wide alignment as standardized scenarios for the decarbonization of portfolios and allow for more consistent monitoring and comparison across firms. In addition, MPP is identifying relevant metrics in its sectors of operation that can underpin and inform disclosure efforts.
- **Question set 3: What are the advantages and disadvantages of permitting investors, registrants, and other industry participants to develop disclosure standards mutually agreed by them?**
 - Lenders and investors strongly support market-informed standards: RMI's Center for Climate-Aligned Finance hosted a series of workshops in December 2020 with US investors and lenders. While participants were widely in support of mandatory climate-related disclosures against a common standard, they also stressed that such a standard must be informed by the market to ensure it prioritizes decision-useful information.
 - Industry is an important stakeholder to include in developing disclosure standards: While adopting industry-led standards outright may not be appropriate, industry is a key stakeholder whose expertise the SEC should leverage to ensure swift and reliable uptake of mandatory disclosure standards. Industry stakeholders can contribute technical expertise and first-hand perspectives on industrial processes, supply-chain reporting, and carbon accounting, all of which will be important in developing robust disclosure standards. Because climate-related materiality is highly sector-specific, industry expertise will be especially valuable to ensure disclosure standards appropriately capture financially material metrics and data as they vary across sectors. For instance, the steel & aluminum sectors provide strong examples of collaboration between industry, finance, and policy stakeholders to develop sector-specific reporting structures, as is evidenced by regular revision and public consultation of reporting standards by ResponsibleSteel² and the Aluminum Stewardship Initiative³, respectively.

² For the history & current practice of public consultation for ResponsibleSteel, see: <https://www.responsiblesteel.org/standard-development/>

³ For the history & current practice of public consultation for the Aluminum Stewardship Initiative, see: <https://aluminium-stewardship.org/asi-standards-revision/>

- **Question set 4: What are the advantages and disadvantages of establishing different climate change reporting standards for different industries, such as the financial sector, oil and gas, transportation, etc.? How should any such industry-focused standards be developed and implemented?**
 - o Mission Possible Partnership sector-specific metrics: Other metrics, for instance, those under development by the Mission Possible Partnership (MPP) for steel, aluminum, cement & concrete, chemicals, aviation, shipping, and trucking, could be used once developed as guidance for financial disclosures of asset owners in those specific industries.
 - o **Question set 6: Should the Commission itself carry out these tasks, or should it adopt or identify criteria for identifying other organization(s) to do so? If the latter, what organization(s) should be responsible for doing so, and what role should the Commission play in governance or funding?**
 - o Non-financial, industrial stakeholders should be included in developing sector-specific guidance: The SEC should further include sector-specific frameworks & stakeholder groups as key collaborators in developing and updating of disclosure requirements, including but not limited to:
 - The Mission Possible Partnership (MPP)
 - International Council on Mining & Metals (ICMM)
 - Sustainability Accounting Standards Board (SASB)
 - International Standards Organization (ISO)
 - Worldsteel Association
 - ResponsibleSteel
 - CopperMark
 - Aluminum Stewardship Initiative (ASI)
 - Global Concrete & Cement Association (GCCA)
 - London Metals Exchange (LME)
- **Question set 8: For example, what are the advantages and disadvantages of requiring disclosure concerning the connection between executive or employee compensation and climate change risks and impacts?**
 - o Connect executive or employee compensation to climate change risks and impacts: The Center for Climate-Aligned Finance's 2021 report, [*Zeroing In: The US Financial Sector Perspective on Net-Zero Lending and Investing*](#), emphasizes the value of aligning executive compensation with progress against a climate strategy. The report is based on a series of workshops with US lenders and investors, during which participants identified executive compensation as a key leverage point for garnering executive leadership buy-in, and therefore a key indicator as to whether the enabling environment exists for an institution to make meaningful progress against a climate commitment or strategy.



Conclusion

We commend the SEC's comprehensive feedback request to improve climate change disclosure. We believe that implementing the recommendations we propose will pay off with dramatically improved disclosure and financial reporting that aligns with the SEC's "mission of protecting investors, maintaining fair, orderly, and efficient markets, and facilitating capital formation." More accurate, comprehensive, and standardized climate reporting is essential to supporting low-carbon economic growth and managing climate risk in an efficient and equitable manner. Tools from RMI projects, such as Mission Possible Partnership, Center for Climate Aligned Finance, Climate Intelligence, and The Utility Transition Hub, have been designed with these goals in mind. We stand ready to provide additional background and resources to support the SEC as you reevaluate current disclosures rules.

If there are questions on the points highlighted here, or if you would like further information, please let me know. In addition, you can reach out to Whitney Mann at [REDACTED], Charles Cannon at [REDACTED], and Uday Varadarajan at [REDACTED].

Thank you very much for your consideration and extensive investments in these issues. Your work and attention are deeply valued.

Sincerely,

Jules Kortenhorst
Chief Executive Officer
RMI

Brian O'Hanlon
Sarah Ladislaw
John Coequyt
Uday Varadarajan
Whitney Mann
Jessamine Fitzpatrick
Charles Cannon
Sam Mardell
India Emerick
Alisa Petersen
Russell Mendel

cc: Chair Gary Gensler
Commissioner Hester M. Peirce
Commissioner Elad L. Roisman
Commissioner Allison Herren Lee
Commissioner Caroline A. Crenshaw