The Climate Registry

Ms. Lois Guthrie
Carbon Disclosure Project
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London EC1R 0NE,
United Kingdom

November 5th, 2009

Dear Lois,

Thank you for the opportunity to comment on the Climate Disclosure Standards Board (CDSB) Reporting Framework document. The Climate Registry applauds the CDSB's effort to encourage companies to expand their thinking about their climate impacts beyond their GHG emissions inventory. The Framework Document aptly promotes the importance of additional issues important to a company's success in a carbon constrained world, such as regulatory and physical risks associated with climate change. Overall, we congratulate CDSB's desire to encourage companies to think more strategically and holistically about climate risk and climate impacts.

We've prepared brief responses to CDSB's specific questions and have added a few additional technical comments below:

Introductory Questions:

1) The Registry agrees that a single global framework for climate change-related disclosure in mainstream reports would be very helpful as a compliment to a comprehensive GHG emission inventory report to promote a common understanding of GHG emission accounting, the value of GHG reductions, and the overall context for managing climate risk.

2) Yes, The Registry agrees with CDSB's overall approach of aligning its Guiding Principles to existing relevant principles and objectives of financial reporting to provide value to investors. However, one concern we have is the requirement to conduct a GHG emission inventory on the basis of a company's fiscal year.

   While we understand the desire to tie GHG reporting to annual financial statements, we believe that emission inventories should be compiled on a calendar year, as this has become the international standard for emission reporting and provides a clear vintage of emissions. While a company's inventory would be compiled on a calendar year basis, this would not mean that a snapshot of the company's current emission inventory could not be determined at the end of each fiscal year. For example, at the close of each

fiscal year, a company will know the value of any GHG allowances it holds, and could represent this appropriately on the mainstream reports. If it is tracking GHG data on a regular basis, a company could also determine how many GHG emissions it generated in a fiscal year. For purposes of participating in the carbon market, it may be a disadvantage to calculate your emissions inventory on a fiscal year basis rather than a calendar basis.

A new area where we believe CDSB could provide thought leadership to help standardize carbon disclosure is to develop recommendations for how carbon assets and liabilities should be portrayed directly in mainstream financial statements. For example, are all of a company's allowances included as assets in a Balance sheet, or just the value of the allowances in excess of the emission liabilities? Similarly, are all of a company's emissions included as liabilities, or only those that are regulated, but for which a company does not currently have allowances to cover? How are unregulated direct emissions valued on a balance sheet? Direction and guidance on these questions would significantly advance the meaningfulness of carbon data in mainstream reports.

3) While the Framework is quite broad and generic so as to apply to a large cross section of companies, The Registry does not believe that it would be useful for the CDSB to provide further reporting guidance for specific sectors, as the Framework does not aim to provide comprehensive guidance to any company. All companies will need to refer to more prescriptive reporting requirements to calculate their GHG emissions, for example The Registry's General Reporting Protocol, The Registry's Electric Power Sector Protocol, The Registry's Oil & Gas Production Protocol, or the US EPA's GHG Mandatory Reporting Rule to properly calculate their GHG emissions. Given that CDSB does not aim to replicate these reporting programs, but rather leverage the information provided by them, The Registry recommends that sector specific guidance be developed by recognized standards and protocol developers and not by CDSB.

Characterizing Decision-Useful Information:

4) Yes, The Registry agrees with the principles and characteristics of decision-useful information for disclosure under the Framework, however, we do have some concern that companies will find the Framework's guidance to be too generic, and not prescriptive enough. We understand that it is difficult offer prescriptive guidance that is meaningful across numerous sectors, but we suspect that companies may seek more specific direction from the Framework in the long run.

5) Per our comment in #4, at a high level the concept of "decision-useful information" makes sense, however, the devil is always in the details. We have some concern that companies will be overwhelmed by the amount of GHG and climate information suggested to be reported, and suspect that as a result, companies reports will vary widely in content, structure, and value, which will lessen the ability to compare reports across companies.

Content:

6) In general, The Registry agrees with the content that CDSB recommends for inclusion in the Reporting Framework, however, we think it would be valuable to add an example of a GHG emission report that utilized a report from an existing program, for example The Climate Registry. This would provide a useful guide to companies who already have a

GHG emissions inventory, and wish to supplement this with additional carbon risk information. It would help to clarify the additional level of effort a company would need to invest to comply with the Framework. Overall, we believe it will be very difficult for a company to adequately report their GHG emissions inventory solely from following the guidance in the Framework, so providing an example of how the Framework complements other programs would be useful.

7) Not applicable.

8) The Registry agrees in concept with CDSB's assessment of the value of intensity metrics, however The Registry has found it to be extremely difficult to develop meaningful cross sector metrics as well as industry specific metrics. Metrics are a contentious issue within every industry, and may be something that CDSB may not wish to tackle right away.

Practicalities:

9) N/A

10) The practical issues we imagine in companies wishing to report based on the Framework is that the Framework's guidance is quite general, and may not give enough direction to companies to permit them to know where to start. Will CDSB offer reporter assistance to compile their Framework reports? Also, while the sample GHG report at the end of the Framework document is extremely helpful, it is also quite long, and may appear daunting to a company.

11) Our other specific comments are listed below:

    a. Section 6.10: We do not understand the placement, nor the content of the "table" in section 6.10. Is this a matrix? A table?

    b. Section 6.33: The Registry's experience with verification has been quite different. We do not think of verification as being direct or indirect, as we find that verification bodies often cross-check monitored data by calculating the inputs via a calculation method. CDSB may want to explore this more, or perhaps change the terminology in this section.

    c. Section 7.2: We believe that there is an error in this statement. Emissions related to the consolidation methodology used for financial statements most likely will be consistent with the "equity share" methodology, not "financial control." In general, if companies desire to disclose GHG information in their mainstream reports CDSB should encourage them to use the "equity share" consolidation methodology for GHG emission inventory purposes.

    d. Section 7.4: We do not understand the guidance in this section.

    e. Section 7.5: While GHG Standards are defined later in the document, this section is difficult to understand and should provide better context to what a Standard or Protocol is.

f. Section 8.2: The Registry strongly recommends that the CDSB requires third party verification/assurance of the reported data. Especially as the Framework is designed to provide information to investors, it is important that this data be free of material errors. To not require external review of the reported data seriously compromises the disclosed information.

g. Section 8.3: Again, The Registry recommends that CDSB require or at least strongly encourage third party verification of the GHG emissions inventory.

h. Reporting Template 4, Disclosure Guide: The last two bullets in this section require greater explanation and examples. Also, the last full paragraph of this section references "programs listed below", but it is difficult to understand this reference as the list is several lists below the paragraph. We recommend re-structuring this Template to include more specific references (Section 1.2, or A.1, etc.)

i. Since The Climate Registry likely contains the greatest number of companies that will be interested in following the Framework, it would be useful to reference The Climate Registry first in the bulleted list of programs. Also, shouldn't the EU ETS, the Australian and New Zealand programs be included on this list?

j. Industry specific guidance: This bulleted list only includes two sectors. Especially with the finalization of the US EPA's final Mandatory GHG Reporting Rule, many more industry specific reporting requirements exist. Either this list should be expanded dramatically or removed. We recommend referencing industry specific reporting requirements in general and deleting this bulleted list.

k. Disaggregation of Data: We do not understand the rationale for suggesting that information should be provided for the "main countries or regions" of a company's operations. We strongly encourage CDSB to recommend corporate-wide reporting that incorporates all operations.

l. We suggest that you add page numbers to the document for easier reference.

Again, we appreciate the ability to comment on the DRAFT Reporting Framework, and look forward to working with CDSB to finalize the document.

Please contact me if you have any questions about our feedback and comments.

Sincerely,

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