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"Reducing Climate Risks in Federal Supply Chains While Revitalizing the Economy"

Testimony of Steven M. Rothstein

Managing Director, Ceres Accelerator for Sustainable Capital Markets

Before the House Committee on Science, Space and Technology, Subcommittee on Investigations and Oversight

Wednesday, September 20, 2023

Thank you Chair Obernolte, Ranking Member Foushee and members of the Subcommittee for the invitation to testify today. My name is Steven M. Rothstein. I serve as the Managing Director of the Ceres Accelerator for Sustainable Capital Markets. Ceres is a nonprofit organization working with investors and companies to transform the economy to build a just and sustainable future through equitable market-based and policy solutions.

Today I will highlight five key points about the Federal Supplier Climate Risks and Resilience Proposed Rule.

1. **The rule will strengthen the ability of agencies to deliver on their missions while reducing burdens on taxpayers.**

This proposal makes the United States stronger. The federal government spends over $630 billion a year on procurement ranging from food, steel to cement. The proposal would allow the federal government to finally begin following the common business practice of measuring and managing climate risk associated with major expenditures.

In a January 2023 Deloitte survey of 2,000 C-level executives, 97 percent of respondents stated that they expect climate change to impact company operations in the next three years. In PwC's January 2023 Annual Global CEO Survey, 76 percent of CEOs surveyed said they anticipate that climate risk would impact their supply chains in the next year.

The federal government should be no less attentive to these challenges than large corporate customers.

2. **By focusing on federal supply chains, the rule addresses a major source of climate risk.**

In the past year, our country has experienced one brutal climate-related disaster after another from Hawaii, California, Texas, Florida, Vermont and beyond. According to NOAA, this is part of a dangerous trend. On average there was a billion-dollar weather and climate disaster every four months in our country in the 1980s. By the 2010s, there was one every three weeks. This year, the United States has experienced one every two weeks.

These ever-increasing disasters are costing state and federal taxpayers hundreds of billions of dollars for rebuilding and resiliency measures. Driving down these costs will require cutting the greenhouse emissions that are the cause of the new climate and weather extremes.

The government's supply chains represent the large majority of emissions from government operations. Fortunately, emissions reductions from just a small number of large contractors can accomplish a lot. According to the FAR Council, the proposed rule, applying to a mere 1.3% of federal suppliers, would cover 86 percent of the government's supply chain emissions.

Concerned about the growing financial, environmental and national security risks of climate change, governments around the world committing to reduce emissions in their supply chains. Last November, 18 countries joined with the U.S. in launching a Net-Zero Government Initiative, pledging to achieve net-zero emissions from government operations. In February 2023, Canada's Treasury Board promulgated a rule called the Standard on the Disclosure of Greenhouse Gas Emissions and the Setting of Reduction Targets that is similiar to the US proposal.

3. **Climate risk disclosure is now mainstream among major companies, including large federal contractors**

A growing number of major companies around the world are recognizing the benefits of disclosing their climate risk assessments and mitigation strategies. For example, 71 percent of Fortune 500 companies are already disclosing their greenhouse gas emissions. Major federal contractors like General Dynamics, Honeywell, IBM and Johnson Controls are already disclosing their emissions reductions targets.

These and other climate risk disclosures are driven in significant part by the expectations of their investors. Over 95% of the investors that submitted comments to the Securities & Exchange Commission are urging climate disclosure to reduce financial risk.

4. **The proposed rule has received broad support, including from the private sector**

Ceres Headquarters: 99 Chauncy Street, Boston, MA 02111 ceres.org
California Office: 369 Pine Street, Suite 620, San Francisco, CA 94104

In March 2023, we filed with the FAR Council an analysis of public comments showing that the core elements of the proposed rule enjoy broad support, with nearly 19,000 individual supporters and 68 organizational supporters, including private sector leaders such as **The Council of Defense and Space Industries Association**, **BP America**, **Baker Hughes**, **Global Electronics Council**, **Energy Workforce and Technology Council** and **National Contract Management Association** and nonprofit leaders such as **Taxpayers for Common Sense** and **Sustainable Purchasing Leadership Council**.

5. **The proposed rule properly leverages standards that were developed by the private sector and are based on science, although changes are recommended**

Among the steps that the proposed rule takes to minimize burdens on the contracting community is to leverage the private sector standards that contractors are already using. Leveraging private standards is what Congress sought when it enacted the National Technology Transfer and Advancement Act in 1996.

To clarify the rule and add flexibility, Ceres recommends that the FAR Council set a minimum federal standard for science-based targets and allow major contractors to achieve the standard with the help of SBTi or any other organization with a widely market-accepted, science-based methodology. We also recommend providing this strategy to enlist third parties to validate their targets.

This approach adheres to what we recommend as a guiding principle: leveraging the important work that private sector leaders have already undertaken in partnership with civil society, and adhering to the best science.

Thank you again for this opportunity. I welcome your questions.

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