

United States Senate  
WASHINGTON, DC 20510

March 15, 2022

The Honorable Gary Gensler  
Chair  
Securities and Exchange Commission  
100 F Street NE  
Washington, DC 20549

Dear Chair Gensler:

We write to you concerning the Security and Exchange Commission's forthcoming rule on climate change disclosures. We believe that any such rule must require disclosures about corporate lobbying and other influencing activities as they relate to climate change. Individual issuers often make conspicuous public statements about their support for climate action, committing to lofty emissions targets and other climate-related goals. Meanwhile, many of these same companies actively contribute to anti-climate lobbying efforts through their membership in trade associations. Some even work proactively to undermine climate action in Congress. These efforts have been some of the most damaging impediments to federal climate action in recent years. To the extent the Commission ascribes any legitimacy to issuers' public commitments to investors on climate, these anti-climate lobbying activities are undoubtedly material. In addition to anti-climate lobbying, a lack of engagement on the issue is also material in that it may belie a company's public statements on the issue, and may also contribute to the climate-related physical and transition risks a company faces.

As U.S. Senators, we have a front row seat to what companies do and don't do in Congress to address climate change. An increasing number of companies tout their climate and other environmental commitments to both investors and the general public. These public statements are at odds with their lack of engagement in Congress on climate and their membership in and financial support of a number of anti-climate trade associations and other dark money groups. While there is an orgy of anti-climate lobbying from fossil fuel interests in Congress, there is almost no pro-climate corporate lobbying in Congress—not from companies themselves and not from their trade associations.

The disconnect between what companies say on climate and what they do (or don't do) in Congress presents a serious reputational risk to these companies, particularly in an era of increased consumer activism and attention to companies' sustainability records. Corporate lobbying on climate is of keen interest to investors.<sup>1</sup> Indeed, investors representing trillions in

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<sup>1</sup> See, e.g., September 11, 2019 investor letter, available at <https://www.ceres.org/sites/default/files/Final%20Generic%20SIGN-ON%20PACKET%20Investor%20Expectations%20on%20Climate%20Lobbying%20sign-on%20packet%20September%202019.pdf>

assets under management have written to dozens of companies urging them to disclose their lobbying practices.<sup>2</sup>

Corporate lobbying and other influencing activities are also directly related to companies' exposure to climate-related physical and transition risks. As the massive amount of corporate lobbying around the recent reconciliation bill underscores,<sup>3</sup> corporations and other deep-pocketed entities unfortunately retain enormous influence over congressional legislation. As long as fossil fuel companies continue to lobby intensely against climate action, and the rest of corporate America sits on its hands, further delays in passing comprehensive climate legislation are likely. Such delays will make it increasingly hard to limit warming to 1.5 degrees Celsius, beyond which point scientists tell us that the harms of climate change become significantly more severe.<sup>4</sup> These delays will result in more intense tropical cyclones, more frequent heatwaves, floods, and droughts, more intense wildfires, and higher sea levels, among other dangers. We have already seen how these dangers can have major financial consequences for corporations.<sup>5</sup> Corporate lobbying against climate action or lack of engagement in favor of climate action are therefore directly relevant to the costs companies may bear as a result of the increased physical risks of climate change.

Transition risks are also exacerbated by delays caused by anti-climate lobbying and the dearth of pro-climate corporate engagement. Mark Carney, then-Governor of the Bank of England, wrote that “[r]isks to financial stability will be minimized if the transition begins early and follows a predictable path.”<sup>6</sup> Economic experts note that “economic damage from a potential [carbon] bubble burst could be avoided by decarbonizing early,”<sup>7</sup> and “[t]he extent to which financial exposures will translate into shocks depends on the ability of market participants to anticipate climate policy measures. If climate policies are implemented early on and in a stable and credible framework, market participants are able to smoothly anticipate the effects.”<sup>8</sup> Finally, Nobel

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<sup>2</sup> See, September 30, 2020 investor letter, available at <https://www.ceres.org/sites/default/files/2020%20Final%20Corporate%20Lobbying%20Letter.pdf>

<sup>3</sup> See, e.g., Tony Romm, “Corporate America launches massive lobbying blitz to kill key parts of Democrats’ \$3.5 trillion economic plan,” *The Washington Post* (August 31, 2021), <https://www.washingtonpost.com/us-policy/2021/08/31/business-lobbying-democrats-reconciliation/>

<sup>4</sup> Global Warming of 1.5°C, Intergovernmental Panel on Climate Change, <https://www.ipcc.ch/sr15/>

<sup>5</sup> Pacific Gas & Electric has been labeled the “first climate change bankruptcy” due to its role in triggering wildfires whose intensity was enhanced by climate change. Steven Mufson, “Inside a California utility: Mandatory blackouts amid wildfire threats and bankruptcy,” *The Washington Post* (Dec. 21, 2019), [https://www.washingtonpost.com/climate-environment/inside-pgandes-choices-blackouts-and-the-threat-of-wildfires/2019/12/21/868d58e8-107c-11ea-9cd7-a1becbc82f5e\\_story.html](https://www.washingtonpost.com/climate-environment/inside-pgandes-choices-blackouts-and-the-threat-of-wildfires/2019/12/21/868d58e8-107c-11ea-9cd7-a1becbc82f5e_story.html). Hurricane Maria, a storm which underwent the sort of rapid intensification that a warmer earth makes more likely, severely interrupted Puerto Rico’s pharmaceutical manufacturing hub. Nathan Bomey, “Hurricane Maria halts crucial drug manufacturing in Puerto Rico, may spur shortages,” *USA Today* (Sept. 22, 2017), <https://www.usatoday.com/story/money/2017/09/22/hurricane-maria-pharmaceutical-industry-puerto-rico/692752001/>

<sup>6</sup> “Breaking the tragedy of the horizon – climate change and financial stability,” Mark Carney (Sept. 29, 2015), available at <https://www.bis.org/review/r151009a.pdf>

<sup>7</sup> Jean-François Mercure, *et al.*, “Macroeconomic impact of stranded fossil fuel assets,” *Nature Climate Change*, Vol. 8, pgs. 588 – 593 (2018), <https://www.nature.com/articles/s41558-018-0182-1>

<sup>8</sup> Stefano Battiston, *et al.*, “A climate stress-test of the financial system,” *Nature Climate Change*, Vol. 7, pgs. 283 – 8 (2017), <https://www.nature.com/articles/nclimate3255>

Prize-winning economist Joseph Stiglitz has testified that “the more time that passes, the more expensive it becomes to address climate change.”<sup>9</sup>

While we are aware that there is currently a rider<sup>10</sup> prohibiting the SEC from finalizing a rule on political spending disclosure, we do not believe that this language prohibits the SEC from moving forward with a climate disclosure rule that would require disclosure of monies spent on lobbying, as well as membership or affiliations with (as opposed to amounts of money contributed to or dues paid to) trade associations and other influencing groups. There is no possible reading of the plain text of the rider that would prohibit the SEC from finalizing a rule that required such disclosures.

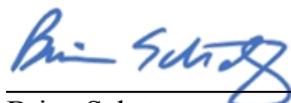
Furthermore, while we also support a stand-alone political spending disclosure rule, public company disclosures on political influencing activities rise to the level of materiality more frequently in the context of climate-related risks than general political spending disclosures might, and so may require a more granular level of detail. For example, we believe that a climate risk disclosure rule should require companies to disclose the percentage (by time or dollars spent) of lobbying devoted to both pro- and anti-climate legislation and regulations, as well as the specific pieces of legislation on which companies lobbied for or against.

For all of the above reasons, we urge you to require disclosure of corporate climate influencing activities in your forthcoming proposal. Shareholders deserve no less. Should you have any questions or require any additional information, please do not hesitate to contact Dan Dudis, [Dan\\_Dudis@whitehouse.senate.gov](mailto:Dan_Dudis@whitehouse.senate.gov).

Sincerely,



Sheldon Whitehouse  
United States Senator



Brian Schatz  
United States Senator

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<sup>9</sup> Testimony of Joseph Stiglitz in *Juliana v. United States*, pg. 19, available at [https://biotech.law.lsu.edu/blog/document\\_cw\\_01-2.pdf](https://biotech.law.lsu.edu/blog/document_cw_01-2.pdf)

<sup>10</sup> The text of this rider is as follows: “None of the funds made available by this Act shall be used by the Securities and Exchange Commission to finalize, issue, or implement any rule, regulation, or order regarding the disclosure of political contributions, contributions to tax exempt organizations, or dues paid to trade associations.”



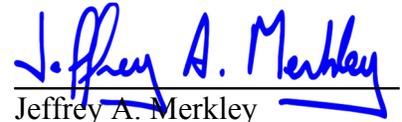
Elizabeth Warren  
United States Senator



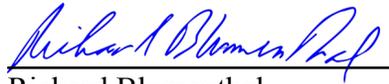
Bernard Sanders  
United States Senator



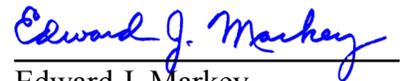
Chris Van Hollen  
United States Senator



Jeffrey A. Merkley  
United States Senator



Richard Blumenthal  
United States Senator



Edward J. Markey  
United States Senator

Cc: Commissioners Hester Peirce, Allison Herren Lee, Caroline Crenshaw