HAYNES BOONE

Stephen Grant in Houston Chronicle: SEC's Climate Reporting Plans

December 13, 2022 Stephen Grant

PRACTICES Corporate, Capital Markets and Securities, Emerging Companies and Venture Capital, Mergers and Acquisitions, Regulatory Compliance, Private Credit Finance

Haynes Boone Partner **Stephen Grant** was quoted extensively in a *Houston Chronicle* article discussing proposed rules from the Securities and Exchange Commission (SEC) that would require companies to report climate change risks to their operations.

Below is an excerpt:

"The SEC received an inordinate amount of comments across the board," Stephen Grant, partner in Haynes Boone, told the [Midland] Reporter-Telegram in a telephone interview.

The volume of comments, combined with a technical glitch that may have prevented some comments on the proposal from reaching the agency, have pushed back the timeline, he said.

"Our expectation is there will be a final rule early next year. As a result of the final rule (being pushed back) to next year, our expectation is the phase-in process, which is important, will be moved back a year," he said.

The rules could impact how companies report under Regulation S-K, which deals with narrative disclosures and could involve how a company's board oversees climate change and assesses climate risk, and Regulation S-X, which deals with financial disclosures.

"The biggest report will be the emissions report," said Grant.

His company and EnerCom Oil & Gas released its ESG Tracker report in October that surveyed 30 public oil and gas companies for trends in ESG data. The survey found most companies have implemented some form of ESG leadership in their boardrooms. It also found 25 of the 30 companies disclose their Scope 1 emissions – those from its own or controlled operations – and Scope 2 emissions – indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed by the company.

What is causing a lot of concern and consternation is the possible requirement to disclose Scope 3 emissions – those that are not generated by the company itself but by those it's indirectly responsible for up and down its value chain.

"It's asking for emissions data that's completely out of your control," said Grant. The SEC's use of the term "oil and gas manufacturing" suggests it would be material to the report, he added.

He advised oil and gas companies to be proactive – to think about governance and add formal ESG policies and procedures. When it comes to emissions reporting, he recommended companies look at their greenhouse gas protocols and "ramp up those resources. Internally, do more of a ramp-up and prepare for new rules."

To read the full *Houston Chronicle* article, click here. The article was also published in the *Midland Reporter-Telegram*.