

## 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.

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**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 ("CO<sub>2</sub>e") - Total price, including how the total price is estimated to change over time - Boundaries for measurement of overall CO<sub>2</sub>e 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

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**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.

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**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.

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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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