February 13, 2023

Via www.regulations.gov

Jennifer Hawes
General Services Administration
Regulatory Secretariat Division
1800 F Street, NW
Washington, DC 20405

Re: Proposed Federal Acquisition Regulation: Disclosure of Greenhouse Gas Emissions and Climate-Related Financial Risk

Dear Ms. Hawes:

Taxpayers for Common Sense (TCS) respectfully submits this letter in support of the Federal Acquisition Regulation (FAR) Council-proposed Federal Supplier Climate Risk and Resilience Rule (Proposed Rule) (FAR Case 2021-015, 87 Fed. Reg. 68312).

TCS advocates for more effective federal spending and policy that limits the exposure of taxpayers to future liabilities such as those presented by the well-documented effects of climate change. We believe this rule will help reduce the need for annual, multi-billion-dollar emergency disaster relief packages in response to widespread destruction caused by intensifying hurricanes, wildfires, floods, and droughts.

Since our founding in 1995, TCS has been the leading voice fighting century-old subsidies for oil and gas and other fossil fuel production. As a multi-issue budget watchdog, we bring a perspective informed by both breadth and depth on issues ranging from agriculture, natural resource management, infrastructure, and national security. Our expertise on subsidized agriculture insurance programs, energy subsidies, water resources, flood and wildfire disaster response, and military spending gives us a unique view of the ways in which misplaced priorities increase climate risks and impacts. These risks, in turn, create long-term harm for communities and increase liabilities for taxpayers.

Background

American taxpayers are currently paying the costs of climate change, and these costs are large and growing. From agriculture to defense to transportation, climate change affects our entire federal

budget. The Congressional Budget Office puts it succinctly: "Climate change increases federal budget deficits."[1]

On a cost-adjusted basis, billion-dollar disasters in the U.S. have increased from 3.1 per year, costing the federal government an average of $20.5 billion in the 1980s, to 17.8 per year at an average annual cost of $160.7 billion from 2017-2021.[2] These include intensifying extreme precipitation events, higher peak winds of the most intense tropical cyclones (hurricanes), and elevated sea levels that have increased coastal flooding.[3] Federal wildfire suppression costs were about a billion dollars annually between 2000 and 2016, as wildfires have burned more than 3.7 million acres in 14 of the 17 years.[4] Federal crop insurance costs and supplemental *ad hoc* disaster aid will continue to increase in the future as the increased frequency and duration of drought will reduce agricultural productivity, accelerate depletion of water supplies for irrigation, and expand the distribution and incidence of pests and diseases for crops and livestock.

Disaster spending is not the only way climate change costs taxpayers. Future costs for mitigation and adaptation, while necessary, are enormous. A three-foot sea level rise could threaten as many as 128 U.S. military bases worldwide, valued at roughly $100 billion.[5] Climate change can increase risks to national security, both through direct impacts on military infrastructure, but also by affecting factors such as food and water availability that can exacerbate conflict outside U.S. borders.[6]

Government Action Can Limit Taxpayer Climate Liabilities

It is incumbent on federal agencies to limit the liability taxpayers face because of climate change through rulemakings and other actions to curtail sources of greenhouse gas (GHG) emissions known to accelerate climate change and the associated costs. Increasing transparency and awareness of how industry, particularly major government contractors, are affected by climate-related risks is a positive and necessary step toward improving the public's understanding of the costs of climate change and mitigating its risks. Disclosures such as those included in the Proposed Rule would further the public, policymakers, and watchdog organizations' ability to track companies' contributions to climate change, and this exposure will help protect taxpayers from shouldering the financial burden created by polluting industries. Moreover, requiring science-based emission reduction targets for major government suppliers will create markets and incentives for GHG-reducing investment and innovation.

Furthermore, increased transparency of contractors and their major supplier's climate risk will inform contracting officers and policymakers decision-making on awards. In turn this will reduce the exposure of taxpayers to supply chain shocks due to climate-related events.

[1] Congressional Budget Office, Budgetary Effects of Climate Change and of Potential Legislative Responses to It, April 27, 2021, https://www.cbo.gov/publication/57019
[2] Hurricane Costs (noaa.gov), https://coast.noaa.gov/states/fast-facts/hurricane-costs.html
[3] https://www.federalregister.gov/d/2021-24202/p-365
[4] Suppression Costs | National Interagency Fire Center (nifc.gov), https://www.nifc.gov/fire-information/statistics/suppression-costs
[5] Union of Concerned Scientists, "The U.S. Military on the Front Lines of Rising Seas: Growing Exposure to Coastal Flooding at East and Gulf Coast Military Bases," 2016. https://www.ucsusa.org/resources/us-military-front-lines-rising-seas#ucs-report-downloads
[6] https://www.federalregister.gov/d/2021-24202/p-368

The Proposed Rule would target a relatively small number of contractors which account for an oversized contribution to GHG emissions. According to the Proposed Rule, the two categories of contractors effected by this rule – "major," those with federal contract obligations exceeding $50M in the previous fiscal year, and "significant," those with contract obligations exceeding $7.5M – account for 86 percent of the federal supply chain GHG impacts. Using fiscal year (FY) 2021 data, these two groups include 1,353 entities considered "major" and 4,413 entities considered "significant," or roughly 1.2% of the contractors that register with the federal government's System for Award Management (SAM). Of the entities covered by this rule, only 31 percent of these "major" contractors and 10 percent of "significant" contractors already disclose their GHG emissions through the SAM.

The Proposed Rule would require disclosures of Scope 1 and 2 GHG emissions from "significant" contractors.[7] "Major" contractors would be required to:

1. Inventory Scope 1 and 2 and relevant Scope 3 GHG emissions;[8]
2. Assess these and all other climate risks recommended for disclosure by the nonprofit Task Force on Climate-Related Financial Disclosures (TCFD) and identified by the nonprofit Carbon Disclosure Project (CDP);
3. Use this analysis to complete the portions of CDP's Climate Change Questionnaire that align with TCFD recommendations;
4. Develop and submit science-based targets to the Science-Based Targets Initiative (SBTi);[9] and
5. Have the targets validated by SBTi.

All these disclosures would be published on a publicly accessible website and made available for free. Enforcement would be achieved by declaring (with exceptions) that contractors failing to make required disclosures are "non-responsive" and ineligible for federal contracts.

More Standardized Disclosure is Better

As mentioned above, the Proposed Rule relies on the GHG Protocol Corporate Accounting and Reporting Standards and Guidance, the TCFD Recommendations, the CDP Climate Change Questionnaire, and the SBTi criteria. These are credible and well-known disclosure criteria. A Securities and Exchange Commission (SEC) proposed rule "Enhancement and Standardization of Climate-Related Disclosures for Investors" published on April 11, 2022 (87 FR 21334-21473) would require similar annual disclosures of climate-related financial risks for SEC registrants. TCS supports the disclosure requirements in the SEC proposed rule and this Proposed Rule for the following reasons:

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[7] Scope 1 emissions are defined as "direct greenhouse gas emissions from sources that are owned or controlled by the reporting entity; Scope 2 emissions are defined as indirect greenhouse gas emissions associated with the generation of electricity."
[8] Scope 3 emissions are defined as greenhouse gas emissions, other than those that are Scope 2 emissions, that are a consequence of the operations of the reporting entity but occur at sources other than those owned or controlled by the entity.
[9] A science-based target is defined as "a target for reducing greenhouse gas emissions that is in line with reductions that the latest climate science deems necessary to meet the goals of the Paris Agreement to limit global warming to well below 2°C above pre-industrial levels and pursue efforts to limit warming to 1.5°C."

- **Increasing the quantity and breadth of the data available is advantageous to taxpayers**. As a watchdog organization, data in public filings often provide a crucial source of information on the operations of individual companies and industries. The decisions of private companies affect taxpayers: companies benefit from taxpayer subsidies, carry out federally funded projects, and create liabilities that will strain public finances. In this way, taxpayers have a personal stake in information about the operations of private companies, especially those actions related to climate change.

- **Improving access to climate-related data would enhance the public's understanding of how companies and industries are contributing to climate change.** A better understanding of where GHG emissions come from and how both individual companies and whole industries affect taxpayers through their contributions to climate change is beneficial to taxpayers. This policy will allow better accounting of how companies supported by federal dollars are increasing the burden of climate costs felt by taxpayers. By understanding who is contributing to climate change, policymakers can work to ensure that responsible parties, not taxpayers, address the impacts that they have caused to people and to communities.

- **New disclosure requirements may lead to an increased public understanding of the greater effect of climate change on the U.S. economy**. Every company is affected, to some degree, by climate change. The disclosure of how climate-related risks affect an individual company's operations – such as their strategy, business model, and financial statements– would help taxpayers understand the current and anticipated future economic influence of climate change. And the standardization of climate disclosures would allow taxpayers to compare the effect of climate change across different companies and industries, giving taxpayers a greater understanding of the span of present and future climate costs felt by the U.S. economy.

Leveraging Market Power is Cost-Effective Policy

As the world's largest purchaser of products and services, with $630 billion of procurements in 2021, the federal government has considerable influence and power to direct private investment and innovation. Promoting development of better, cheaper commercial technology to reduce GHG emissions and their associated costs for taxpayers should be a goal of federal policy. Indeed, the federal government spends billions of tax dollars every year subsidizing this kind of technology development, as in the Inflation Reduction Act (P.L. 117–169). Promoting this kind of market development through procurement policy potentially achieves comparable results with far less spending.

Improving the Proposed Rule

While TCS strongly supports the rule, the discretion given to contacting officers to waive the rule for contractor described "mission-critical" reasons or national defense should be tightened with additional criteria and guidance.