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SECURITIES AND EXCHANGE COMMISSION CLIMATE-RELATED FINANCIAL RISK RULE WILL BENEFIT INVESTORS AND COMPANIES
IATP calls on SEC to finalize proposed rule to hold agribusiness accountable for reporting Scope 3 emissions to investors, regulators and public

MINNEAPOLIS—This month, the U.S. Securities and Exchange Commission (SEC) is slated to release its final rule on the disclosure of climate-related financial risk and greenhouse gas emissions by U.S. companies, including food and agriculture firms, listed for trade on SEC-regulated exchanges. The Institute for Agriculture and Trade Policy (IATP) encourages the SEC to implement the comprehensive and fair proposed rule to enable investors and companies to allocate investments and tie risk disclosures to corporate plans to respond to the short, medium and long-term physical and transitional risks of climate change to their full supply chain.

“Investors have a right to standardized, comparable climate-related financial disclosures to make timely investment decisions. Disclosure enables corporate resilience by providing information to investors that will result in investor capital that corporations should use to reduce their climate-related financial risk,” says IATP Senior Policy Analyst Dr. Steve Suppan.

While the SEC rule applies only to companies registered with the SEC, commodity organizations representing SEC-registered agribusinesses have claimed falsely that the proposed rule applies to farmers and ranchers, and that the costs of Scope 3 reporting compliance will drive them out of business. An Americans for Financial Reform/IATP letter debunks some of the misinformation about the proposed rule.

It will be feasible for SEC-registered agribusinesses to report their full supply chain emissions using standardized methodologies, such as the Greenhouse Gas Protocol, which was codeveloped and beta tested by some SEC registered companies. IATP has demonstrated the feasibility of estimating the global greenhouse gas emissions of leading global meat and dairy companies through the Emissions Impossible report series, using the U.N. Food and Agriculture Organization’s Global Livestock Emissions Assessment Methodology (GLEAM). With greater resources and access to data, agribusinesses should be able to estimate Scope 3 (emissions throughout the supply chain, including to the farm level) with greater accuracy.

Ultimately, investors and SEC-registered companies will benefit from reporting Scope 3 and other climate-related financial data points. Investors will have comparable, comprehensive and standardized data and narratives to make reasoned investment decisions, no longer having to rely on a registrant’s unverified and incomparable “sustainability” claims. Because Scope 3 emissions are the largest share of emissions for many companies, the requirement will better inform companies and investors about the best opportunities for reducing their climate risk exposure.

“The proposed rule allows companies to report their climate related opportunities, such as development of new products. If a company manages climate-related financial risks well, then investors likely will be more willing to invest in the climate related opportunities of that company,” says Suppan.

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Based in Minneapolis with offices in Washington, D.C., and Berlin, Germany, the Institute for Agriculture and Trade Policy works locally and globally at the intersection of policy and practice to ensure fair and sustainable food, farm and trade systems. To learn more, visit: www.iatp.org.