

116TH CONGRESS
1ST SESSION

H. R. 3623

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

IN THE HOUSE OF REPRESENTATIVES

JULY 5, 2019

Mr. CASTEN of Illinois (for himself and Mr. CARTWRIGHT) introduced the following bill; which was referred to the Committee on Financial Services, and in addition to the Committee on Energy and Commerce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To amend the Securities Exchange Act of 1934 to require issuers to disclose certain activities 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 2019”.

6 **SEC. 2. DEFINITIONS.**

7 In this Act—

1 (1) the term “appropriate climate principals”
2 means—

3 (A) the Administrator of the Environ-
4 mental Protection Agency;

5 (B) the Secretary of Energy;

6 (C) the Administrator of the National Oce-
7 anic and Atmospheric Administration;

8 (D) the Director of the Office of Manage-
9 ment and Budget; and

10 (E) the head of any other Federal agency
11 determined appropriate by the Commission;

12 (2) the term “appropriate congressional com-
13 mittees” means—

14 (A) the Committee on Banking, Housing,
15 and Urban Affairs of the Senate; and

16 (B) the Committee on Financial Services
17 of the House of Representatives;

18 (3) the term “climate change” means a change
19 of climate that is—

20 (A) attributed directly or indirectly to
21 human activity that alters the composition of
22 the global atmosphere; and

23 (B) in addition to natural climate varia-
24 bility observed over comparable time periods;

1 (4) the term “Commission” means the Securi-
2 ties and Exchange Commission;

3 (5) the term “covered issuer” has the meaning
4 given the term in section 13(s) of the Securities Ex-
5 change Act of 1934, as added by section 5;

6 (6) the term “1.5 degree scenario” means a
7 widely recognized, publicly available analysis sce-
8 nario in which human interventions to combat global
9 climate change are likely to prevent the global aver-
10 age temperature from reaching 1.5 degrees Celsius
11 above pre-industrial levels;

12 (7) the terms “appropriate climate principals”
13 and “climate change” have the meanings given those
14 terms in section 13(s) of the Securities Exchange
15 Act of 1934;

16 (8) the term “baseline scenario” means a widely
17 recognized analysis scenario in which levels of green-
18 house gas emissions, as of the date on which the
19 analysis is performed, continue to grow, resulting
20 in—

21 (A) an increase in the global average tem-
22 perature of 1.5 degrees Celsius or more above
23 pre-industrial levels; and

24 (B) the realization of physical risks relat-
25 ing to global climate change;

1 (9) the term “carbon dioxide equivalent” means
2 the number of metric tons of carbon dioxide emis-
3 sions with the same global warming potential as one
4 metric ton of another greenhouse gas, as determined
5 under table A–1 of subpart A of part 98 of title 40,
6 Code of Federal Regulations, as in effect on the date
7 of enactment of this subsection;

8 (10) the term “commercial development of fos-
9 sil fuels” includes—

10 (A) exploration, extraction, processing, ex-
11 porting, transporting, and any other significant
12 action with respect to oil, natural gas, coal, or
13 any byproduct thereof; and

14 (B) acquiring a license for any activity de-
15 scribed in subparagraph (A);

16 (11) the term “direct and indirect greenhouse
17 gas emissions” includes, with respect to a covered
18 issuer—

19 (A) all direct greenhouse gas emissions re-
20 leased by the covered issuer;

21 (B) all indirect greenhouse gas emissions
22 with respect to electricity, heat, or steam pur-
23 chased by the covered issuer;

24 (C) significant indirect emissions, other
25 than the emissions described in subparagraph

1 (B), that occur in the value chain of the covered
2 issuer; and

3 (D) all indirect greenhouse gas emissions
4 that are attributable to assets owned or man-
5 aged, including assets that are partially owned
6 or managed, by the covered issuer;

7 (12) the term “fossil fuel reserves” means all
8 producing assets, proved reserves, unproved re-
9 sources, and any other ownership stake in sources of
10 fossil fuels;

11 (13) the term “greenhouse gas”—

12 (A) means carbon dioxide, hydrofluorocar-
13 bons, methane, nitrous oxide, perfluorocarbons,
14 sulfur hexafluoride, nitrogen trifluoride, and
15 chlorofluorocarbons; and

16 (B) includes any other anthropogenically-
17 emitted gas or particulate that the Adminis-
18 trator of the Environmental Protection Agency
19 determines, after notice and comment, to con-
20 tribute to climate change;

21 (14) the term “greenhouse gas emissions”
22 means the emissions of greenhouse gas, expressed in
23 terms of metric tons of carbon dioxide equivalent;

1 (15) the term “physical risks” has meaning
2 given the term in section 13(s) of the Securities Ex-
3 change Act of 1934;

4 (16) the term “social cost of carbon” means the
5 monetized present value, discounted at a 3 percent
6 or lower discount rate, in dollars, per metric ton of
7 carbon dioxide (or carbon dioxide equivalent), of the
8 net global costs over 300 years caused by the emis-
9 sion of carbon dioxide (or carbon dioxide equivalent,
10 as applicable) that result from—

11 (A) changes in net agricultural produc-
12 tivity;

13 (B) decreases in capital and labor produc-
14 tivity;

15 (C) effects on human health;

16 (D) property damage from increased sea-
17 level rise, flooding, wildfires, and frequency and
18 severity of extreme weather events;

19 (E) the value of ecosystem services; and

20 (F) any other type of economic, social, po-
21 litical, or natural disruption;

22 (17) the term “transition risks” has meaning
23 given the term in section 13(s) of the Securities Ex-
24 change Act of 1934;

25 (18) the term “value chain”—

1 (A) means the total lifecycle of a product
2 or service, both before and after production of
3 the product or service, as applicable; and

4 (B) may include the sourcing of materials,
5 production, and disposal with respect to the
6 product or service described in subparagraph
7 (A); and

8 (19) the term “well below 1.5 degrees scenario”
9 means a widely recognized, publicly available anal-
10 ysis scenario in which human interventions to com-
11 bat global climate change are likely to prevent the
12 global average temperature from reaching 1.5 de-
13 grees Celsius above pre-industrial levels.

14 **SEC. 3. SENSE OF CONGRESS.**

15 It is the sense of Congress that—

16 (1) continued inaction in addressing climate
17 change poses a significant and increasing threat to
18 the growth and stability of the economy of the
19 United States;

20 (2) many sectors of the economy of the United
21 States and many American businesses are exposed
22 to multiple channels of climate-related risk, which
23 may include exposure to—

24 (A) the physical impacts of climate change,
25 including the rise of the average global tem-

1 perature, accelerating sea-level rise, desertifica-
2 tion, ocean acidification, intensification of
3 storms, increase in heavy precipitation, more
4 frequent and intense temperature extremes,
5 more severe droughts, and longer wildfire sea-
6 sons;

7 (B) the economic disruptions and security
8 threats that result from the physical impacts
9 described in subparagraph (A); and

10 (C) the transition impacts that result as
11 the global economy transitions to a clean and
12 renewable energy, low-emissions economy, in-
13 cluding financial impacts as fossil fuel assets
14 risk becoming stranded and it becomes uneco-
15 nomic for companies to develop fossil fuel assets
16 as policymakers act to limit the worst impacts
17 of climate change by keeping the average rise in
18 global temperature to 1.5 degrees Celsius above
19 pre-industrial levels;

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

23 (4) companies have a duty to disclose financial
24 risks that climate change presents to their investors,
25 lenders, and insurers;

1 (5) the Commission has a duty to promote a
2 risk-informed securities market that is worthy of the
3 trust of the public as families invest for their fu-
4 tures;

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

8 (7) including standardized, material climate
9 change risk and opportunity disclosure that is useful
10 for decision makers in annual reports to the Com-
11 mission will increase transparency with respect to
12 risk accumulation and exposure in financial markets;

13 (8) requiring companies to disclose climate-re-
14 lated risk exposure and risk management strategies
15 will encourage a smoother transition to a clean and
16 renewable energy, low-emissions economy and guide
17 capital allocation to mitigate, and adapt to, the ef-
18 fects of climate change and limit damages associated
19 with climate-related events and disasters; and

20 (9) a critical component in fighting climate
21 change is a transparent accounting of the risks that
22 climate change presents and the implications of con-
23 tinued inaction with respect to climate change.

24 **SEC. 4. FINDINGS.**

25 Congress finds that—

1 (1) short-, medium-, and long-term financial
2 and economic risks and opportunities relating to cli-
3 mate change, and the national and global reduction
4 of greenhouse gas emissions, constitute information
5 that issuers—

6 (A) may reasonably expect to affect share-
7 holder decision making; and

8 (B) should regularly identify, evaluate, and
9 disclose; and

10 (2) the disclosure of information described in
11 paragraph (1) should—

12 (A) identify, and evaluate—

13 (i) material physical and transition
14 risks posed by climate change; and

15 (ii) the potential financial impact of
16 such risks;

17 (B) detail any implications such risks have
18 on corporate strategy;

19 (C) detail any board-level oversight of ma-
20 terial climate-related risks and opportunities;

21 (D) allow for intra- and cross-industry
22 comparison, to the extent practicable, of cli-
23 mate-related risk exposure through the inclu-
24 sion of standardized industry-specific and sec-
25 tor-specific disclosure metrics, as identified by

1 the Commission, in consultation with the appro-
2 priate climate principals;

3 (E) allow for tracking of performance over
4 time with respect to mitigating climate risk ex-
5 posure; and

6 (F) incorporate a price on greenhouse gas
7 emissions in financial analyses that reflects, at
8 minimum, the social cost of carbon that is at-
9 tributable to issuers.

10 **SEC. 5. DISCLOSURES RELATING TO CLIMATE CHANGE.**

11 (a) IN GENERAL.—Section 13 of the Securities Ex-
12 change Act of 1934 (15 U.S.C. 78m) is amended by add-
13 ing at the end the following:

14 “(s) DISCLOSURES RELATING TO CLIMATE
15 CHANGE.—

16 “(1) DEFINITIONS.—In this subsection—

17 “(A) the term ‘appropriate climate prin-
18 cipals’ means—

19 “(i) the Administrator of the Environ-
20 mental Protection Agency;

21 “(ii) the Secretary of Energy;

22 “(iii) the Administrator of the Na-
23 tional Oceanic and Atmospheric Adminis-
24 tration;

1 “(iv) the Director of the Office of
2 Management and Budget; and

3 “(v) the head of any other Federal
4 agency determined appropriate by the
5 Commission;

6 “(B) the term ‘climate change’ means a
7 change of climate that is—

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

11 “(ii) in addition to natural climate
12 variability observed over comparable time
13 periods;

14 “(C) the term ‘covered issuer’ means an
15 issuer that is required to file an annual report
16 under subsection (a) or section 15(d);

17 “(D) the term ‘physical risks’ means finan-
18 cial risks to long-lived fixed assets, locations,
19 operations, or value chains that result from ex-
20 posure to physical climate-related effects, in-
21 cluding—

22 “(i) increased average global tempera-
23 tures and increased frequency of tempera-
24 ture extremes;

1 “(ii) increased severity and frequency
2 of extreme weather events;

3 “(iii) increased flooding;

4 “(iv) sea-level rise;

5 “(v) ocean acidification;

6 “(vi) increased frequency of wildfires;

7 “(vii) decreased arability of farmland;

8 “(viii) decreased availability of fresh
9 water; and

10 “(ix) any other financial risks to long-
11 lived fixed assets, locations, operations, or
12 value chains determined appropriate by the
13 Commission, in consultation with appro-
14 priate climate principals;

15 “(E) the term ‘transition risks’ means fi-
16 nancial risks that are attributable to climate
17 change mitigation and adaptation, including ef-
18 forts to reduce greenhouse gas emissions and
19 strengthen resilience to the impacts of climate
20 change, including—

21 “(i) costs relating to—

22 “(I) international treaties and
23 agreements;

24 “(II) Federal, State, and local
25 policy;

1 “(III) new technologies;
2 “(IV) changing markets;
3 “(V) reputational impacts rel-
4 evant to changing consumer behavior;
5 and

6 “(VI) litigation; and
7 “(ii) assets that may lose value or be-
8 come stranded due to any of the costs de-
9 scribed in subclauses (I) through (VI) of
10 clause (i);

11 “(2) 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 the Climate Risk Disclosure Act of 2019, include
16 in each such report information 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; and

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

6 “(3) RULE OF CONSTRUCTION.—Nothing in
7 paragraph (2) may be construed as precluding a cov-
8 ered issuer from including, in an annual report sub-
9 mitted under subsection (a) or section 15(d), any in-
10 formation not explicitly referenced in those para-
11 graphs.”.

12 **SEC. 6. RULEMAKING.**

13 (a) CLIMATE RISK DISCLOSURE RULES.—The Com-
14 mission, in consultation with the appropriate climate prin-
15 cipals, shall not later than 2 years after the date of the
16 enactment of this Act, issue rules with respect to the infor-
17 mation that a covered issuer is required to disclose pursu-
18 ant to section 13(s) of the Securities Exchange Act of
19 1934 and such rules shall—

20 (1) establish, in consultation with the appro-
21 priate climate principals, climate-related risk disclo-
22 sure guidance, which shall—

23 (A) be, to the extent practicable, special-
24 ized for industries within specific sectors of the
25 economy, which shall include—

1 (i) the sectors of finance, insurance,
2 transportation, electric power, mining, and
3 non-renewable energy; and

4 (ii) any other sector determined ap-
5 propriate by the Commission, in consulta-
6 tion with the appropriate climate prin-
7 cipals;

8 (B) include reporting standards for esti-
9 mating and disclosing direct and indirect green-
10 house gas emissions by a covered issuer, and
11 any affiliates of the covered issuer, which
12 shall—

13 (i) separate, to the extent practicable,
14 total emissions of each specified green-
15 house gas by the covered issuer; and

16 (ii) include greenhouse gas emissions
17 by the covered issuer during the period
18 covered by the disclosure;

19 (C) include reporting standards for dis-
20 closing, with respect to a covered issuer—

21 (i) the total amount of fossil fuel-re-
22 lated assets owned or managed by the cov-
23 ered issuer; and

1 (ii) the percentage of fossil fuel-re-
2 lated assets as a percentage of total assets
3 owned or managed by the covered issuer;

4 (D) establish a minimum social cost of car-
5 bon, which—

6 (i) shall be considered a minimum
7 price with respect to costs associated with
8 carbon emissions;

9 (ii) a covered issuer shall use in pre-
10 paring climate-related disclosure state-
11 ments; and

12 (iii) the Commission shall make pub-
13 licly available all assumptions and methods
14 used in the calculations;

15 (E) not preclude a covered issuer from
16 using and disclosing, as compared with the
17 price established under subparagraph (D), a
18 higher price of greenhouse gas emissions;

19 (F) specify requirements for, and the dis-
20 closure of, input parameters, assumptions, and
21 analytical choices to be used in climate scenario
22 analyses required under paragraph (2)(A), in-
23 cluding—

24 (i) present value discount rates;

1 (ii) time frames to consider, including
2 5-, 10-, and 20-year time frames; and

3 (iii) minimum pricing of greenhouse
4 gas emissions, as established under sub-
5 paragraph (D) and subject to subpara-
6 graph (E); and

7 (G) include, after consultation with the
8 Administrator of the Environmental Protection
9 Agency, the Secretary of Energy, the Secretary
10 of the Interior, the Secretary of Agriculture, the
11 Secretary of Transportation, the Chair of the
12 Council on Environmental Quality, and the Di-
13 rector of the Office of Science and Technology
14 Policy documentation standards and guidance
15 with respect to the information required under
16 paragraph (2)(C);

17 (2) require that a covered issuer, with respect
18 to a disclosure required under section 3(s) of the Se-
19 curities Exchange Act of 1934—

20 (A) incorporate into such disclosure—

21 (i) quantitative analysis to support
22 any qualitative statement made by the cov-
23 ered issuer;

24 (ii) the guidance established under
25 paragraph (1);

1 (iii) industry-specific metrics that
2 comply with the requirements under para-
3 graph (1)(A);

4 (iv) specific risk management actions
5 that the covered issuer is taking to address
6 identified risks;

7 (v) a discussion of the short-, me-
8 dium-, and long-term resilience of any risk
9 management strategy, and the evolution of
10 applicable risk metrics, of the covered
11 issuer under each scenario described in
12 paragraph (1)(B); and

13 (vi) the total cost of carbon attrib-
14 utable to the direct and indirect green-
15 house gas emissions of the covered issuer,
16 using, at minimum, the social cost of car-
17 bon;

18 (B) consider, when preparing any quali-
19 tative or quantitative risk analysis statement
20 contained in the disclosure—

21 (i) a baseline scenario that includes
22 physical impacts of climate change;

23 (ii) a well below 1.5 degrees scenario;
24 and

1 (iii) any additional climate analysis
2 scenario considered appropriate by the
3 Commission, in consultation with the ap-
4 propriate climate principals;

5 (C) if the covered issuer engages in the
6 commercial development of fossil fuels, include
7 in the disclosure—

8 (i) an estimate of the total and a
9 disaggregated amount of direct and indi-
10 rect greenhouse gas emissions of the cov-
11 ered issuer that are attributable to—

12 (I) combustion;

13 (II) flared hydrocarbons;

14 (III) process emissions;

15 (IV) directly vented emissions;

16 (V) fugitive emissions or leaks;

17 and

18 (VI) land use changes;

19 (ii) a description of—

20 (I) the sensitivity of fossil fuel re-
21 serve levels to future price projection
22 scenarios that incorporate the social
23 cost of carbon into hydrocarbon pric-
24 ing;

1 (II) the percentage of the re-
2 serves of the covered issuer that will
3 be developed under the scenarios es-
4 tablished in subparagraph (B), as well
5 as a forecast for the development
6 prospects of each reserve under the
7 scenarios established in subparagraph
8 (B);

9 (III) the potential amount of di-
10 rect and indirect greenhouse gas emis-
11 sions that are embedded in proved
12 and probable hydrocarbon reserves,
13 with each such calculation presented
14 as a total and in subdivided categories
15 by the type of reserve;

16 (IV) the methodology of the cov-
17 ered issuer for detecting and miti-
18 gating fugitive methane emissions,
19 which shall include the frequency with
20 which applicable assets of the covered
21 issuer are observed for methane leaks,
22 the processes and technology that the
23 covered issuer uses to detect methane
24 leaks, the percentage of assets of the
25 covered issuer that the covered issuer

1 inspects under that methodology, and
2 quantitative and time-bound reduction
3 goals of the issuer with respect to
4 methane leaks;

5 (V) the amount of water that the
6 covered issuer withdraws from fresh-
7 water sources for use and consump-
8 tion in operations of the covered
9 issuer; and

10 (VI) the percentage of the water
11 described in subclause (V) that comes
12 from regions of water stress or that
13 face wastewater management chal-
14 lenges; and

15 (iii) any other information that the
16 Commission, in consultation with the ap-
17 propriate climate principals and the Ad-
18 ministrator of the Environmental Protec-
19 tion Agency, the Secretary of Energy, the
20 Secretary of the Interior, the Secretary of
21 Agriculture determines is—

22 (I) necessary;

23 (II) appropriate to safeguard the
24 public interest; or

1 (III) directed at ensuring that in-
2 vestors are informed in accordance
3 with the findings described in section
4 4;

5 (3) with respect to a disclosure required under
6 section 13(s) of the Securities Exchange Act of
7 1934, require that a covered issuer include in such
8 disclosure any other information, or use any climate-
9 related or greenhouse gas emissions metric, that the
10 Commission, in consultation with the appropriate cli-
11 mate principals, determines is—

12 (A) necessary;

13 (B) appropriate to safeguard the public in-
14 terest; or

15 (C) directed at ensuring that investors are
16 informed in accordance with the findings de-
17 scribed in section 4; and

18 (4) with respect to a disclosure required under
19 section 13(s) of the Securities Exchange Act of
20 1934, establish how and where the required disclo-
21 sures shall be addressed in the covered issuer's an-
22 nual financial filing.

23 (b) **FORMATTING.**—The Commission shall require
24 issuers to disclose information in an interactive data for-
25 mat and shall develop standards for such format, which

1 shall include electronic tags for information that the Com-
2 mission determines is—

3 (1) necessary;

4 (2) appropriate to safeguard the public interest;

5 or

6 (3) directed at ensuring that investors are in-
7 formed in accordance with the findings described in
8 paragraph (2)(B).

9 (c) PERIODIC UPDATE OF RULES.—The Commission
10 shall periodically update the rules issued under this sec-
11 tion to ensure that such rules further the purposes de-
12 scribed in section 4(2).

13 **SEC. 7. COMPILATION OF INFORMATION DISCLOSED.**

14 The Commission shall, to the maximum extent prac-
15 ticable make a compilation of the information disclosed by
16 issuers pursuant to section 13(s) of the Securities Ex-
17 change Act of 1934 publicly available on the website of
18 the Commission; and update such compilation at least
19 once each year.

20 **SEC. 8. BACKSTOP.**

21 If, 2 years after the date of the enactment of this
22 Act, the Commission has not issued rules pursuant to sec-
23 tion 6, and until such rules are issued, a covered issuer
24 shall be deemed in compliance with section 13(s) of the
25 Securities Exchange Act of 1934 if disclosures set forth

1 in the annual report of such issuer satisfy the rec-
2 ommendations of the Task Force on Climate-Related Fi-
3 nancial Disclosures of the Financial Stability Board as re-
4 ported in June 2017, or any successor report, and as sup-
5 plemented or adjusted by such rules, guidance, or other
6 comments from the Commission.

7 **SEC. 9. REPORTS.**

8 (a) SECURITIES AND EXCHANGE COMMISSION.—The
9 Commission shall—

10 (1) conduct an annual assessment regarding the
11 compliance of covered issuers with the requirements
12 of section 13(s) of the Securities Exchange Act of
13 1934, as added by section 5;

14 (2) submit to the appropriate congressional
15 committees a report that contains the results of each
16 assessment conducted under paragraph (1); and

17 (3) make each report submitted under para-
18 graph (2) accessible to the public.

19 (b) GOVERNMENT ACCOUNTABILITY OFFICE.—The
20 Comptroller General of the United States shall periodically
21 evaluate, and report to the appropriate congressional com-
22 mittees on, the effectiveness of the Commission in carrying
23 out and enforcing section 13(s) of the Securities Exchange
24 Act of 1934, as added by section 5.

1 **SEC. 10. SEVERABILITY.**

2 If any provision of this Act, an amendment made by
3 this Act, or the application of this Act (or an amendment
4 made by this Act) to any person or circumstance is held
5 to be invalid, that holding shall have no effect with respect
6 to—

7 (1) the remainder of this Act; and

8 (2) the application of the provision or amend-
9 ment, as applicable, to any other person or cir-
10 cumstance.

11 **SEC. 11. AUTHORIZATION OF APPROPRIATIONS.**

12 There are authorized to be appropriated to the Com-
13 mission such sums as may be necessary to carry out this
14 Act.

○