



January 18, 2023

The Honorable Michael S. Regan
Administrator
U.S. Environmental Protection Agency
1200 Pennsylvania Avenue, N.W.
Washington, DC 20460

Re: Request for Information Docket 6: GHG Corporate Reporting [60111]

Docket ID EPA-HQ-OAR-2022-0878

Dear Administrator Regan:

The [Digital Climate Alliance](#) (DCA) appreciates the opportunity to provide comments on the U.S. Environmental Protection Agency's (EPA) Request for Information (RFI) regarding funding for Greenhouse Gas (GHG) Corporate Reporting provided in the Inflation Reduction Act.

The DCA is a coalition of companies developing and utilizing digital technologies to reduce their environmental impacts and those of their customers. The Alliance's goal is to promote the role of digital tools and platforms to enable solving climate, water, and energy challenges.

As companies that have made sustainability a fundamental aspect of our business plans, we believe greater transparency and trust of our corporate climate actions and risks is important for maintaining fair and efficient markets.

As such, we applaud the EPA for exploring opportunities to "enhance standardization and transparency of corporate climate action commitments and plans to reduce greenhouse gas emissions, enhance transparency regarding progress toward meeting such commitments and implementing such plans, and make progress toward meeting such commitments and implementing such plans."¹

The Growing Demand for Carbon Transparency

Currently, there is no clear and consistent way for the market to differentiate and value corporate climate action. There are those who criticize the methods companies are choosing to proceed toward net-zero, while other companies are using their corporate commitments to obfuscate a lack of true, meaningful action (i.e., greenwashing). As such, it is impossible for the public to easily monitor these corporate commitments. Yet the process of assessing environmental, social, and governance (ESG) performance is central to identifying high-impact opportunities for climate action and business growth.

¹ Inflation Reduction Act, Pub. L. No. 117-169, § 60111, 136 Stat. 1818, 2072 (2022).



Demand for sustainable asset classes has created a “hyper-competitive landscape for ESG rating systems”² and resulted in a multitude of different, competing standards that make it difficult for investors to make apples-to-apples comparisons. In addition, methodologies behind various standards are often considered proprietary, which stymies corporations attempting to improve their performance as well as investors seeking to make informed investments.

While some companies and governments are seeking to assess the carbon impacts of various products and certify low-carbon and/or more sustainable industrial products and materials, global markets cannot currently access timely and accurate information about the environmental impacts associated with these industrial commodities. This disconnection limits investment consistent with the scale and pace needed to meet science-based climate targets and sustainable development goals.

As such, the new corporate ESG/carbon landscape is responding to the demand for more transparent, granular, and actionable GHG emissions information by regulators, companies, and investors. To promote standardization and transparency of corporate climate action commitments, in the DCA's view, a complete emissions profile would include two data components: the technical component (i.e., what is being measured) and the contextual component (i.e., how the measurement is used in a regulatory or investment context). Therefore, the search for more—and better quality—data is complementary to the need for contextualized emissions data and a digital infrastructure to support it.

The Importance of Standardized Environmental Data

The lack of standardization in ESG/carbon reporting protocols is hindering the market's ability to mobilize and deploy investment to meet the financial capital needs necessary for a net-zero economy transition. Today, some methods for measuring, reporting, and verifying emissions are not transparent and trustworthy. Furthermore, emissions data is not contextualized in consistent ways that enable transactability in markets. Given these structural challenges, carbon transparency, traceability, and verification of emissions cannot be utilized or capitalized with existing markets.

Therefore, how will we get to the moment when investors, shareholders, and regulatory bodies benefit from clear, comparable, verified information on corporate action and its impact on emissions reductions?

Digitally measured and verified sustainability data is key. It can automate tracking and verification of emissions, avoid greenwashing, and prevent double counting. Without transparent, digitally verified data there is no harmonization of corporate sustainability actions.

The DCA considered options to integrate digitalization into the ongoing efforts to improve sustainability reporting both from the investor and regulatory perspective. We see **transparency, trust, and transactability** as a unifying framework of modernizing and

² Almondo, M., Hunter, L., Parsons, B., Wetstone, G. (2019). ESG 2.0: How to Improve ESG Scoring to Better reflect Renewable Energy use and Investment. Retrieved January 9, 2023, from https://acore.org/wp-content/uploads/2019/09/ACORE_ESG-2.0_Sept-2019.pdf



digitalizing sustainability action. The concept of the “[3Ts](#)” (i.e., transparency, trust, and transactability) is described below:

- **Transparency** enables innovation in business models, technologies, and operational processes, and with growing interest in the market to redefine what is seen as environmental performance of various products and services, the data found across the supply chain needs to be visible and clear to the consumer or viewer.
- **Trust** in the data that is collected and made visible is integral to reduce the number of assumptions and misinformation that may surround the results. Keeping the integrity and reliability of the information gathered across a supply chain, will help gather higher interest in investment and support needed to expand the reach of products and services.
- **Transactability** opens a plethora of opportunities for customers and companies after the transparency and trustworthiness of data is met, allowing stakeholders to benefit ever more so from their investment decisions, including in electric vehicles, clean energy sources, optimized buildings, and climate-smart commodities. Additionally, it gives data the ability to be compared across sectors and regions, so that the environmental attribute of a product or commodity is made transactable in the market, which allow it to be leveraged into market-based solutions.

As agencies across the federal government develop regulatory regimes relating to ESG/climate disclosures, we support an “all of government approach”—one that promotes alignment and coordination between agencies and deploys the 3Ts as companies will need this kind of process and assurance to meet investor, shareholder, regulatory, and societal demands.

Below are principles the DCA developed to guide policymakers on standardization of ESG/carbon reporting.

Data Harmonization Principles

Accurate and timely. Reporting entities should strive to report their emissions accurately and in a timely manner.

Transparent. Methods should be accessible and understandable to users of the information.

Credible. Calculations should be subject to an independent audit/third-party verifier to ensure validity and reliability.

Standardized. Accounting methods should be consistent for the purpose of drawing comparisons and harmonized with existing, widely recognized (e.g., international) standards.

Directly measured. Standardized direct measurements – where data collection is reasonable and practicable – should be preferred over indirect calculations.



Inter-compatible data architecture. The data systems used to exchange information on emissions should be compatible, thereby maximizing the ability of users to access and process the information.

Comprehensive. Initiatives should capture all relevant and significant contributing factors (i.e., life cycle analysis). In certain circumstances, this may encompass emissions that are avoided or saved, as well as scope 1, 2, and 3 emissions.

Efficient. Methods should be guided by pragmatism, recognizing an exhaustive accounting may be neither cost-effective nor provide additional meaningful information. Reporting should not require information that is either immaterial or duplicative.

Utility. The reporting methods should be fit for purpose for users (e.g., policymakers, investors, and other stakeholders), meaning that the information includes the relevant emissions and is provided in a user-friendly format.

Implemented on realistic timelines. Regulatory timelines should allow for a realistic schedule for implementation and account for uncertainty in the data as businesses, many of which are currently developing their methods and controls for reporting emissions, improve implementation of their emissions accounting procedures.

Conclusion

While several agencies across the federal government are developing regulatory regimes relating to ESG/climate disclosures, the EPA is uniquely positioned to ensure carbon emissions accounting is consistent and comparable across all agencies.

Standardization and harmonization of data is not only needed for external ESG/climate disclosures, but also across the myriad federal agencies developing programs and regulations utilizing carbon emissions accounting, including the Department of Energy, the Department of Transportation, the U.S. Department of Agriculture, the General Services Administration, and the Commodity Futures Trading Commission.

The EPA's Climate Partnership Program has spurred significant environmental progress through the years. These programs enabled businesses to go above and beyond regulatory requirements to reduce their impact on the climate, and today, over one-fifth of the world's 2,000 largest companies have committed to meet net-zero emission targets.³ As such, this voluntary program's proven track record underscores the value EPA can bring to this effort across the federal government.

Companies and investors can voluntarily close the gap that exists between intention (e.g., goals to meet climate commitments) and action (e.g., executing pursuant to those commitments) by replacing inconsistent ESG systems with a transparent system that uses real, verified data. With the right policy and governance framework, transforming data transparency and uniformity

³ U.S. Environmental Protection Agency. (2021). The Power of Partnership: Celebrating 30 Years of Climate Partnership Programs at EPA. Retrieved January 9, 2023, from https://www.epa.gov/system/files/documents/2021-08/30_years_report.pdf

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into data contextualization can accelerate the complex yet critical task of industrial decarbonization.

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About the Digital Climate Alliance:

Established in 2020, the Digital Climate Alliance is a coalition of companies developing and utilizing digital technologies and tools to reduce the environmental impacts of their operations and those of their customers. The Alliance aims to promote digital technologies and data-driven tools that will accelerate solutions targeting the impacts of climate change, water access and stress, and decarbonizing energy systems that impact economic development, business growth, social well-being, and ecosystem health.

As the pace of digital transformation accelerates across every sector of the U.S. and global economy, companies are increasingly leveraging an array of digital tools and platforms to optimize business efficiencies, drive sustainable outcomes, and reduce climate impacts. The Digital Climate Alliance members are building and utilizing digital solutions to improve efficiency and reduce the environmental impacts - or "footprint" - of their companies, products, and services. They are also using their digital "handprint" to enable their customers and supply chains to meet their own climate action and sustainability goals.