January 18, 2023

Via www.Regulations.gov

Lorraine Reddick
Office of Air Policy and Program Support
Office of Air and Radiation
U.S. Environmental Protection Agency
1200 Pennsylvania Avenue, N.W.
Washington, DC 20004

RE: Docket ID No. EPA-HQ-OAR-2022-0878

Dear Ms. Reddick:

Ceres greatly appreciates the opportunity to provide comments in response to the Environmental Protection Agency's November 4, 2022, Request for Information on Greenhouse Gas (GHG) Corporate Reporting. At a time of widespread and rapidly-increasing demand for reliable, complete, comparable and easily-accessible information about corporate performance on GHG emissions reductions, EPA action on this matter could not be more timely. We have organized our input using the four-question format provided by the EPA, which closely tracks the approach to strengthening corporate reporting taken by Congress in Section 60111 of the Inflation Reduction Act.[1]

Ceres is a nonprofit organization working with the most influential capital market leaders to solve the world's greatest sustainability challenges. Our Investor Network, which includes Blackrock, State Street Global Advisors, and Franklin Templeton and other investors with a combined total of $60 trillion in assets under management, focuses on ramping up sustainable investments in clean energy, clean technology innovation, and global food and water systems. Our Company Network, with an array of large companies including Ford, Amazon, Apple and Coca-Cola, drives business leaders to action to stabilize the climate, protect water and natural resources, and build a just and

[1] Section 60111 of the Inflation Reduction Act authorizes $5 million to the EPA "to enhance standardization and transparency of corporate climate action commitments and plans to reduce greenhouse gas emissions, enhance transparency regarding progress toward meeting such commitments and implementing such plans, and make progress toward meeting such commitments and implementing such plans."

inclusive economy. Our Policy Network, with members including Microsoft, Mars, Siemens and General Mills, plays a critical role in passing some of the most ambitious climate laws in the country.

The Ceres Accelerator for Sustainable Capital Markets is a center within Ceres that aims to transform the practices and policies that govern capital markets in order to reduce the worst financial impacts of the climate crisis. It spurs action on climate change as a systemic financial risk—driving the large-scale behavior and systems change needed to achieve a net zero emissions economy. Through Ambition 2030 and other key programs, Ceres works to reduce emissions from six of the largest sectors in the economy – steel, utilities, oil and gas, transportation, banking, and food and agriculture.

Question 1: What are the areas where EPA could provide the most value to corporate target setting and tracking?

Through its Center for Corporate Leadership, EPA has long provided great value to companies seeking guidance on setting emissions reductions targets and tracking performance on emissions reductions. With its new mandate and funding under IRA section 60111, EPA now has an historic opportunity to update the Center's strategic vision and approach to reflect dramatic recent increases in target setting and tracking. This expansion of corporate attention to target setting and tracking is in direct response to demands by governments, investors, large corporate customers, employees and everyday consumers. As global GHG emissions continue to increase and threats to our economy, environment and quality of life intensify, demands on companies to set science-based emissions reductions targets, and demonstrate meaningful progress toward those targets, will inevitably increase. The EPA must play a leadership role in helping facilitate improved corporate performance in this area.

The EPA could provide the greatest value to companies engaging in target setting and tracking, and those evaluating the results, by enhancing standardization, reliability and transparency of these efforts. By enhancing these features of corporate climate reporting, the EPA will help companies reduce expenses toward data collection, analysis and reporting and help them, their partners and stakeholders speed progress on emissions reduction. These core objectives will be achieved if the Center updates its vision and approach as follows:

1. Significantly expand assistance to companies and users of corporate climate information;

2. Regularly evaluate the federal role in standard-setting and oversight of adherence to standards, and
3. Regularly provide recommendations to the EPA Administrator and Chair of the Council on Environmental Quality on ways that federal programs can leverage and strengthen efforts both inside and outside the federal government.

With ever-growing demands for corporate target setting and tracking, the EPA must recognize the urgency of its mandate under the Inflation Reduction Act and immediately begin prioritizing actions to implement this mandate. We suggest the EPA take the following steps to identify which actions would best implement the Inflation Reduction Act and the objectives of standardization, reliability and transparency:

1. Inventory all government and private programs that mandate, encourage or facilitate corporate reporting on target setting and tracking.
2. Identify the federal government's current role in each of these corporate climate reporting programs and make recommendations on potential future roles.
3. Identify the successes and challenges with each of these programs.
4. Prioritize needs for strengthening these programs, based on the degree to which strengthening measures would help the US meet its Paris Agreement commitments, reduce climate-related financial risk and expand related economic opportunities. Focused attention should be given to the most widely-adopted standards for target setting and tracking, such as the Task Force for Climate-Related Financial Disclosures, the Greenhouse Gas Protocol, the Science-Based Targets Initiative, the International Sustainability Standards Board, and the International Auditing and Assurance Standards Board.[2] The EPA should consider the benefits, feasibility and cost of strengthening these standards in setting its priorities.
5. Recommend next steps for addressing these priority needs and identify innovative opportunities to "stretch" the funding through, for example, intergovernmental and public-private partnerships.

Question 2:: What, if any, enhanced standardization around setting corporate climate commitments would be of value?

[2] The EPA should carry out a broad scan of federal programs in assessing the government's reliance on these standards. For example, the recently-announced CEQ guidance on environmental permitting uses a social cost of carbon metric for evaluating proposed federal projects under NEPA, but companies will be required to calculate and disclose GHG emissions (presumably using the Greenhouse Gas Protocol) in their environment assessments to facilitate use of this metric.

Achieving enhanced standardization of corporate climate commitments would provide value in a number of ways.

First, just as virtually every nation state has committed to emissions reductions in alignment with the Paris Agreement, so too must major corporations. Net Zero Tracker has analyzed the emissions reduction targets of the world's 2,000 largest publicly-traded companies and, using its own criteria, found that corporate commitments vary widely in terms of quality. Trove Research has analyzed the emissions reductions commitments of 6,500 businesses and found that, in combination, they rely on forest projects requiring far more than land that could conceivably be made available for new forest growth. By enhancing standardization of corporate climate commitments, the EPA would help build consensus on actions needed to meet minimum standards for Paris alignment and to increase accountability for achieving those standards.

Second, by enhancing standardization of corporate climate commitments (and thus accountability for high-quality commitments), EPA would strengthen U.S. efforts to meet its own Nationally Determination Contribution under the Paris Agreement and reduce the climate-related financial risk facing the U.S. economy.

Finally, the EPA's work on standardization would shine a spotlight on leading private standard setters for emissions reduction targets, driving increased participation in those critically important initiatives.

Question 3: How can EPA help transparently track progress towards companies' stated climate commitments?

Progress toward companies' stated climate commitments is currently disclosed, if all, in a wide variety of locations and formats, a key reason why investors and other stakeholders have advocated for standardized climate risk disclosures by public companies to the SEC and other financial regulators. Moreover, as numerous analyses of corporate greenwashing have demonstrated, disclosures about progress on emissions reductions are often unreliable. In a November 2022 report, the UN High-Level Expert Group on the Net-Zero Emissions Commitments of Non-State Entities stated that "[I]f greenwash premised upon low-quality net zero pledges is not addressed, it will undermine the efforts of genuine leaders, creating both confusion, cynicism and a failure to deliver urgent climate action. Which is why, ultimately, regulations will be required to establish a level playing field and ensure that ambition is always matched by action."

By enhancing transparency on companies' progress toward their stated climate commitments, the EPA would help policy makers, investors, customers and other users of corporate climate information to make informed assessments, thus supporting the efforts of genuine corporate leaders on climate change.

Question 4: How can EPA help support companies in meeting their commitments and implementing their plans?

As noted in our response to Question 1, the EPA can help companies meet their emissions reduction commitments by taking action to enhance <u>standardization</u>, <u>reliability</u> and <u>transparency</u> in target setting and tracking. This can be achieved by, among other things, expanding the mission and focus of the EPA's Center for Corporate Leadership to include strengthening the overall federal role in establishing and implementing standards and incentivizing companies to set targets and drive progress toward targets. The Center's new focus also should include training for companies to support their pursuit of climate disclosure opportunities.

We look forward to continuing to assist the EPA in fulfilling its responsibilities under the Section 60111 of the Inflation Reduction Act.

Sincerely,

Laura Draucker, Director, Corporate Climate Emissions
John Kostyack, Ceres Consultant