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(Original Signature of Member)

117TH CONGRESS  
1ST SESSION

**H. R.** \_\_\_\_\_

To amend the Securities Exchange Act of 1934 to require certain disclosures relating to climate change, and for other purposes.

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IN THE HOUSE OF REPRESENTATIVES

Mr. CASTEN of Illinois introduced the following bill; which was referred to the Committee on \_\_\_\_\_

\_\_\_\_\_  
**A BILL**

To amend the Securities Exchange Act of 1934 to require certain disclosures relating to climate change, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Climate Risk Dislo-  
5 sure Act of 2021”.

6 **SEC. 2. SENSE OF CONGRESS.**

7 It is the sense of Congress that—

1 (1) climate change poses a significant and in-  
2 creasing threat to the growth and stability of the  
3 economy of the United States;

4 (2) many sectors of the economy of the United  
5 States and many American businesses are exposed  
6 to climate-related risk, which may include exposure  
7 to—

8 (A) the physical impacts of climate change,  
9 including the rise of the average global tem-  
10 perature, accelerating sea-level rise,  
11 desertification, ocean acidification, intensifica-  
12 tion of storms, increase in heavy precipitation,  
13 more frequent and intense temperature ex-  
14 tremes, more severe droughts, and longer wild-  
15 fire seasons;

16 (B) the economic disruptions and security  
17 threats that result from the physical impacts  
18 described in subparagraph (A) including con-  
19 flicts over scarce resources, conditions condu-  
20 cive to violent extremism, the spread of infec-  
21 tious diseases, and forced migration;

22 (C) the transition impacts that result as  
23 the global economy transitions to a clean and  
24 renewable energy, low-emissions economy, in-  
25 cluding financial impacts as climate change fos-

1 fossil fuel assets becoming stranded and it be-  
2 comes uneconomic for companies to develop fos-  
3 sil fuel assets as policymakers act to limit the  
4 worst impacts of climate change by keeping the  
5 rise in average global temperature to 1.5 de-  
6 grees Celsius above pre-industrial levels; and

7 (D) actions by Federal, State, Tribal, and  
8 local governments to limit the worst effects of  
9 climate change by enacting policies that keep  
10 the global average surface temperature rise to  
11 1.5 degrees Celsius above pre-industrial levels;

12 (3) assessing the potential impact of climate-re-  
13 lated risks on national and international financial  
14 systems is an urgent concern;

15 (4) companies have a duty to disclose financial  
16 risks that climate change presents to their investors,  
17 lenders, and insurers;

18 (5) the Commission has a duty to promote a  
19 risk-informed securities market that is worthy of the  
20 trust of the public as families invest for their fu-  
21 tures;

22 (6) investors, lenders, and insurers are increas-  
23 ingly demanding climate risk information that is  
24 consistent, comparable, reliable, and clear;

1           (7) including standardized, material climate  
2           change risk and opportunity disclosure that is useful  
3           for decision makers in annual reports to the Com-  
4           mission will increase transparency with respect to  
5           risk accumulation and exposure in financial markets;

6           (8) requiring companies to disclose climate-re-  
7           lated risk exposure and risk management strategies  
8           will encourage a smoother transition to a clean and  
9           renewable energy, low-emissions economy and guide  
10          capital allocation to mitigate, and adapt to, the ef-  
11          fects of climate change and limit damages associated  
12          with climate-related events and disasters; and

13          (9) a critical component in fighting climate  
14          change is a transparent accounting of the risks that  
15          climate change presents and the implications of con-  
16          tinued inaction with respect to climate change.

17 **SEC. 3. DISCLOSURES RELATING TO CLIMATE CHANGE.**

18          Section 13 of the Securities Exchange Act of 1934  
19          (15 U.S.C. 78m) is amended by adding at the end the  
20          following:

21          “(s) DISCLOSURES RELATING TO CLIMATE  
22          CHANGE.—

23                 “(1) DEFINITIONS.—In this subsection:

24                         “(A) 1.5 DEGREE SCENARIO.—The term  
25                         ‘1.5 degree scenario’ means a scenario that

1 aligns with greenhouse gas emissions pathways  
2 that aim for limiting global warming to 1.5 de-  
3 grees Celsius above pre-industrial levels.

4 “(B) APPROPRIATE CLIMATE PRIN-  
5 CIPALS.—The term ‘appropriate climate prin-  
6 cipals’ means—

7 “(i) the Administrator of the Environ-  
8 mental Protection Agency;

9 “(ii) the Administrator of the Na-  
10 tional Oceanic and Atmospheric Adminis-  
11 tration;

12 “(iii) the Director of the Office of  
13 Management and Budget;

14 “(iv) the Secretary of the Interior;

15 “(v) the Secretary of Energy; and

16 “(vi) the head of any other Federal  
17 agency, as determined appropriate by the  
18 Commission.

19 “(C) BASELINE SCENARIO.—The term  
20 ‘baseline scenario’ means a widely-recognized  
21 analysis scenario in which levels of greenhouse  
22 gas emissions, as of the date on which the anal-  
23 ysis is performed, continue to grow, resulting in  
24 an increase in the global average temperature

1 of 1.5 degrees Celsius or more above pre-indus-  
2 trial levels.

3 “(D) CARBON DIOXIDE EQUIVALENT.—  
4 The term ‘carbon dioxide equivalent’ means the  
5 number of metric tons of carbon dioxide emis-  
6 sions with the same global warming potential as  
7 one metric ton of another greenhouse gas, as  
8 determined under table A–1 of subpart A of  
9 part 98 of title 40, Code of Federal Regula-  
10 tions, as in effect on the date of enactment of  
11 this subsection.

12 “(E) CLIMATE CHANGE.—The term ‘cli-  
13 mate change’ means a change of climate that  
14 is—

15 “(i) attributed directly or indirectly to  
16 human activity that alters the composition  
17 of the global atmosphere; and

18 “(ii) in addition to natural climate  
19 variability observed over comparable time  
20 periods.

21 “(F) COMMERCIAL DEVELOPMENT OF FOS-  
22 SIL FUELS.—The term ‘commercial develop-  
23 ment of fossil fuels’ includes—

24 “(i) exploration, extraction, proc-  
25 essing, exporting, transporting, refining,

1 and any other significant action with re-  
2 spect to oil, natural gas, coal, or any by-  
3 product thereof or any other solid or liquid  
4 hydrocarbons that are commercially pro-  
5 duced; or

6 “(ii) acquiring a license for any activ-  
7 ity described in clause (i).

8 “(G) COVERED ISSUER.—The term ‘cov-  
9 ered issuer’ means an issuer that is required to  
10 file an annual report under subsection (a) or  
11 section 15(d).

12 “(H) DIRECT AND INDIRECT GREENHOUSE  
13 GAS EMISSIONS.—The term ‘direct and indirect  
14 greenhouse gas emissions’ includes, with respect  
15 to a covered issuer—

16 “(i) all direct greenhouse gas emis-  
17 sions released by the covered issuer;

18 “(ii) all indirect greenhouse gas emis-  
19 sions with respect to electricity, heat, or  
20 steam purchased by the covered issuer;

21 “(iii) significant indirect emissions,  
22 other than the emissions described in  
23 clause (ii), emitted in the value chain of  
24 the covered issuer; and

1           “(iv) all indirect greenhouse gas emis-  
2           sions that are attributable to assets owned  
3           or managed, including assets that are par-  
4           tially owned or managed, by the covered  
5           issuer.

6           “(I) FOSSIL FUEL RESERVES.—The term  
7           ‘fossil fuel reserves’ has the meaning given the  
8           term ‘reserves’ under the final rule of the Com-  
9           mission titled ‘Modernization of Oil and Gas  
10          Reporting’ (74 Fed. Reg. 2158; published Jan-  
11          uary 14, 2009).

12          “(J) GREENHOUSE GAS.—The term  
13          ‘greenhouse gas’—

14               “(i) means carbon dioxide,  
15               hydrofluorocarbons, methane, nitrous  
16               oxide, perfluorocarbons, sulfur  
17               hexafluoride, nitrogen trifluoride, and  
18               chlorofluorocarbons;

19               “(ii) includes any other  
20               anthropogenically-emitted gas that the Ad-  
21               ministrator of the Environmental Protec-  
22               tion Agency determines, after notice and  
23               comment, to contribute to climate change;  
24               and



1                   “(iii) includes any other  
2 anthropogenically-emitted gas that the  
3 Intergovernmental Panel on Climate  
4 Change determines to contribute to climate  
5 change.

6                   “(K) GREENHOUSE GAS EMISSIONS.—The  
7 term ‘greenhouse gas emissions’ means the  
8 emissions of greenhouse gas, expressed in terms  
9 of metric tons of carbon dioxide equivalent.

10                   “(L) PHYSICAL RISKS.—The term ‘physi-  
11 cal risks’ means financial risks to long-lived  
12 fixed assets, locations, operations, or value  
13 chains that result from exposure to physical cli-  
14 mate-related effects, including—

15                   “(i) increased average global tempera-  
16 tures and increased frequency of tempera-  
17 ture extremes;

18                   “(ii) increased severity and frequency  
19 of extreme weather events;

20                   “(iii) increased flooding;

21                   “(iv) sea level rise;

22                   “(v) ocean acidification;

23                   “(vi) increased frequency of wildfires;

24                   “(vii) decreased arability of farmland;

1 “(viii) decreased availability of fresh  
2 water; and

3 “(ix) any other financial risks to long-  
4 lived fixed assets, locations, operations, or  
5 value chains determined appropriate by the  
6 Commission, in consultation with appro-  
7 priate climate principals.

8 “(M) SOCIAL COST OF CARBON.—The term  
9 ‘social cost of carbon’ means the social cost of  
10 carbon, as described in the technical support  
11 document entitled ‘Technical Support Docu-  
12 ment: Technical Update of the Social Cost of  
13 Carbon for Regulatory Impact Analysis Under  
14 Executive Order 12866’, published by the Inter-  
15 agency Working Group on Social Cost of Green-  
16 house Gases, United States Government, in Au-  
17 gust 2016 or any successor or substantially re-  
18 lated estimate of the monetized damages associ-  
19 ated with an incremental increase in carbon di-  
20 oxide emissions in a given year.

21 “(N) TRANSITION RISKS.—The term ‘tran-  
22 sition risks’ means financial risks that are at-  
23 tributable to climate change mitigation and ad-  
24 aptation, including efforts to reduce greenhouse

1 gas emissions and strengthen resilience to the  
2 impacts of climate change, including—

3 “(i) costs relating to—

4 “(I) international treaties and  
5 agreements;

6 “(II) Federal, State, and local  
7 policy;

8 “(III) new technologies;

9 “(IV) changing markets;

10 “(V) reputational impacts rel-  
11 evant to changing consumer behavior;

12 and

13 “(VI) litigation; and

14 “(ii) assets that may lose value or be-  
15 come stranded due to any of the costs de-  
16 scribed in subclauses (I) through (VI) of  
17 clause (i).

18 “(O) VALUE CHAIN.—The term ‘value  
19 chain’—

20 “(i) means the total lifecycle of a  
21 product or service, both before and after  
22 production of the product or service, as ap-  
23 plicable; and

24 “(ii) may include the sourcing of ma-  
25 terials, production, transportation, and dis-

1                   posal with respect to the product or service  
2                   described in clause (i).

3                   “(2) FINDINGS.—Congress finds that—

4                   “(A) short-, medium-, and long-term finan-  
5                   cial and economic risks and opportunities relat-  
6                   ing to climate change, and the national and  
7                   global reduction of greenhouse gas emissions,  
8                   constitute information that issuers—

9                   “(i) may reasonably expect to affect  
10                  shareholder decision making; and

11                  “(ii) should regularly identify, evalu-  
12                  ate, and disclose; and

13                  “(B) the disclosure of information de-  
14                  scribed in paragraph (1) should—

15                  “(i) identify, and evaluate—

16                  “(I) material physical and transi-  
17                  tion risks posed by climate change;  
18                  and

19                  “(II) the potential financial im-  
20                  pact of such risks;

21                  “(ii) detail any implications such risks  
22                  have on corporate strategy;

23                  “(iii) detail any board-level oversight  
24                  of material climate related risks and op-  
25                  portunities;

1           “(iv) allow for intra- and cross-indus-  
2           try comparison, to the extent practicable,  
3           of climate-related risk exposure through  
4           the inclusion of standardized industry-spe-  
5           cific and sector-specific disclosure metrics,  
6           as identified by the Commission, in con-  
7           sultation with the appropriate climate prin-  
8           cipals;

9           “(v) allow for tracking of performance  
10          over time with respect to mitigating cli-  
11          mate risk exposure; and

12          “(vi) incorporate a price on green-  
13          house gas emissions in financial analyses  
14          that reflects, at minimum, the social cost  
15          of carbon that is attributable to issuers.

16          “(3) DISCLOSURE.—Each covered issuer, in any  
17          annual report filed by the covered issuer under sub-  
18          section (a) or section 15(d), shall, in accordance  
19          with any rules issued by the Commission pursuant  
20          to this subsection, include in each such report infor-  
21          mation regarding—

22                 “(A) the identification of, the evaluation of  
23                 potential financial impacts of, and any risk-  
24                 management strategies relating to—

1 “(i) physical risks posed to the cov-  
2 ered issuer by climate change; and

3 “(ii) transition risks posed to the cov-  
4 ered issuer by climate change;

5 “(B) a description of any established cor-  
6 porate governance processes and structures to  
7 identify, assess, and manage climate-related  
8 risks;

9 “(C) a description of specific actions that  
10 the covered issuer is taking to mitigate identi-  
11 fied risks;

12 “(D) a description of the resilience of any  
13 strategy the covered issuer has for addressing  
14 climate risks when differing climate scenarios  
15 are taken into consideration; and

16 “(E) a description of how climate risk is  
17 incorporated into the overall risk management  
18 strategy of the covered issuer.

19 “(4) RULE OF CONSTRUCTION.—Nothing in  
20 paragraph (3) may be construed as precluding a cov-  
21 ered issuer from including, in an annual report sub-  
22 mitted under subsection (a) or section 15(d), any in-  
23 formation not explicitly referenced in such para-  
24 graph.

1           “(5) RULEMAKING.—The Commission, in con-  
2           sultation with the appropriate climate principals,  
3           shall, not later than 2 years after the date of the en-  
4           actment of this subsection, issue rules with respect  
5           to the information that a covered issuer is required  
6           to disclose pursuant to this subsection and such  
7           rules shall—

8                   “(A) establish climate-related risk disclo-  
9                   sure rules, which shall—

10                           “(i) be, to the extent practicable, spe-  
11                           cialized for industries within specific sec-  
12                           tors of the economy, which shall include—

13                                   “(I) the sectors of finance, insur-  
14                                   ance, transportation, electric power,  
15                                   mining, and non-renewable energy;  
16                                   and

17                                   “(II) any other sector determined  
18                                   appropriate by the Commission, in  
19                                   consultation with the appropriate cli-  
20                                   mate principals;

21                                   “(ii) include reporting standards for  
22                                   estimating and disclosing direct and indi-  
23                                   rect greenhouse gas emissions by a covered  
24                                   issuer, and any affiliates of the covered  
25                                   issuer, which shall—

1                   “(I) disaggregate, to the extent  
2                   practicable, total emissions of each  
3                   specified greenhouse gas by the cov-  
4                   ered issuer; and

5                   “(II) include greenhouse gas  
6                   emissions by the covered issuer during  
7                   the period covered by the disclosure;

8                   “(iii) include reporting standards for  
9                   disclosing, with respect to a covered  
10                  issuer—

11                  “(I) the total amount of fossil  
12                  fuel-related assets owned or managed  
13                  by the covered issuer; and

14                  “(II) the percentage of fossil  
15                  fuel-related assets as a percentage of  
16                  total assets owned or managed by the  
17                  covered issuer;

18                  “(iv) specify requirements for, and the  
19                  disclosure of, input parameters, assump-  
20                  tions, and analytical choices to be used in  
21                  climate scenario analyses required under  
22                  subparagraph (B)(i), including—

23                  “(I) present value discount rates;  
24                  and



1 “(II) time frames to consider, in-  
2 cluding 5, 10, and 20 year time  
3 frames; and

4 “(v) include reporting standards and  
5 guidance with respect to the information  
6 required under subparagraph (B)(iii);

7 “(B) require that a covered issuer, with re-  
8 spect to a disclosure required under this sub-  
9 section—

10 “(i) incorporate into such disclosure—

11 “(I) quantitative analysis to sup-  
12 port any qualitative statement made  
13 by the covered issuer;

14 “(II) the rules established under  
15 subparagraph (A);

16 “(III) industry-specific metrics  
17 that comply with the requirements  
18 under subparagraph (A)(i);

19 “(IV) specific risk management  
20 actions that the covered issuer is tak-  
21 ing to address identified risks;

22 “(V) a discussion of the short-,  
23 medium-, and long-term resilience of  
24 any risk management strategy, and  
25 the evolution of applicable risk

1 metrics, of the covered issuer under  
2 each scenario described in clause (ii);  
3 and

4 “(VI) the total cost attributable  
5 to the direct and indirect greenhouse  
6 gas emissions of the covered issuer,  
7 using, at minimum, the social cost of  
8 carbon;

9 “(ii) consider, when preparing any  
10 qualitative or quantitative risk analysis  
11 statement contained in the disclosure—

12 “(I) a baseline scenario that in-  
13 cludes physical impacts of climate  
14 change;

15 “(II) a 1.5 degrees scenario; and

16 “(III) any additional climate  
17 analysis scenario considered appro-  
18 priate by the Commission, in consulta-  
19 tion with the appropriate climate prin-  
20 cipals;

21 “(iii) if the covered issuer engages in  
22 the commercial development of fossil fuels,  
23 include in the disclosure—

24 “(I) an estimate of the total and  
25 a disaggregated amount of direct and

1 indirect greenhouse gas emissions of  
2 the covered issuer that are attrib-  
3 utable to—  
4 “(aa) combustion;  
5 “(bb) flared hydrocarbons;  
6 “(cc) process emissions;  
7 “(dd) directly vented emis-  
8 sions;  
9 “(ee) fugitive emissions or  
10 leaks; and  
11 “(ff) land use changes;  
12 “(II) a description of—  
13 “(aa) the sensitivity of fossil  
14 fuel reserve levels to future price  
15 projection scenarios that incor-  
16 porate the social cost of carbon;  
17 “(bb) the percentage of the  
18 reserves of the covered issuer  
19 that will be developed under the  
20 scenarios established in clause  
21 (ii), as well as a forecast for the  
22 development prospects of each re-  
23 serve under the scenarios estab-  
24 lished in clause (ii);

1           “(cc) the potential amount  
2 of direct and indirect greenhouse  
3 gas emissions that are embedded  
4 in proved and probable reserves,  
5 with each such calculation pre-  
6 sented as a total and in sub-  
7 divided categories by the type of  
8 reserve;

9           “(dd) the methodology of  
10 the covered issuer for detecting  
11 and mitigating fugitive methane  
12 emissions, which shall include the  
13 frequency with which applicable  
14 assets of the covered issuer are  
15 observed for methane leaks, the  
16 processes and technology that the  
17 covered issuer uses to detect  
18 methane leaks, the percentage of  
19 assets of the covered issuer that  
20 the covered issuer inspects under  
21 that methodology, and quan-  
22 titative and time-bound reduction  
23 goals of the issuer with respect to  
24 methane leaks;

1                   “(ee) the amount of water  
2                   that the covered issuer withdraws  
3                   from freshwater sources for use  
4                   and consumption in operations of  
5                   the covered issuer; and

6                   “(ff) the percentage of the  
7                   water described in item (ee) that  
8                   comes from regions of water  
9                   stress or that face wastewater  
10                  management challenges; and

11                  “(III) any other information that  
12                  the Commission determines is—

13                         “(aa) necessary;

14                         “(bb) appropriate to safe-  
15                         guard the public interest; or

16                         “(cc) directed at ensuring  
17                         that investors are informed in ac-  
18                         cordance with the findings de-  
19                         scribed in paragraph (2);

20                   “(C) with respect to a disclosure required  
21                   under section 13(s) of the Securities Exchange  
22                   Act of 1934, require that a covered issuer in-  
23                   clude in such disclosure any other information,  
24                   or use any climate-related or greenhouse gas  
25                   emissions metric, that the Commission, in con-

1           sultation with the appropriate climate prin-  
2           cipals, determines is—

3                   “(i) necessary;

4                   “(ii) appropriate to safeguard the  
5           public interest; or

6                   “(iii) directed at ensuring that inves-  
7           tors are informed in accordance with the  
8           findings described in paragraph (2); and

9                   “(D) with respect to a disclosure required  
10          under section 13(s) of the Securities Exchange  
11          Act of 1934, establish how and where the re-  
12          quired disclosures shall be addressed in the cov-  
13          ered issuer’s annual financial filing.

14          “(6) **FORMATTING.**—The Commission shall re-  
15          quire issuers to disclose information in an interactive  
16          data format and shall develop standards for such  
17          format, which shall include electronic tags for infor-  
18          mation that the Commission determines is—

19                   “(A) necessary;

20                   “(B) appropriate to safeguard the public  
21          interest; or

22                   “(C) directed at ensuring that investors  
23          are informed in accordance with the findings  
24          described in paragraph (2).

1           “(7) PERIODIC UPDATE OF RULES.—The Com-  
2 mission shall periodically update the rules issued  
3 under this subsection.

4           “(8) COMPILATION OF INFORMATION DIS-  
5 CLOSED.—The Commission shall, to the maximum  
6 extent practicable make a compilation of the infor-  
7 mation disclosed by issuers under this subsection  
8 publicly available on the website of the Commission  
9 and update such compilation at least once each year.

10          “(9) REPORTS.—

11           “(A) REPORT TO CONGRESS.—The Com-  
12 mission shall—

13           “(i) conduct an annual assessment re-  
14 garding the compliance of covered issuers  
15 with the requirements of this subsection;

16           “(ii) submit to the appropriate con-  
17 gressional committees a report that con-  
18 tains the results of each assessment con-  
19 ducted under clause (i); and

20           “(iii) make each report submitted  
21 under clause (ii) accessible to the public.

22          “(B) GAO REPORT.—The Comptroller  
23 General of the United States shall periodically  
24 evaluate, and report to the appropriate congres-  
25 sional committees on, the effectiveness of the

1 Commission in carrying out and enforcing this  
2 subsection.”.

3 **SEC. 4. BACKSTOP.**

4 If, 2 years after the date of the enactment of this  
5 Act, the Securities and Exchange Commission has not  
6 issued the rules required under section 13(s) of the Securi-  
7 ties Exchange Act of 1934, and until such rules are issued,  
8 a covered issuer (as defined in such section 13(s)) shall  
9 be deemed in compliance with such section 13(s) if dislo-  
10 sures set forth in the annual report of such issuer satisfy  
11 the recommendations of the Task Force on Climate-re-  
12 lated Financial Disclosures of the Financial Stability  
13 Board as reported in June, 2017, or any successor report,  
14 and as supplemented or adjusted by such rules, guidance,  
15 or other comments from the Commission.

16 **SEC. 5. AUTHORIZATION OF APPROPRIATIONS.**

17 There are authorized to be appropriated to the Com-  
18 mission such sums as may be necessary to carry out this  
19 Act and the amendments made by this Act.