

117TH CONGRESS  
1ST SESSION

# H. R. 2570

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

APRIL 15, 2021

Mr. CASTEN (for himself, Mr. CARTWRIGHT, Mr. FOSTER, Mr. LOWENTHAL, Ms. BARRAGÁN, Mr. NEGUSE, and Mr. LEVIN of California) introduced the following bill; which was referred to the Committee on Financial Services

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## 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 Disclo-  
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, desertifica-  
11                  tion, ocean acidification, intensification of  
12                  storms, increase in heavy precipitation, more  
13                  frequent and intense temperature extremes,  
14                  more severe droughts, and longer wildfire sea-  
15                  sons;

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           sil 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

of 1.5 degrees Celsius or more above pre-industrial levels.

“(D) CARBON DIOXIDE EQUIVALENT.—

The term ‘carbon dioxide equivalent’ means the number of metric tons of carbon dioxide emissions with the same global warming potential as one metric ton of another greenhouse gas, as determined under table A–1 of subpart A of part 98 of title 40, Code of Federal Regulations, as in effect on the date of enactment of this subsection.

“(E) CLIMATE CHANGE.—The term ‘cli-

mate change’ means a change of climate that is—

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

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

“(F) COMMERCIAL DEVELOPMENT OF FOS-

SIL FUELS.—The term ‘commercial development of fossil fuels’ includes—

“(i) exploration, extraction, processing, 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, hydroflu-  
15 rocarbons, methane, nitrous oxide, perflu-  
16 rocarbons, sulfur hexafluoride, nitrogen  
17 trifluoride, and chlorofluorocarbons;

18 “(ii) includes any other anthropogeni-  
19 cally emitted gas that the Administrator of  
20 the Environmental Protection Agency de-  
21 termines, after notice and comment, to  
22 contribute to climate change; and

23 “(iii) includes any other anthropogeni-  
24 cally emitted gas that the Intergovern-



1           mental Panel on Climate Change deter-  
2           mines to contribute to climate change.

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

7           “(L) PHYSICAL RISKS.—The term ‘phys-  
8           ical risks’ means financial risks to long-lived  
9           fixed assets, locations, operations, or value  
10          chains that result from exposure to physical cli-  
11          mate-related effects, including—

12                   “(i) increased average global tempera-  
13                   tures and increased frequency of tempera-  
14                   ture extremes;

15                   “(ii) increased severity and frequency  
16                   of extreme weather events;

17                   “(iii) increased flooding;

18                   “(iv) sea level rise;

19                   “(v) ocean acidification;

20                   “(vi) increased frequency of wildfires;

21                   “(vii) decreased arability of farmland;

22                   “(viii) decreased availability of fresh  
23          water; and

24                   “(ix) any other financial risks to long-  
25          lived fixed assets, locations, operations, or

1 value chains determined appropriate by the  
2 Commission, in consultation with appro-  
3 priate climate principals.

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

17 “(N) TRANSITION RISKS.—The term ‘tran-  
18 sition risks’ means financial risks that are at-  
19 tributable to climate change mitigation and ad-  
20 aptation, including efforts to reduce greenhouse  
21 gas emissions and strengthen resilience to the  
22 impacts of climate change, including—

23 “(i) costs relating to—

24 “(I) international treaties and  
25 agreements;

1 “(II) Federal, State, and local  
2 policy;

3 “(III) new technologies;

4 “(IV) changing markets;

5 “(V) reputational impacts rel-  
6 evant to changing consumer behavior;  
7 and

8 “(VI) litigation; and

9 “(ii) assets that may lose value or be-  
10 come stranded due to any of the costs de-  
11 scribed in subclauses (I) through (VI) of  
12 clause (i).

13 “(O) VALUE CHAIN.—The term ‘value  
14 chain’—

15 “(i) means the total lifecycle of a  
16 product or service, both before and after  
17 production of the product or service, as ap-  
18 plicable; and

19 “(ii) may include the sourcing of ma-  
20 terials, production, transportation, and dis-  
21 posal with respect to the product or service  
22 described in clause (i).

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

24 “(A) short-, medium-, and long-term finan-  
25 cial and economic risks and opportunities relat-

1 ing to climate change, and the national and  
2 global reduction of greenhouse gas emissions,  
3 constitute information that issuers—

4 “(i) may reasonably expect to affect  
5 shareholder decision making; and

6 “(ii) should regularly identify, evalu-  
7 ate, and disclose; and

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

10 “(i) identify, and evaluate—

11 “(I) material physical and transi-  
12 tion risks posed by climate change;  
13 and

14 “(II) the potential financial im-  
15 pact of such risks;

16 “(ii) detail any implications such risks  
17 have on corporate strategy;

18 “(iii) detail any board-level oversight  
19 of material climate related risks and op-  
20 portunities;

21 “(iv) allow for intra- and cross-indus-  
22 try comparison, to the extent practicable,  
23 of climate-related risk exposure through  
24 the inclusion of standardized industry-spe-  
25 cific and sector-specific disclosure metrics,

1 as identified by the Commission, in con-  
2 sultation with the appropriate climate prin-  
3 cipals;

4 “(v) allow for tracking of performance  
5 over time with respect to mitigating cli-  
6 mate risk exposure; and

7 “(vi) incorporate a price on green-  
8 house gas emissions in financial analyses  
9 that reflects, at minimum, the social cost  
10 of carbon that is attributable to issuers.

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

17 “(A) the identification of, the evaluation of  
18 potential financial impacts of, and any risk-  
19 management strategies relating to—

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

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

24 “(B) a description of any established cor-  
25 porate governance processes and structures to

1 identify, assess, and manage climate-related  
2 risks;

3 “(C) a description of specific actions that  
4 the covered issuer is taking to mitigate identi-  
5 fied risks;

6 “(D) a description of the resilience of any  
7 strategy the covered issuer has for addressing  
8 climate risks when differing climate scenarios  
9 are taken into consideration; and

10 “(E) a description of how climate risk is  
11 incorporated into the overall risk management  
12 strategy of the covered issuer.

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

19 “(5) RULEMAKING.—The Commission, in con-  
20 sultation with the appropriate climate principals,  
21 shall, not later than 2 years after the date of the en-  
22 actment of this subsection, issue rules with respect  
23 to the information that a covered issuer is required  
24 to disclose pursuant to this subsection and such  
25 rules shall—

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

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

6                           “(I) the sectors of finance, insur-  
7                           ance, transportation, electric power,  
8                           mining, and non-renewable energy;  
9                           and

10                           “(II) any other sector determined  
11                           appropriate by the Commission, in  
12                           consultation with the appropriate cli-  
13                           mate principals;

14                           “(ii) include reporting standards for  
15                           estimating and disclosing direct and indi-  
16                           rect greenhouse gas emissions by a covered  
17                           issuer, and any affiliates of the covered  
18                           issuer, which shall—

19                                   “(I) disaggregate, to the extent  
20                                   practicable, total emissions of each  
21                                   specified greenhouse gas by the cov-  
22                                   ered issuer; and

23                                   “(II) include greenhouse gas  
24                                   emissions by the covered issuer during  
25                                   the period covered by the disclosure;

1 “(iii) include reporting standards for  
2 disclosing, with respect to a covered  
3 issuer—

4 “(I) the total amount of fossil  
5 fuel-related assets owned or managed  
6 by the covered issuer; and

7 “(II) the percentage of fossil  
8 fuel-related assets as a percentage of  
9 total assets owned or managed by the  
10 covered issuer;

11 “(iv) specify requirements for, and the  
12 disclosure of, input parameters, assump-  
13 tions, and analytical choices to be used in  
14 climate scenario analyses required under  
15 subparagraph (B)(i), including—

16 “(I) present value discount rates;

17 and

18 “(II) time frames to consider, in-  
19 cluding 5, 10, and 20 year time  
20 frames; and

21 “(v) include reporting standards and  
22 guidance with respect to the information  
23 required under subparagraph (B)(iii);



1 “(B) require that a covered issuer, with re-  
2 spect to a disclosure required under this sub-  
3 section—

4 “(i) incorporate into such disclosure—

5 “(I) quantitative analysis to sup-  
6 port any qualitative statement made  
7 by the covered issuer;

8 “(II) the rules established under  
9 subparagraph (A);

10 “(III) industry-specific metrics  
11 that comply with the requirements  
12 under subparagraph (A)(i);

13 “(IV) specific risk management  
14 actions that the covered issuer is tak-  
15 ing to address identified risks;

16 “(V) a discussion of the short-,  
17 medium-, and long-term resilience of  
18 any risk management strategy, and  
19 the evolution of applicable risk  
20 metrics, of the covered issuer under  
21 each scenario described in clause (ii);  
22 and

23 “(VI) the total cost attributable  
24 to the direct and indirect greenhouse  
25 gas emissions of the covered issuer,

1 using, at minimum, the social cost of  
2 carbon;

3 “(ii) consider, when preparing any  
4 qualitative or quantitative risk analysis  
5 statement contained in the disclosure—

6 “(I) a baseline scenario that in-  
7 cludes physical impacts of climate  
8 change;

9 “(II) a 1.5 degrees scenario; and

10 “(III) any additional climate  
11 analysis scenario considered appro-  
12 priate by the Commission, in consulta-  
13 tion with the appropriate climate prin-  
14 cipals;

15 “(iii) if the covered issuer engages in  
16 the commercial development of fossil fuels,  
17 include in the disclosure—

18 “(I) an estimate of the total and  
19 a disaggregated amount of direct and  
20 indirect greenhouse gas emissions of  
21 the covered issuer that are attrib-  
22 utable to—

23 “(aa) combustion;

24 “(bb) flared hydrocarbons;

25 “(cc) process emissions;

1 “(dd) directly vented emis-  
2 sions;

3 “(ee) fugitive emissions or  
4 leaks; and

5 “(ff) land use changes;

6 “(II) a description of—

7 “(aa) the sensitivity of fossil  
8 fuel reserve levels to future price  
9 projection scenarios that incor-  
10 porate the social cost of carbon;

11 “(bb) the percentage of the  
12 reserves of the covered issuer  
13 that will be developed under the  
14 scenarios established in clause  
15 (ii), as well as a forecast for the  
16 development prospects of each re-  
17 serve under the scenarios estab-  
18 lished in clause (ii);

19 “(cc) the potential amount  
20 of direct and indirect greenhouse  
21 gas emissions that are embedded  
22 in proved and probable reserves,  
23 with each such calculation pre-  
24 sented as a total and in sub-

1 divided categories by the type of  
2 reserve;

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

19 “(ee) the amount of water  
20 that the covered issuer withdraws  
21 from freshwater sources for use  
22 and consumption in operations of  
23 the covered issuer; and

24 “(ff) the percentage of the  
25 water described in item (ee) that

1 comes from regions of water  
2 stress or that face wastewater  
3 management challenges; and

4 “(III) any other information that  
5 the Commission determines is—

6 “(aa) necessary;

7 “(bb) appropriate to safe-  
8 guard the public interest; or

9 “(cc) directed at ensuring  
10 that investors are informed in ac-  
11 cordance with the findings de-  
12 scribed in paragraph (2);

13 “(C) with respect to a disclosure required  
14 under section 13(s) of the Securities Exchange  
15 Act of 1934, require that a covered issuer in-  
16 clude in such disclosure any other information,  
17 or use any climate-related or greenhouse gas  
18 emissions metric, that the Commission, in con-  
19 sultation with the appropriate climate prin-  
20 cipals, determines is—

21 “(i) necessary;

22 “(ii) appropriate to safeguard the  
23 public interest; or

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

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

9 “(6) FORMATTING.—The Commission shall re-  
10 quire issuers to disclose information in an interactive  
11 data format and shall develop standards for such  
12 format, which shall include electronic tags for infor-  
13 mation that the Commission determines is—

14 “(A) necessary;

15 “(B) appropriate to safeguard the public  
16 interest; or

17 “(C) directed at ensuring that investors  
18 are informed in accordance with the findings  
19 described in paragraph (2).

20 “(7) PERIODIC UPDATE OF RULES.—The Com-  
21 mission shall periodically update the rules issued  
22 under this subsection.

23 “(8) COMPILATION OF INFORMATION DIS-  
24 CLOSED.—The Commission shall, to the maximum  
25 extent practicable make a compilation of the infor-

1 mation disclosed by issuers under this subsection  
2 publicly available on the website of the Commission  
3 and update such compilation at least once each year.

4 “(9) REPORTS.—

5 “(A) REPORT TO CONGRESS.—The Com-  
6 mission shall—

7 “(i) conduct an annual assessment re-  
8 garding the compliance of covered issuers  
9 with the requirements of this subsection;

10 “(ii) submit to the appropriate con-  
11 gressional committees a report that con-  
12 tains the results of each assessment con-  
13 ducted under clause (i); and

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

16 “(B) GAO REPORT.—The Comptroller  
17 General of the United States shall periodically  
18 evaluate, and report to the appropriate congres-  
19 sional committees on, the effectiveness of the  
20 Commission in carrying out and enforcing this  
21 subsection.”.

22 **SEC. 4. BACKSTOP.**

23 If, 2 years after the date of the enactment of this  
24 Act, the Securities and Exchange Commission has not  
25 issued the rules required under section 13(s) of the Securi-

1 ties Exchange Act of 1934, and until such rules are issued,  
2 a covered issuer (as defined in such section 13(s)) shall  
3 be deemed in compliance with such section 13(s) if dislo-  
4 sures set forth in the annual report of such issuer satisfy  
5 the recommendations of the Task Force on Climate-re-  
6 lated Financial Disclosures of the Financial Stability  
7 Board as reported in June, 2017, or any successor report,  
8 and as supplemented or adjusted by such rules, guidance,  
9 or other comments from the Commission.

10 **SEC. 5. AUTHORIZATION OF APPROPRIATIONS.**

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

○