

**AMENDMENT IN THE NATURE OF A SUBSTITUTE
TO H.R. 2570
OFFERED BY MR. CASTEN OF ILLINOIS**

[Amendment to the Climate Risk Disclosure Act of 2021]

Strike all after the enacting clause and insert the following:

1 SECTION 1. SHORT TITLE.

2 This Act may be cited as the “Climate Risk Dislo-
3 sure Act of 2021”.

4 SEC. 2. SENSE OF CONGRESS.

5 It is the sense of Congress that—

6 (1) climate change poses a significant and in-
7 creasing threat to the growth and stability of the
8 economy of the United States;

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

13 (A) the physical impacts of climate change,
14 including the rise of the average global tem-
15 perature, accelerating sea-level rise,
16 desertification, ocean acidification, intensifica-
17 tion of storms, increase in heavy precipitation,

1 more frequent and intense temperature ex-
2 tremes, more severe droughts, and longer wild-
3 fire seasons;

4 (B) the economic disruptions and security
5 threats that result from the physical impacts
6 described in subparagraph (A) including con-
7 flicts over scarce resources, conditions condu-
8 cive to violent extremism, the spread of infec-
9 tious diseases, and forced migration;

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 climate change fos-
14 sil fuel assets becoming stranded and it be-
15 comes uneconomic for companies to develop fos-
16 sil fuel assets as policymakers act to limit the
17 worst impacts of climate change by keeping the
18 rise in average global temperature to 1.5 de-
19 grees Celsius above pre-industrial levels; and

20 (D) actions by Federal, State, Tribal, ter-
21 ritorial, and local governments to limit the
22 worst effects of climate change by enacting poli-
23 cies that keep the global average surface tem-
24 perature rise to 1.5 degrees Celsius above pre-
25 industrial levels;

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

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

7 (5) the Securities and Exchange Commission
8 has a duty to promote a risk-informed securities
9 market that is worthy of the trust of the public as
10 families invest for their futures;

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

14 (7) including standardized, material climate
15 change risk and opportunity disclosure that is useful
16 for decision makers in annual reports to the Com-
17 mission will increase transparency with respect to
18 risk accumulation and exposure in financial markets;

19 (8) requiring companies to disclose climate-re-
20 lated risk exposure and risk management strategies
21 will encourage a smoother transition to a clean and
22 renewable energy, low-emissions economy and guide
23 capital allocation to mitigate, and adapt to, the ef-
24 fects of climate change and limit damages associated
25 with climate-related events and disasters; and

1 (9) a critical component in fighting climate
2 change is a transparent accounting of the risks that
3 climate change presents and the implications of con-
4 tinued inaction with respect to climate change.

5 **SEC. 3. DISCLOSURES RELATING TO CLIMATE CHANGE.**

6 Section 13 of the Securities Exchange Act of 1934
7 (15 U.S.C. 78m) is amended by adding at the end the
8 following:

9 “(s) DISCLOSURES RELATING TO CLIMATE
10 CHANGE.—

11 “(1) DEFINITIONS.—In this subsection:

12 “(A) 1.5 DEGREE SCENARIO.—The term
13 ‘1.5 degree scenario’ means a scenario that
14 aligns with greenhouse gas emissions pathways
15 that aim to limit global warming to 1.5 degrees
16 Celsius above pre-industrial levels.

17 “(B) APPROPRIATE CLIMATE PRIN-
18 CIPALS.—The term ‘appropriate climate prin-
19 cipals’ means—

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

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

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

3 “(iv) the Secretary of the Interior;

4 “(v) the Secretary of Energy; and

5 “(vi) the head of any other Federal
6 agency, as determined appropriate by the
7 Commission.

8 “(C) BASELINE SCENARIO.—The term
9 ‘baseline scenario’ means a widely-recognized
10 analysis scenario in which levels of greenhouse
11 gas emissions, as of the date on which the anal-
12 ysis is performed, continue to grow, resulting in
13 an increase in the global average temperature
14 of 1.5 degrees Celsius or more above pre-indus-
15 trial levels.

16 “(D) CARBON DIOXIDE EQUIVALENT.—
17 The term ‘carbon dioxide equivalent’ means the
18 number of metric tons of carbon dioxide emis-
19 sions with the same global warming potential as
20 one metric ton of another greenhouse gas, as
21 determined under table A–1 of subpart A of
22 part 98 of title 40, Code of Federal Regula-
23 tions, as in effect on the date of enactment of
24 this subsection.

1 “(E) CLIMATE CHANGE.—The term ‘cli-
2 mate change’ means a change of climate that
3 is—

4 “(i) attributed directly or indirectly to
5 human activity that alters the composition
6 of the global atmosphere; and

7 “(ii) in addition to natural climate
8 variability observed over comparable time
9 periods.

10 “(F) COMMERCIAL DEVELOPMENT OF FOS-
11 SIL FUELS.—The term ‘commercial develop-
12 ment of fossil fuels’ includes—

13 “(i) exploration, extraction, proc-
14 essing, exporting, transporting, refining,
15 and any other significant action with re-
16 spect to oil, natural gas, coal, or any by-
17 product thereof or any other solid or liquid
18 hydrocarbons that are commercially pro-
19 duced; and

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

22 “(G) COVERED ISSUER.—The term ‘cov-
23 ered issuer’ means an issuer that is required to
24 file an annual report under subsection (a) or
25 section 15(d).

1 “(H) DIRECT AND INDIRECT GREENHOUSE
2 GAS EMISSIONS.—The term ‘direct and indirect
3 greenhouse gas emissions’ includes, with respect
4 to a covered issuer—

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

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

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

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

19 “(I) FOSSIL FUEL RESERVES.—The term
20 ‘fossil fuel reserves’ has the meaning given the
21 term ‘reserves’ under the final rule of the Com-
22 mission titled ‘Modernization of Oil and Gas
23 Reporting’ (74 Fed. Reg. 2158; published Jan-
24 uary 14, 2009).

1 “(J) GREENHOUSE GAS.—The term
2 ‘greenhouse gas’—

3 “(i) means carbon dioxide,
4 hydrofluorocarbons, methane, nitrous
5 oxide, perfluorocarbons, sulfur
6 hexafluoride, nitrogen trifluoride, and
7 chlorofluorocarbons;

8 “(ii) includes any other
9 anthropogenically-emitted gas that the Ad-
10 ministrators of the Environmental Protec-
11 tion Agency determines, after notice and
12 comment, to contribute to climate change;
13 and

14 “(iii) includes any other
15 anthropogenically-emitted gas that the
16 Intergovernmental Panel on Climate
17 Change determines to contribute to climate
18 change.

19 “(K) GREENHOUSE GAS EMISSIONS.—The
20 term ‘greenhouse gas emissions’ means the
21 emissions of greenhouse gas, expressed in terms
22 of metric tons of carbon dioxide equivalent.

23 “(L) PHYSICAL RISKS.—The term ‘phys-
24 ical risks’ means financial risks to long-lived
25 fixed assets, locations, operations, or value

1 chains that result from exposure to physical cli-
2 mate-related effects, including—

3 “(i) increased average global tempera-
4 tures and increased frequency of tempera-
5 ture extremes;

6 “(ii) increased severity and frequency
7 of extreme weather events;

8 “(iii) increased flooding;

9 “(iv) sea level rise;

10 “(v) ocean acidification;

11 “(vi) increased frequency of wildfires;

12 “(vii) decreased arability of farmland;

13 “(viii) decreased availability of fresh
14 water; and

15 “(ix) any other financial risks to long-
16 lived fixed assets, locations, operations, or
17 value chains determined appropriate by the
18 Commission, in consultation with appro-
19 priate climate principals.

20 “(M) SOCIAL COST OF CARBON.—The term
21 ‘social cost of carbon’ means the social cost of
22 carbon, as described in the technical support
23 document entitled ‘Technical Support Docu-
24 ment: Technical Update of the Social Cost of
25 Carbon for Regulatory Impact Analysis Under

1 Executive Order 12866’, published by the Inter-
2 agency Working Group on Social Cost of Green-
3 house Gases, United States Government, in Au-
4 gust 2016 or any successor or substantially re-
5 lated estimate of the monetized damages associ-
6 ated with an incremental increase in carbon di-
7 oxide emissions in a given year.

8 “(N) TRANSITION RISKS.—The term ‘tran-
9 sition risks’ means financial risks that are at-
10 tributable to climate change mitigation and ad-
11 aptation, including efforts to reduce greenhouse
12 gas emissions and strengthen resilience to the
13 impacts of climate change, including—

14 “(i) costs relating to—

15 “(I) international treaties and
16 agreements;

17 “(II) Federal, State, and local
18 policy;

19 “(III) new technologies;

20 “(IV) changing markets;

21 “(V) reputational impacts rel-
22 evant to changing consumer behavior;
23 and

24 “(VI) litigation; and

1 “(ii) assets that may lose value or be-
2 come stranded due to any of the costs de-
3 scribed in subclauses (I) through (VI) of
4 clause (i).

5 “(O) VALUE CHAIN.—The term ‘value
6 chain’—

7 “(i) means the total lifecycle of a
8 product or service, both before and after
9 production of the product or service, as ap-
10 plicable; and

11 “(ii) may include the sourcing of ma-
12 terials, production, transportation, and dis-
13 posal with respect to the product or service
14 described in clause (i).

15 “(2) FINDINGS.—Congress finds that—

16 “(A) short-, medium-, and long-term finan-
17 cial and economic risks and opportunities relat-
18 ing to climate change, and the national and
19 global reduction of greenhouse gas emissions,
20 constitute information that issuers—

21 “(i) may reasonably expect to affect
22 shareholder decision making; and

23 “(ii) should regularly identify, evalu-
24 ate, and disclose; and

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

3 “(i) identify, and evaluate—

4 “(I) material physical and transi-
5 tion risks posed by climate change;
6 and

7 “(II) the potential financial im-
8 pact of such risks;

9 “(ii) detail any implications such risks
10 have on corporate strategy;

11 “(iii) detail any board-level oversight
12 of material climate related risks and op-
13 portunities;

14 “(iv) allow for intra- and cross-indus-
15 try comparison, to the extent practicable,
16 of climate-related risk exposure through
17 the inclusion of standardized industry-spe-
18 cific and sector-specific disclosure metrics,
19 as identified by the Commission, in con-
20 sultation with the appropriate climate prin-
21 cipals;

22 “(v) allow for tracking of performance
23 over time with respect to mitigating cli-
24 mate risk exposure; and

1 “(vi) incorporate a price on green-
2 house gas emissions in financial analyses
3 that reflects, at minimum, the social cost
4 of carbon that is attributable to issuers.

5 “(3) DISCLOSURE.—Each covered issuer, in any
6 annual report filed by the covered issuer under sub-
7 section (a) or section 15(d), shall, in accordance
8 with any rules issued by the Commission pursuant
9 to this subsection, include in each such report infor-
10 mation regarding—

11 “(A) the identification of, the evaluation of
12 potential financial impacts of, and any risk-
13 management strategies relating to—

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

16 “(ii) transition risks posed to the cov-
17 ered issuer by climate change;

18 “(B) a description of any established cor-
19 porate governance processes and structures to
20 identify, assess, and manage climate-related
21 risks;

22 “(C) a description of specific actions that
23 the covered issuer is taking to mitigate identi-
24 fied risks;

1 “(D) a description of the resilience of any
2 strategy the covered issuer has for addressing
3 climate risks when differing climate scenarios
4 are taken into consideration; and

5 “(E) a description of how climate risk is
6 incorporated into the overall risk management
7 strategy of the covered issuer.

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

14 “(5) RULEMAKING.—The Commission, in con-
15 sultation with the appropriate climate principals,
16 shall, not later than 2 years after the date of the en-
17 actment of this subsection, issue rules with respect
18 to the information that a covered issuer is required
19 to disclose pursuant to this subsection and such
20 rules shall—

21 “(A) establish climate-related risk disclo-
22 sure rules, which shall—

23 “(i) be, to the extent practicable, spe-
24 cialized for industries within specific sec-
25 tors of the economy, which shall include—

1 “(I) the sectors of finance, insur-
2 ance, transportation, electric power,
3 mining, and non-renewable energy;
4 and

5 “(II) any other sector determined
6 appropriate by the Commission, in
7 consultation with the appropriate cli-
8 mate principals;

9 “(ii) include reporting standards for
10 estimating and disclosing direct and indi-
11 rect greenhouse gas emissions by a covered
12 issuer, and any affiliates of the covered
13 issuer, which shall—

14 “(I) disaggregate, to the extent
15 practicable, total emissions of each
16 specified greenhouse gas by the cov-
17 ered issuer; and

18 “(II) include greenhouse gas
19 emissions by the covered issuer during
20 the period covered by the disclosure;

21 “(iii) include reporting standards for
22 disclosing, with respect to a covered
23 issuer—

1 “(I) the total amount of fossil
2 fuel-related assets owned or managed
3 by the covered issuer; and

4 “(II) the percentage of fossil
5 fuel-related assets as a percentage of
6 total assets owned or managed by the
7 covered issuer;

8 “(iv) specify requirements for, and the
9 disclosure of, input parameters, assump-
10 tions, and analytical choices to be used in
11 climate scenario analyses required under
12 subparagraph (B)(i), including—

13 “(I) present value discount rates;
14 and

15 “(II) time frames to consider, in-
16 cluding 5, 10, and 20 year time
17 frames; and

18 “(v) include reporting standards and
19 guidance with respect to the information
20 required under subparagraph (B)(iii);

21 “(B) require that a covered issuer, with re-
22 spect to a disclosure required under this sub-
23 section—

24 “(i) incorporate into such disclosure—

1 “(I) quantitative analysis to sup-
2 port any qualitative statement made
3 by the covered issuer;

4 “(II) the rules established under
5 subparagraph (A);

6 “(III) industry-specific metrics
7 that comply with the requirements
8 under subparagraph (A)(i);

9 “(IV) specific risk management
10 actions that the covered issuer is tak-
11 ing to address identified risks;

12 “(V) a discussion of the short-,
13 medium-, and long-term resilience of
14 any risk management strategy, and
15 the evolution of applicable risk
16 metrics, of the covered issuer under
17 each scenario described in clause (ii);
18 and

19 “(VI) the total cost attributable
20 to the direct and indirect greenhouse
21 gas emissions of the covered issuer,
22 using, at minimum, the social cost of
23 carbon;

1 “(ii) consider, when preparing any
2 qualitative or quantitative risk analysis
3 statement contained in the disclosure—

4 “(I) a baseline scenario that in-
5 cludes physical impacts of climate
6 change;

7 “(II) a 1.5 degrees scenario; and

8 “(III) any additional climate
9 analysis scenario considered appro-
10 priate by the Commission, in consulta-
11 tion with the appropriate climate prin-
12 cipals;

13 “(iii) if the covered issuer engages in
14 the commercial development of fossil fuels,
15 include in the disclosure—

16 “(I) an estimate of the total and
17 a disaggregated amount of direct and
18 indirect greenhouse gas emissions of
19 the covered issuer that are attrib-
20 utable to—

21 “(aa) combustion;

22 “(bb) flared hydrocarbons;

23 “(cc) process emissions;

24 “(dd) directly vented emis-
25 sions;

1 “(ee) fugitive emissions or
2 leaks; and

3 “(ff) land use changes;

4 “(II) a description of—

5 “(aa) the sensitivity of fossil
6 fuel reserve levels to future price
7 projection scenarios that incor-
8 porate the social cost of carbon;

9 “(bb) the percentage of the
10 reserves of the covered issuer
11 that will be developed under the
12 scenarios established in clause
13 (ii), as well as a forecast for the
14 development prospects of each re-
15 serve under the scenarios estab-
16 lished in clause (ii);

17 “(cc) the potential amount
18 of direct and indirect greenhouse
19 gas emissions that are embedded
20 in proved and probable reserves,
21 with each such calculation pre-
22 sented as a total and in sub-
23 divided categories by the type of
24 reserve;

1 “(dd) the methodology of
2 the covered issuer for detecting
3 and mitigating fugitive methane
4 emissions, which shall include the
5 frequency with which applicable
6 assets of the covered issuer are
7 observed for methane leaks, the
8 processes and technology that the
9 covered issuer uses to detect
10 methane leaks, the percentage of
11 assets of the covered issuer that
12 the covered issuer inspects under
13 that methodology, and quan-
14 titative and time-bound reduction
15 goals of the issuer with respect to
16 methane leaks;

17 “(ee) the amount of water
18 that the covered issuer withdraws
19 from freshwater sources for use
20 and consumption in operations of
21 the covered issuer; and

22 “(ff) the percentage of the
23 water described in item (ee) that
24 comes from regions of water

1 stress or that face wastewater
2 management challenges; and

3 “(III) any other information that
4 the Commission determines is—

5 “(aa) necessary;

6 “(bb) appropriate to safe-
7 guard the public interest; or

8 “(cc) directed at ensuring
9 that investors are informed in ac-
10 cordance with the findings de-
11 scribed in paragraph (2);

12 “(C) with respect to a disclosure required
13 under section 13(s) of the Securities Exchange
14 Act of 1934, require that a covered issuer in-
15 clude in such disclosure any other information,
16 or use any climate-related or greenhouse gas
17 emissions metric, that the Commission, in con-
18 sultation with the appropriate climate prin-
19 cipals, determines is—

20 “(i) necessary;

21 “(ii) appropriate to safeguard the
22 public interest; or

23 “(iii) directed at ensuring that inves-
24 tors are informed in accordance with the
25 findings described in paragraph (2); and

1 “(D) with respect to a disclosure required
2 under section 13(s) of the Securities Exchange
3 Act of 1934, establish how and where the re-
4 quired disclosures shall be addressed in the cov-
5 ered issuer’s annual financial filing.

6 “(6) **FORMATTING.**—The Commission shall re-
7 quire issuers to disclose information in an interactive
8 data format and shall develop standards for such
9 format, which shall include electronic tags for infor-
10 mation that the Commission determines is—

11 “(A) necessary;

12 “(B) appropriate to safeguard the public
13 interest; or

14 “(C) directed at ensuring that investors
15 are informed in accordance with the findings
16 described in paragraph (2).

17 “(7) **PERIODIC UPDATE OF RULES.**—The Com-
18 mission shall periodically update the rules issued
19 under this subsection.

20 “(8) **COMPILATION OF INFORMATION DIS-**
21 **CLOSED.**—The Commission shall, to the maximum
22 extent practicable make a compilation of the infor-
23 mation disclosed by issuers under this subsection
24 publicly available on the website of the Commission
25 and update such compilation at least once each year.

1 “(9) REPORTS.—

2 “(A) REPORT TO CONGRESS.—The Com-
3 mission shall—

4 “(i) conduct an annual assessment re-
5 garding the compliance of covered issuers
6 with the requirements of this subsection;

7 “(ii) submit to the appropriate con-
8 gressional committees a report that con-
9 tains the results of each assessment con-
10 ducted under clause (i); and

11 “(iii) make each report submitted
12 under clause (ii) accessible to the public.

13 “(B) GAO REPORT.—The Comptroller
14 General of the United States shall periodically
15 evaluate, and report to the appropriate congres-
16 sional committees on, the effectiveness of the
17 Commission in carrying out and enforcing this
18 subsection.”.

19 **SEC. 4. BACKSTOP.**

20 If, 2 years after the date of the enactment of this
21 Act, the Securities and Exchange Commission has not
22 issued the rules required under section 13(s) of the Securi-
23 ties Exchange Act of 1934, and until such rules are issued,
24 a covered issuer (as defined in such section 13(s)) shall
25 be deemed in compliance with such section 13(s) if dislo-

1 sures set forth in the annual report of such issuer satisfy
2 the recommendations of the Task Force on Climate-re-
3 lated Financial Disclosures of the Financial Stability
4 Board as reported in June, 2017, or any successor report,
5 and as supplemented or adjusted by such rules, guidance,
6 or other comments from the Commission.

7 **SEC. 5. AUTHORIZATION OF APPROPRIATIONS.**

8 There are authorized to be appropriated to the Secu-
9 rities and Exchange Commission such sums as may be
10 necessary to carry out this Act and the amendments made
11 by this Act.

