

115TH CONGRESS
2D SESSION

S. _____

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 SENATE OF THE UNITED STATES

Ms. WARREN (for herself, Mr. WHITEHOUSE, Mr. SCHATZ, Mr. MARKEY, Mr. BOOKER, Mr. MERKLEY, Ms. HARRIS, and Mrs. GILLIBRAND) introduced the following bill; which was read twice and referred to the Committee on _____

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 Disclo-
5 sure Act of 2018”.

6 **SEC. 2. DEFINITIONS.**

7 In this Act—

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

1 (A) the Administrator of the Environ-
2 mental Protection Agency;

3 (B) the Secretary of Energy;

4 (C) the Administrator of the National Ocea-
5 nic and Atmospheric Administration;

6 (D) the Director of the Office of Manage-
7 ment and Budget; and

8 (E) the head of any other Federal agency
9 determined appropriate by the Commission;

10 (2) the term “appropriate congressional com-
11 mittees” means—

12 (A) the Committee on Banking, Housing,
13 and Urban Affairs of the Senate; and

14 (B) the Committee on Financial Services
15 of the House of Representatives;

16 (3) the term “climate change” means a change
17 of climate that is—

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

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

23 (4) the term “Commission” means the Securi-
24 ties and Exchange Commission; and

1 (5) the term “covered issuer” has the meaning
2 given the term in subsection (s)(1) of section 13 of
3 the Securities Exchange Act of 1934 (15 U.S.C.
4 78m), as added by section 4(a).

5 **SEC. 3. SENSE OF CONGRESS.**

6 It is the sense of Congress that—

7 (1) continued inaction in addressing climate
8 change poses a significant threat to the growth and
9 stability of the economy of the United States;

10 (2) many sectors of the economy of the United
11 States are exposed to multiple channels of climate-
12 related risk, which may include exposure to—

13 (A) the physical impacts of climate change,
14 including the rise of the average global tem-
15 perature, sea-level rise, desertification, ocean
16 acidification, flooding, drought, and wildfires;

17 (B) the economic disruptions and security
18 threats that result from the physical impacts
19 described in subparagraph (A); and

20 (C) the transition impacts that result as
21 the global economy transitions to a clean en-
22 ergy, low-emissions economy, including financial
23 impacts as fossil fuel assets become stranded as
24 the global community acts to prevent the worst
25 impacts of climate change by keeping the aver-

1 age rise in global temperature well below 2 de-
2 grees Celsius above pre-industrial levels;

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

6 (4) companies have a duty to disclose financial
7 risks that climate change presents;

8 (5) the Commission has a duty to promote a
9 risk-informed securities market that is worthy of the
10 trust of the public as families invest for their fu-
11 tures;

12 (6) including standardized climate change risk
13 disclosure that is useful for decision makers in an-
14 nual reports to the Commission will increase trans-
15 parency with respect to risk accumulation and expo-
16 sure in financial markets;

17 (7) requiring companies to disclose climate-re-
18 lated risk exposure and risk management strategies
19 will encourage a smooth transition to a clean energy,
20 low-emissions economy and guide capital allocation
21 to mitigate, and adapt to, the effects of climate
22 change; and

23 (8) a critical component in fighting climate
24 change is a transparent accounting of the risks that

1 climate change presents and the implications of con-
2 tinued inaction with respect to climate change.

3 **SEC. 4. DISCLOSURE.**

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

7 “(s) DISCLOSURES RELATING TO CLIMATE
8 CHANGE.—

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

10 “(A) the term ‘2 degrees or lower scenario’
11 means a widely-recognized, publicly-available
12 analysis scenario in which human interventions
13 to combat global climate change are likely to
14 prevent the global average temperature from
15 reaching 2 degrees Celsius above pre-industrial
16 levels;

17 “(B) the terms ‘appropriate climate prin-
18 cipals’ and ‘climate change’ have the meanings
19 given those terms in section 2 of the Climate
20 Risk Disclosure Act of 2018;

21 “(C) the term ‘baseline scenario’ means a
22 widely-recognized analysis scenario in which lev-
23 els of greenhouse gas emissions, as of the date
24 on which the analysis is performed, continue to
25 grow, resulting in—

1 “(i) an increase in the global average
2 temperature of 2 degrees Celsius or more
3 above pre-industrial levels; and

4 “(ii) the realization of physical risks
5 relating to global climate change;

6 “(D) the term ‘carbon dioxide equivalent’
7 means the quantity of a greenhouse gas that
8 has a global warming potential equivalent to 1
9 metric ton of carbon dioxide, as determined
10 under table A-1 of subpart A of part 98 of title
11 40, Code of Federal Regulations, as in effect on
12 the date of enactment of this subsection;

13 “(E) the term ‘commercial development of
14 fossil fuels’ includes—

15 “(i) exploration, extraction, proc-
16 essing, exporting, transporting, and any
17 other significant action with respect to oil,
18 natural gas, or coal; and

19 “(ii) acquiring a license for any activ-
20 ity described in clause (i);

21 “(F) the term ‘covered issuer’ means an
22 issuer that is required to file an annual report
23 under subsection (a) or section 15(d);

1 “(G) the term ‘direct and indirect green-
2 house gas emissions’ includes, with respect to a
3 covered issuer—

4 “(i) all direct greenhouse gas emis-
5 sions released by the covered issuer;

6 “(ii) all indirect greenhouse gas emis-
7 sions with respect to electricity, heat, or
8 steam purchased by the covered issuer;

9 “(iii) significant indirect emissions,
10 other than the emissions described in
11 clause (ii), that occur in the value chain of
12 the covered issuer; and

13 “(iv) all indirect greenhouse gas emis-
14 sions that are attributable to assets owned
15 or managed, including assets that are par-
16 tially owned or managed, by the covered
17 issuer;

18 “(H) the term ‘fossil fuel reserves’ means
19 all producing assets, proved reserves, unproved
20 resources, and any other ownership stake in
21 sources of fossil fuels;

22 “(I) the term ‘greenhouse gas’—

23 “(i) means carbon dioxide,
24 hydrofluorocarbons, methane, nitrous

1 oxide, perfluorocarbons, and sulfur
2 hexafluoride; and

3 “(ii) includes any other
4 anthropogenically-emitted gas or particu-
5 late that the Administrator of the Environ-
6 mental Protection Agency determines,
7 after notice and comment, to contribute to
8 global warming;

9 “(J) the term ‘greenhouse gas emissions’
10 means the emissions of greenhouse gas, ex-
11 pressed in terms of metric tons of carbon diox-
12 ide equivalent;

13 “(K) the term ‘physical risks’ means finan-
14 cial risks to long-lived fixed assets, locations,
15 operations, or value chains that result from ex-
16 posure to physical climate-related effects, in-
17 cluding—

18 “(i) increased average global tempera-
19 tures;

20 “(ii) increased severity and frequency
21 of extreme weather events;

22 “(iii) increased flooding;

23 “(iv) sea level rise;

24 “(v) ocean acidification;

25 “(vi) increased frequency of wildfires;

1 “(vii) decreased arability of farmland;

2 and

3 “(viii) decreased availability of fresh

4 water;

5 “(L) the term ‘social cost of carbon’ means

6 the monetized present value, discounted at a 3

7 percent or lower discount rate, in dollars, per

8 metric ton of carbon dioxide (or carbon dioxide

9 equivalent), of the net global costs over 300

10 years caused by the emission of carbon dioxide

11 (or carbon dioxide equivalent, as applicable)

12 that result from—

13 “(i) changes in net agricultural pro-

14 ductivity;

15 “(ii) decreases in capital and labor

16 productivity;

17 “(iii) effects on human health;

18 “(iv) property damage from increased

19 sea level rise, flooding, wildfires, and fre-

20 quency and severity of extreme weather

21 events;

22 “(v) the value of ecosystem services;

23 and

24 “(vi) any other type of economic, so-

25 cial, political, or natural disruption;

1 “(M) the term ‘transition risks’ means fi-
2 nancial risks that are attributable to climate
3 change mitigation and adaptation, including ef-
4 forts to reduce greenhouse gas emissions and
5 strengthen resilience to the impacts of climate
6 change, including—

7 “(i) costs relating to—

8 “(I) international treaties and
9 agreements;

10 “(II) Federal, State, and local
11 policy;

12 “(III) new technologies;

13 “(IV) changing markets;

14 “(V) reputational impacts rel-
15 evant to changing consumer behavior;

16 and

17 “(VI) litigation; and

18 “(ii) assets that may lose value or be-
19 come stranded due to any of the costs de-
20 scribed in subclauses (I) through (VI) of
21 clause (i); and

22 “(N) the term ‘value chain’—

23 “(i) means the total lifecycle of a
24 product or service, both before and after

1 production of the product or service, as ap-
2 plicable; and

3 “(ii) may include the sourcing of ma-
4 terials, production, and disposal with re-
5 spect to the product or service described in
6 clause (i).

7 “(2) FINDINGS.—Congress finds that—

8 “(A) long-term financial and economic
9 risks and opportunities relating to climate
10 change, and the national and global reduction
11 of greenhouse gas emissions, constitute infor-
12 mation that issuers—

13 “(i) may reasonably expect to affect
14 shareholder decisionmaking; and

15 “(ii) should regularly identify, evalu-
16 ate, and disclose; and

17 “(B) the disclosure of information de-
18 scribed in subparagraph (A) should—

19 “(i) identify, and evaluate the poten-
20 tial financial impact of, physical risks and
21 transition risks posed by climate change;

22 “(ii) allow for intra- and cross-indus-
23 try comparison, to the extent practicable,
24 of climate-related risk exposure through
25 the inclusion of standardized industry-spe-

1 cific and sector-specific disclosure metrics,
2 as identified by the Commission, in con-
3 sultation with the appropriate climate prin-
4 cipals;

5 “(iii) allow for tracking of perform-
6 ance over time with respect to mitigating
7 climate risk exposure; and

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

12 “(3) DISCLOSURE.—Each covered issuer, in any
13 annual report filed by the covered issuer under sub-
14 section (a) or section 15(d), shall, in accordance
15 with the requirements established under paragraphs
16 (4) and (5), include in each such report information
17 regarding—

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

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

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

1 power, and non-renewable energy;
2 and

3 “(bb) any other sector deter-
4 mined appropriate by the Com-
5 mission, in consultation with the
6 appropriate climate principals;

7 “(II) include reporting standards
8 for estimating and disclosing direct
9 and indirect greenhouse gas emissions
10 by a covered issuer, and any affiliates
11 of the covered issuer, which shall—

12 “(aa) separate, to the extent
13 practicable, total emissions of
14 each specified greenhouse gas by
15 the covered issuer; and

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

20 “(III) include reporting stand-
21 ards and metrics for disclosing, with
22 respect to a covered issuer—

23 “(aa) the total amount of
24 fossil fuel-related assets owned or

1 managed by the covered issuer;

2 and

3 “(bb) the percentage of fos-
4 sil fuel-related assets as a per-
5 centage of total assets owned or
6 managed by the covered issuer;

7 “(IV) establish a minimum social
8 cost of carbon, which—

9 “(aa) shall be considered a
10 minimum price with respect to
11 costs associated with carbon
12 emissions; and

13 “(bb) a covered issuer shall
14 use in preparing climate-related
15 disclosure statements;

16 “(V) not preclude a covered
17 issuer from using and disclosing, as
18 compared with the price established
19 under subclause (IV)(aa), a higher
20 price of greenhouse gas emissions;

21 “(VI) specify requirements for,
22 and the disclosure of, input param-
23 eters, assumptions, and analytical
24 choices to be used in climate scenario

1 analyses required under clause (ii)(I),
2 including—

3 “(aa) present value discount
4 rates;

5 “(bb) time frames to con-
6 sider, which shall be not shorter
7 than 30 years; and

8 “(cc) minimum pricing of
9 greenhouse gas emissions, as es-
10 tablished under subclause
11 (IV)(aa) and subject to subclause
12 (V); and

13 “(VII) include, after consultation
14 with the Secretary of Energy, the Sec-
15 retary of the Interior, and the Sec-
16 retary of Transportation, documenta-
17 tion standards and guidance with re-
18 spect to the information required
19 under clause (ii)(III);

20 “(ii) require that a covered issuer,
21 with respect to the disclosure required
22 under paragraph (3)—

23 “(I) incorporate into the disclo-
24 sure—

1 “(aa) quantitative analysis
2 to support any qualitative state-
3 ment made by the covered issuer;

4 “(bb) the metrics and guid-
5 ance established under clause (i);

6 “(cc) industry-specific
7 metrics that comply with the re-
8 quirements under clause (i)(I);

9 “(dd) a discussion of the
10 short-, medium-, and long-term
11 resilience of any risk manage-
12 ment strategy, and the evolution
13 of applicable risk metrics, of the
14 covered issuer under each sce-
15 nario described in subclause (II);
16 and

17 “(ee) the total social cost of
18 carbon emissions that are attrib-
19 utable to the direct and indirect
20 greenhouse gas emissions of the
21 covered issuer;

22 “(II) consider, when preparing
23 any qualitative or quantitative risk
24 analysis statement contained in the
25 disclosure—

1 “(aa) a baseline scenario
2 that includes physical impacts of
3 climate change;

4 “(bb) a 2 degrees or lower
5 scenario; and

6 “(cc) any additional climate
7 analysis scenario considered ap-
8 propriate by the Commission, in
9 consultation with the appropriate
10 climate principals;

11 “(III) if the covered issuer en-
12 gages in the commercial development
13 of fossil fuels, include in the disclo-
14 sure—

15 “(aa) an estimate of the
16 amount of direct and indirect
17 greenhouse gas emissions of the
18 covered issuer that are attrib-
19 utable to—

20 “(AA) combustion;

21 “(BB) flared hydro-
22 carbons;

23 “(CC) process emis-
24 sions;

1 “(DD) directly vented
2 emissions;

3 “(EE) fugitive emis-
4 sions or leaks; and

5 “(FF) land use
6 changes;

7 “(bb) a description of—

8 “(AA) the sensitivity of
9 fossil fuel reserve levels to
10 future price projection sce-
11 narios that incorporate the
12 social cost of carbon into hy-
13 drocarbon pricing;

14 “(BB) the percentage
15 of the reserves of the cov-
16 ered issuer that will be de-
17 veloped under a 2 degrees or
18 lower scenario, as well as a
19 forecast for the development
20 prospects of each reserve
21 under a 2 degrees or lower
22 scenario;

23 “(CC) the potential
24 amount of direct and indi-
25 rect greenhouse gas emis-

1 sions that are embedded in
2 proved and probable hydro-
3 carbon reserves, with each
4 such calculation presented
5 as a total and in subdivided
6 categories by the type of re-
7 serve;

8 “(DD) the methodology
9 of the covered issuer for de-
10 tecting and mitigating fugi-
11 tive methane emissions,
12 which shall include the fre-
13 quency with which applicable
14 assets of the covered issuer
15 are observed for methane
16 leaks, the processes and
17 technology that the covered
18 issuer uses to detect meth-
19 ane leaks, the percentage of
20 assets of the covered issuer
21 that the covered issuer in-
22 spects under that method-
23 ology, and quantitative and
24 time-bound reduction goals

1 of the issuer with respect to
2 methane leaks;

3 “(EE) the amount of
4 water that the covered issuer
5 withdraws from freshwater
6 sources for use in operations
7 of the covered issuer; and

8 “(FF) the percentage
9 of the water described in
10 subitem (EE) that comes
11 from regions of water stress
12 or that face wastewater
13 management challenges; and

14 “(cc) any other information
15 that the Commission, in consulta-
16 tion with the appropriate climate
17 principals and the Secretary of
18 Energy, the Secretary of the In-
19 terior, and the Secretary of
20 Transportation, determines is—

21 “(AA) necessary;

22 “(BB) appropriate to
23 safeguard the public inter-
24 est; or

1 “(CC) directed at en-
2 suring that investors are in-
3 formed in accordance with
4 the findings described in
5 paragraph (2)(B); and

6 “(iii) with respect to the disclosure re-
7 quired under paragraph (3), require that
8 the covered issuer include in the disclosure
9 any other information, or use any climate-
10 related or greenhouse gas emissions metric,
11 that the Commission, in consultation with
12 the appropriate climate principals, deter-
13 mines is—

14 “(I) necessary;

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

17 “(III) directed at ensuring that
18 investors are informed in accordance
19 with the findings described in para-
20 graph (2)(B).

21 “(5) FORMATTING.—

22 “(A) IN GENERAL.—Any information in-
23 cluded pursuant to the requirements of this
24 subsection by a covered issuer in an annual re-
25 port submitted under subsection (a) or section

1 15(d) shall be submitted in an interactive data
2 format.

3 “(B) ESTABLISHMENT BY COMMISSION.—
4 The Commission shall develop standards for the
5 interactive data format described in subpara-
6 graph (A), which shall include electronic tags
7 for information that the Commission determines
8 is—

9 “(i) necessary;

10 “(ii) appropriate to safeguard the
11 public interest; or

12 “(iii) directed at ensuring that inves-
13 tors are informed in accordance with the
14 findings described in paragraph (2)(B).

15 “(6) PUBLIC AVAILABILITY.—The Commission
16 shall, to the maximum extent practicable, make a
17 compilation of the information submitted by covered
18 issuers under this subsection publicly available on
19 the website of the Commission.

20 “(7) RULE OF CONSTRUCTION.—Nothing in
21 paragraph (3) or (4) may be construed as precluding
22 a covered issuer from including, in an annual report
23 submitted under subsection (a) or section 15(d), any
24 information not explicitly referenced in those para-
25 graphs.”.

1 (b) REGULATIONS.—

2 (1) IN GENERAL.—Not later than 1 year after
3 the date of enactment of this Act, the Commission,
4 in consultation with the appropriate climate prin-
5 cipals, shall issue final rules to establish appropriate
6 documentation standards, metrics for calculations
7 required, and guidance with respect to the disclosure
8 requirements under subsection (s) of section 13 of
9 the Securities Exchange Act of 1934 (15 U.S.C.
10 78m), as added by subsection (a) of this section.

11 (2) PERIODIC UPDATES.—The Commission
12 shall periodically update the rules issued under para-
13 graph (1) to ensure that those rules further the pur-
14 poses described in subsection (s)(2)(B) of section 13
15 of the Securities Exchange Act of 1934 (15 U.S.C.
16 78m), as added by subsection (a) of this section.

17 **SEC. 5. REPORTS.**

18 (a) SECURITIES AND EXCHANGE COMMISSION.—The
19 Commission shall—

20 (1) conduct an annual assessment regarding the
21 compliance of covered issuers with the requirements
22 of subsection (s) of section 13 of the Securities Ex-
23 change Act of 1934 (15 U.S.C. 78m), as added by
24 section 4(a);

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

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

6 (b) **GOVERNMENT ACCOUNTABILITY OFFICE.**—The
7 Comptroller General of the United States shall periodically
8 evaluate, and report to the appropriate congressional com-
9 mittees on, the effectiveness of the Commission in carrying
10 out and enforcing subsection (s) of section 13 of the Secu-
11 rities Exchange Act of 1934 (15 U.S.C. 78m), as added
12 by section 4(a).

13 **SEC. 6. SEVERABILITY.**

14 If any provision of this Act, an amendment made by
15 this Act, or the application of this Act (or an amendment
16 made by this Act) to any person or circumstance is held
17 to be invalid, that holding shall have no effect with respect
18 to—

19 (1) the remainder of this Act; and

20 (2) the application of the provision or amend-
21 ment, as applicable, to any other person or cir-
22 cumstance.

1 **SEC. 7. AUTHORIZATION OF APPROPRIATIONS.**

2 There are authorized to be appropriated to the Com-
3 mission such sums as may be necessary to carry out this
4 Act.