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Disclosure of Greenhouse Gas Emissions and Climate-Related Financial Risk



Tyndall Air Force Base in the aftermath of Hurricane Michael, Oct. 12, 2018. [U.S. Air National Guard courtesy photo.](#)

Climate change is imposing significant and growing costs on taxpayers and creating serious national security risks. In an October 2021 report, the Pentagon argued that “climate change is reshaping the geostrategic, operational, and tactical environments with significant implications for U.S. national security and defense.”¹ In a June 2023 report, “Paying the Price of Climate Change,” Taxpayers for Common Sense documented some of the increasing costs facing taxpayers, ranging from soaring disaster spending to investments in adaptation, resilience, and mitigation.² The federal government, spending nearly \$700 billion annually on goods and services, should logically shape procurement policies to mitigate the financial and security risks associated with climate change.

¹ “Department of Defense Climate Risk Analysis.” Department of Defense, Office of the Undersecretary for Policy (Strategy, Plans and Capabilities). 2021. <https://media.defense.gov/2021/Oct/21/2002877353/-1/-1/0/DOD-CLIMATE-RISK-ANALYSIS-FINAL.PDF>

² “Paying the Price: Taxpayers Footing the Bill for Increasing Costs of Climate Change.” Taxpayers for Common Sense. June 7, 2023. https://www.taxpayer.net/wp-content/uploads/2023/06/Taxpayer-Costs-for-Climate_Report.pdf

Disclosure of GHG at the FAR Council

The Federal Acquisition Regulatory Council (FAR Council) is responsible for changes to the Federal Acquisition Regulation (FAR), which governs the acquisition process of the U.S. federal government. The council's membership includes the Administrator for Federal Procurement Policy, the Secretary of Defense, the Administrator of National Aeronautics and Space Administration (NASA), and the Administrator of General Services.

In November 2022, the FAR Council proposed a new rule titled “Disclosure of Greenhouse Gas Emissions and Climate-Related Financial Risk.” It would require some of the largest Pentagon contractors to disclose greenhouse gas (GHG) emissions, evaluate climate risks to their supply chains and operations, and establish science-based targets for reducing emissions.

Specifically, the proposed rule would:

- Mandate significant and major contractors³ disclose Scope 1 and Scope 2 GHG emissions publicly.⁴
- Require major contractors to disclose Scope 3 GHG emissions,⁵ submit an annual climate disclosure report detailing climate-related financial risk and set science-based emissions reduction targets.

In February 2023, TCS submitted comments supporting the proposed rule, highlighting its potential for long-term taxpayer savings through mitigating the costs of climate change.⁶

Reducing Taxpayer Burden

Taxpayers face increasing costs from climate change, notably in disaster response. Between 1980 to 2007, only one year had over seven extreme weather disasters costing more than \$1 billion each. Since 2007, there has only been one year with *fewer* than seven billion-dollar-plus disasters. In 2020, there were a record 22 billion-dollar-plus disasters. These costs are showing up in the federal budget. Since FY2013, annual appropriations to the Disaster Relief Fund (DRF) have jumped from over \$7 billion to nearly \$19 billion in FY2022.

Pre-disaster mitigation is another growing cost to taxpayers. The Building Resilient Infrastructure and Communities (BRIC) program for example received about \$3.8 billion between FY2020 and FY2022. On top of BRIC funding, Congress allocated another \$387 million for pre-disaster

³ Significant contractors are defined as those that received between \$7.5 million and \$50 million in Federal contract obligations. Major contractors are defined as those that received over \$50 million in Federal contract obligations.

⁴ As defined in the proposed rule, Scope 1 emissions are “from sources that are owned or controlled by the reporting company.” Scope 2 emissions are “associated with the generation of electricity, heating and cooling, or steam, when these are purchased or acquired for the reporting company’s own consumption but occur at sources owned or controlled by another entity.”

⁵ As defined in the proposed rule, Scope 3 emissions “are a consequence of the operations of the reporting entity but occur at sources other than those owned or controlled by the entity.”

⁶ “Re: Proposed Federal Acquisition Regulation: Disclosure of Greenhouse Gas Emissions and Climate-Related Financial Risk.” Taxpayers for Common Sense. Feb. 13, 2023. <https://www.taxpayer.net/wp-content/uploads/2023/02/FAR-Case-2021-015-comments.pdf>

mitigation between FY2022 and FY2023. Given the current circumstances, these are necessary expenditures, yet the challenge remains to reduce future spending.

The GHG emissions' heating effect and its impact on climate are well-documented. A recent analysis estimated Scope 1, 2, and 3 emissions for the top twelve Pentagon contractors at over 51 million metric tons of carbon dioxide equivalent (MMTCO₂e) in 2019, equivalent to the entire military's Scope 1 and 2 emissions in FY2020.⁷

Reducing emissions in the military industry is crucial to mitigating climate change costs. The proposed rule would encourage large government contractors to reduce emissions and invest in climate resilience. Public emission disclosures will incentivize companies to reduce emissions, while science-based reduction targets will hold major contractors accountable. They will also mitigate companies' long-term financial risks related to climate change.

Mitigating Climate-Related Risks to the Pentagon

Climate-related risks to the Pentagon include risks to military installations and operations. The Pentagon manages real estate across the globe with an estimated value of \$1.2 trillion. As climate change impacts have grown, so have the financial risks associated with that portfolio. Disasters and extreme weather events, made more frequent and intense by climate change, caused over \$13 billion in damages at U.S. military bases between 2017-2021.

Over 1,700 military installations in coastal areas are vulnerable to sea level rise and extreme weather. Tyndall Air Force Base, struck by Hurricane Michael in 2018, suffered \$4.7 billion in damages and still has not fully recovered. Such events not only incur financial costs but also pose national security risks, as seen when a significant portion of the U.S. F-22 Raptor fleet had to relocate to bases with less capacity.

These risks are not confined to coastal installations. In 2019, the Missouri River and tributaries flooded as much as one-third of Offutt Air Force Base in Nebraska, which houses U.S. Strategic Command. The lower half of the base's runway was submerged, and 30 buildings were inundated. Repairs and recovery were estimated at \$1 billion and would take five years.⁸

Beyond direct risks, studies have also suggested that climate change is increasing the risk of conflict both within and between nations, fueling concerns that the Pentagon will need to contend with an increasingly tenuous security environment.

The proposed rule will help reduce these risks to Pentagon installations and operations by encouraging contractors to reduce their emissions, and in the case of major contractors, by requiring them to set emissions reduction targets.

⁷ Crawford, Neta. *The Pentagon, Climate Change, and War: Charting the Rise and Fall of U.S. Military Emissions*. The MIT Press. Cambridge, Massachusetts, London, England. 2022.

⁸ Hobza, Christopher, and Kellan Strauch. "Floodwater Drainage Assessment of Offutt Air Force Base, Nebraska, 2022-22." U.S. Geological Survey Scientific Investigations Report 2023-5053. 2023.
<https://pubs.usgs.gov/sir/2023/5053/sir20235053.pdf>

Understanding Climate-Related Financial Risks to the Military Industrial Base

In the opening line of its National Defense Industrial Strategy, the Pentagon asserts that “a robust and resilient industrial base provides the enduring foundation for military advantage.”⁹ Just as the military’s installations and operations face increasing climate risks, so do the military industry’s facilities and supply chains. These risks translate into potential cost overruns for taxpayers and national security risks due to schedule delays. Lockheed Martin, for example, identified risks such as “asset isolation due to infrastructure closures” and “supply chain disruptions,” as well as impacts on “the livelihoods of our workforce and families.”¹⁰ It also underscored the “potential for operational schedule delays and missed program milestones” due to climate impacts.

The proposed rule would enable the Pentagon to better understand and manage these risks, supporting a more robust and resilient industrial base by allowing contracting officers to base procurement decisions on the climate-related risks of potential contracts, and by encouraging companies to mitigate those risks in order to reduce costs and increase their chances of securing contracts. That some companies are already producing reports on climate-related risks underscores the ease with which major contractors would be able to produce the climate-related risk disclosures required under the proposed rule.

Leveraging Buying Power

The U.S. government is the largest purchaser of products and services on the planet. With about \$700 billion in annual procurements, it has considerable purchasing power, which it can and should use to protect taxpayer interests and enhance national security. Relative to the billions of dollars the U.S. is spending to mitigate, respond to, and adapt to climate change, leveraging this buying power is an extremely cost-effective approach to reduce climate-related costs to taxpayers and mitigate climate-related impacts on national security. Rarely is the federal government in a position to achieve dramatic results with minimal spending. It should seize the opportunity.

Conclusion

The federal government must respond to the growing costs to taxpayers and the growing threats to national security posed by climate change. Climate impacts are driving increased spending on disaster response, climate resilience, and mitigation efforts. Extreme weather and climate related disasters are also threatening military operations, installations, and supply chains. The proposed rule is an efficient and cost-effective means of addressing these costs and threats. By leveraging its immense buying power, the government can encourage private industry to significantly reduce emissions and encourage steps to mitigate future supply chain disruptions and other financial risks related to climate change.

⁹ “National Defense Industrial Strategy.” Department of Defense. 2023.

<https://www.businessdefense.gov/docs/ndis/2023-NDIS.pdf>

¹⁰ “Climate-Related Risks and Opportunities.” Lockheed Martin Corporation. 2020.

<https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/sustainability/LM%20Climate%20Risk%20and%20Opportunities%20Disclosure%202020.pdf>