New US rule requires publicly-listed firms to disclose emissions

March 21 2022

US securities regulators approved a proposed rule to require publicly-traded companies to report greenhouse gas emissions.

Publicly-traded US companies would be required to disclose their greenhouse gas emissions and their approach to managing climate
change risks under a proposed rule approved by Washington Monday.

The measure, which now goes for public comment following a vote by the Securities and Exchange Commission (SEC), follows similar steps by regulators in Japan and Europe, and aims to standardize emissions reporting.

"Climate risks can pose significant financial risks to companies," said SEC Chair Gary Gensler, an appointee of President Joe Biden.

Gensler argued the measure would provide "reliable information about climate risks to make informed investment decisions."

Companies would be required to report emissions from their own activities, known as Scope 1, and indirect emissions from purchased energy, known as Scope 2.

Firms would also need to disclose Scope 3 emissions, which are indirectly incurred in the value chain. These include energy sold to another company if these emissions are consequential to its finances or if they have set targets for these emissions.

The rules would take effect between 2024 and 2026. Smaller firms would be exempt from the measure.

"This is a watershed moment," said Allison Herren Lee, a Democratic commissioner who backed the change.

But Hester Peirce, the lone Republican member of the SEC and the only one of four commissioners to vote against the proposal, argued current rules sufficiently account for climate risk and that the measure distorts the regulatory agency's mission.
"It forces investors to view companies through the eyes of a vocal set of stakeholders, for whom a company's climate reputation is of equal or greater importance than a company's financial performance," Peirce said.

The rule comes as environmentalist shareholder groups and increasing numbers of mainstream investors press companies for action on climate change.

The SEC proposal has also been slammed by leading Republican lawmakers as an overreach at a time when Biden's attempted to curb climate change via legislation are stalled in Congress.

© 2022 AFP


This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.