Advocacy’s Comments on SEC’s Proposed Climate-Related Disclosures

On April 11, 2022, the U.S. Securities and Exchange Commission (SEC) published proposed rules that would require public companies to provide detailed disclosure about climate-related risks and climate-related financial metrics in their registration statements and annual reports, including greenhouse gas (GHG) emissions. On June 17, 2022, the Office of Advocacy (Advocacy) filed a comment letter encouraging the SEC to publish a Supplemental Initial Regulatory Flexibility Analysis (IRFA) and to reconsider the breadth of its Scope 3 GHG disclosure rules.

Advocacy made the following suggestions to the SEC on the climate-related disclosures:

- SEC should revise its IRFA to provide information that would better identify and describe the distribution of regulated small entities. SEC should include North American Industry Classification System classifications for the affected entities and provide a breakdown of those entities into smaller size groups.

- SEC should use the detailed information described above to analyze the relative impact of the costs of the proposed rules to small entities based on their size and industry characteristics. This would help SEC understand the cost burden faced by the smallest regulated entities.

- SEC should include a description of significant alternatives to the proposed rules which accomplish its objectives for the rulemaking. SEC should provide a detailed analysis of each potential alternative and discuss how that alternative may reduce the economic burden on small entities.

- SEC should reconsider the breadth of the Scope 3 emissions requirements. SEC should clarify the proposed rules to ensure that public reporting companies do not request GHG emissions data directly from small private entities.

In addition to these recommendations, Advocacy encouraged the SEC to consider the cumulative impacts that its rules may have on small businesses.

A complete copy of Advocacy’s letter to SEC is available. For more information, please contact Meagan Singer, Assistant Chief Counsel at meagan.singer@sba.gov or (202) 921-4843.