May 31, 2022

President Joseph R. Biden Jr.
The White House
1600 Pennsylvania Ave NW
Washington, DC 20500

Chairman Gary Gensler
U.S. Securities and Exchange Commission
100 F Street NE
Washington, DC 20549

> ***Subject:*** *Joint Governors' Comment on SEC Release Nos. 33-11042 & 34-94478, The Enhancement and Standardization of Climate-Related Disclosures for Investors, 87 Fed. Reg. 21,334 (File No. S7-10-22)*

Dear Mr. President and Chairman Gensler,

On March 21, 2022, the U.S. Securities and Exchange Commission (SEC) proposed a rule that would compel publicly traded companies to make detailed disclosures about climate-change risks and greenhouse gas emissions. As governors, we are deeply concerned your proposed rule veers far outside the SEC's authority as a federal agency. The proposed rule will harm businesses and investors in our states by increasing compliance costs and by larding disclosure statements with uncertain and immaterial information that the federal government—let alone the SEC—is not equipped to judge. We strongly urge you to withdraw the proposed rule and allow the market to continue serving as the appropriate mechanism for judging climate risk, as it does for other types of market risks.

As your colleague, Commissioner Hester M. Peirce, eloquently explained in her dissenting statement:

> "The proposal turns the disclosure regime on its head. Current SEC disclosure mandates are intended to provide investors with an accurate picture of the company's present and prospective performance through managers' own eyes. ... The proposal, by contrast, tells corporate managers how *regulators*, doing the bidding of an array of non-investor stakeholders, expect them to run their companies. It identifies a set of risks and opportunities—some perhaps real, others clearly theoretical—that managers *should be* considering and even suggests specific ways to mitigate those risks. 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."

We agree. It is perfectly fine for companies to voluntarily disclose their perceived exposure to climate risks, and many of them already do so under existing SEC guidance when such risk is deemed material to the value and risk of the company's securities. However, since climate change models vary dramatically, the notion of evaluating investment risk based on such uncertain variables is inherently subjective and unreliable. Moreover, such disclosures would serve to confuse investors as to how to judge true financial risk, significantly reducing market efficiency. It is precisely the type of question where government should not impose its own judgments of what constitutes material risk in place of managers'.

The unprecedented level of federal overreach makes your proposed rule an especially dangerous step. The SEC's congressionally directed mission is to protect investors, facilitate capital formation, and maintain fair, orderly, and efficient markets. The proposed rule degrades and undermines that mission by injecting subjective political judgments on climate policy into corporate disclosures, in a manner calculated to harm the states that provide for America's energy security.

The proposed rule appears part of an ongoing effort across the federal government to penalize companies involved in traditional energy development. Until recently, the Biden Administration explicitly refused to issue new oil and gas leases on federal lands and is now considering only a fraction of the lands that should be available. In addition, the Council on Environmental Quality is rolling back reforms to the environmental review process, the President has denied key pipeline and other permitting applications, and officials throughout the Biden Administration are rhetorically discouraging investment in oil and gas development. The proposed rule adds to that misguided agenda by distorting the mission of a key regulatory agency.

The approach in the proposed rule is especially foolish at a time when the cost of energy, and everything that depends on energy, has skyrocketed. Americans are struggling to pay their bills during the worst inflation in decades, and they expect their federal leaders to do everything possible to bring down prices, not place additional burdens on businesses and increase the uncertainty they face.

We strongly urge you to withdraw the proposed rule.

Sincerely,

Governor Spencer Cox State of Utah	Governor Kay Ivey State of Alabama	Governor Mike Dunleavy State of Alaska
Governor Doug Ducey State of Arizona	Governor Asa Hutchinson State of Arkansas	Governor Brad Little State of Idaho
Governor Kim Reynolds State of Iowa	Governor Tate Reeves State of Mississippi	Governor Mike Parson State of Missouri

Governor Greg Gianforte State of Montana	Governor Pete Ricketts State of Nebraska	Governor Doug Burgum State of North Dakota
Governor Kevin Stitt State of Oklahoma	Governor Kristi Noem State of South Dakota	Governor Greg Abbott State of Texas
Governor Mark Gordon State of Wyoming		