

The SEC's Climate Proposal: Disclosing Internal Carbon Pricing

Digging further into the [SEC's proposing release for climate disclosure](#), the SEC's proposal would elicit disclosure about a company's internal carbon price – for those companies that do that sort of thing. [Compare that to how companies would be required to disclose carbon offsets under the SEC's proposal, as noted in [this blog](#).] Some companies use an internal carbon price to as a planning tool for considering climate-related risks and opportunities, and to quantify costs, and guide investment decisions. For some companies, use of an internal carbon price may be an alternative to conducting scenario analysis planning.

The Disclosure Requirements As noted on pages 79-80 of the proposing release, proposed Item 1502(e) of Regulation S-K would require disclosure about: - Price in units of the company's reporting currency per metric ton of carbon dioxide equivalent ("CO₂e") - Total price, including how the total price is estimated to change over time - Boundaries for measurement of overall CO₂e on which the total price is based (if different from the GHG emission organizational boundary) - Rationale for selecting the price used - How the company uses its disclosed internal carbon price to evaluate and manage climate-related risks

More Than One Internal Carbon Price If a company uses more than one internal carbon price, the SEC's proposal would require it to provide disclosures for each internal carbon price - and to disclose its reasons for using different prices. The SEC gives the example of a company disclosing that it uses different internal carbon prices when considering various scenarios to help it develop a business strategy over different time horizons.

Forward-Looking Information Inevitable This is another disclosure that inevitably would result in more forward-looking information being made publicly available. The PSLRA safe harbors would apply – but the upshot is there is a risk that these types of disclosures could wind up disincentivizing companies from establishing internal carbon prices.

Here are our other blogs about the SEC's climate proposal so far: 1. [SEC Proposes Climate Disclosure Rules: 9 Things to Know](#) 2. ["How Much Is This Gonna Cost Us?" The SEC's Climate Economic Analysis](#) 3. [The SEC's Climate Proposal: Where Did We Wind Up With "Materiality"?](#) 4. [The SEC's Climate Proposal: When Should Scope 3 Emissions Be Considered "Material"?](#) 5. [The SEC's Climate Proposal: Assessing "Physical Risks"](#) 6. [The SEC's Climate Proposal: Assessing "Transition Risks"](#) 7. [In-House Corner: Climate Disclosure Bracketology](#) 8. [The SEC's Climate Proposal: Disclosing Carbon Offsets](#)

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