July 28, 2022

International Sustainability Standards Board (ISSB)
Emmanuel Farber, ISSB Chair
Sue Lloyd, ISSB Vice-Chair

Via Electronic Submission

RE: ISSB Exposure Draft IFRS S2 *Climate-Related Disclosures*

The American Council on Renewable Energy ("ACORE") respectfully submits these comments in response to the International Sustainability Standards Board ("ISSB") Exposure Draft on Climate-Related Disclosures. ACORE is a national nonprofit organization dedicated to advancing the renewable energy sector through market development, policy changes, and financial innovation. ACORE's membership includes renewable energy developers, institutional investors, corporate buyers, electric power generators, retail energy providers, and other stakeholders interested in identifying and implementing the best environmental, social, and governance ("ESG") disclosure and scoring practices.[1] ACORE member companies hold more than $25 trillion in assets. In 2021, more than 90 percent of the booming utility-scale U.S. renewable growth was financed, developed, owned, or contracted for by ACORE members.

ACORE supports the International Sustainability Standards Board's ("ISSB") objectives to align and enhance corporate sustainability standards to help users access more consistent, complete, comparable, and verifiable climate-related information.

The current methodologies and practices for measuring climate risks and opportunities have long been impeded by a lack of standardization, making it difficult for investors to compare companies' impacts on an apples-to-apples basis. Inadequate attention has been given to material and forward-looking climate information relevant to companies' future financial performance and long-term climate impact. If we intend to achieve the significant declines in greenhouse gas ("GHG") emissions scientists say are needed by 2050, the business community must quickly adopt a standardized, transparent, and forward-looking approach that more effectively measures the climate impact of sustainability investments. By consolidating and internationalizing the work of existing, influential investor-focused initiatives, the ISSB is well positioned to guide the disclosures of more impactful climate information and meet investors' needs.

Comment on alignment with other international sustainability bodies

Modeling the ISSB standards on the Task Force on Climate-Related Financial Disclosures ("TCFD"), Greenhouse Gas Protocol ("GHG Protocol"), and SASB standards will internationalize the use of these proven standards and reduce the learning curve in applying these standards for reporting entities and users. However, the TCFD and GHG Protocol have processes to update their guidance periodically. For example, the GHG Protocol recently began an effort to determine the need and scope for additional guidance for its Scope 1-3 emissions disclosure

[1] The views expressed are those of the American Council on Renewable Energy and do not necessarily reflect the views of any individual ACORE member company.

standards.[2] The ISSB should clearly state how it plans to update its climate-disclosure standards so that they will continue to align with external standards managed by other international bodies.

Furthermore, within the ISSB, we understand that SASB standard setting processes for industry-based standards will continue. The ongoing SASB Electric Utilities and Power Generators Industry project to "investigate the ways to measure company performance on electric utilities' transition to renewable energy as a decarbonization pathway"[3] could affect the standards included in that industry's climate-related disclosure standards. The ISSB should clearly state how it intends to update the industry-based climate-related disclosure standards so that they will reflect revised SASB standards.

In response to Question 5, Transition plans and carbon offsets

Renewable energy stands at the heart of efforts to mitigate and adapt to climate change. The International Energy Agency ("IEA") has stated we will not achieve net zero without doubling the global rate of renewable energy generation. Two-thirds of electricity generation must come from renewable energy sources, and investment in renewable energy needs to triple by 2030 to meet the 2050 Paris Agreement target.[4,5]

Renewable energy generation, use, provision, and investment are thus material considerations and strategic business decisions in company climate transition toward a lower-carbon economy. Renewable energy helps companies meet global climate targets while reducing their exposures to GHG emissions-intensive activities, improving their long-term financial performance, and responding to growing customer demand.

Net-zero commitments now cover one-fifth of the world's largest corporations. However, common net-zero activities such as purchasing carbon- or nature-based offsets may not have the same impact as actions that more directly drive decarbonization. Climate-related risk disclosures should focus on the most material risk aspects of emissions and climate transition plans where available, such as renewable energy generation, use, provision, and investment. In response to Question 5-b, a company's exposure to renewable energy should thus be reflected in climate disclosures related to transition plans.

We have also observed that, in climate disclosures related to carbon offsets, other regulators and standard setters are considering disclosures of how a company uses Energy Attribute Certificates ("EACs"), which are also known as Renewable Energy Credits ("RECs").[6] While the ISSB's climate-related disclosure framework does not currently refer to EACs in the context of carbon offsets, we believe it is crucial for users to understand the role of EACs and their different uses

[2] "GHG Protocol to assess the need for additional guidance building on existing corporate standards". Greenhouse Gas Protocol. https://ghgprotocol.org/blog/ghg-protocol-assess-need-additional-guidance-building-existing-corporate-standards
[3] https://www.sasb.org/standards/process/active-projects/renewable-energy-in-electric-utilities-power-generators-industry/
[4] "Renewable Power: More efforts needed". IEA. https://www.iea.org/reports/renewable-power
[5] "World must triple clean energy investment by 2030 to curb climate change -IEA". World Economic Forum. https://www.weforum.org/agenda/2021/10/iea-international-energy-markets-environment-renewables
[6] "SEC Proposes Rules to Enhance and Standardize Climate-Related Disclosures for Investors." https://www.sec.gov/news/press-release/2022-46

and outcomes compared to carbon offsets. Whereas a carbon offset is subtracted from a company's gross emissions to determine its net emissions, an EAC is a legal instrument used to verify and officially document renewable energy use claims, and can relate to a company's Scope 2 GHG emissions.[7]

For industry-based standards, where renewable energy use disclosures are included, the ISSB could recognize the source of the legal instrument creating the EAC associated with the generation and procurement of renewable electricity (such as a power purchase agreement, unbundled EAC purchase, or other method), which affects the substantiality of the carbon claims of emissions reductions. By requiring fuller disclosure of the type of EAC owned by the disclosing company, the standards will provide a more transparent view of how a company contributes to durable carbon emission reductions.

However, whether unbundled or bundled with the underlying renewable electricity generation, EACs in the U.S. provide an important revenue source for renewable energy projects. The role that all EACs play in project financials and decision-making must still be considered, so as to not discourage companies from making voluntary renewable energy purchases. We have provided more information on EACs and how companies can procure them in the Appendix.

In response to Question 9, Cross-industry metric categories and GHG emissions

In response to question 9-c, Scope 1 and 2 GHG emissions reporting is well-developed and already disclosed by many market participants through the GHG Protocol's framework. While a growing number of companies have begun disclosing Scope 3 emissions, certain industry sectors have reported that the current systems for collecting and reporting Scope 3 disclosures are not mature enough to be subject to mandatory disclosures. To help enable greater value chain emissions data collection in the electricity sector, ACORE supports the disclosures of market-based Scope 1-2 emissions and the GHG emissions associated with the purchased electricity of load-serving entities.

ACORE supports both location and market-based Scope 1-2 emissions disclosures. Market-based disclosures better encompass supplier-specific data, which provides more granularity on the environmental impacts of purchased power compared with the location-based method of Scope 2 emissions reporting.

Additionally, more consistent emissions data is needed from load-serving entities about both their owned generation and purchased electricity. It is currently challenging for financial institutions to assess client procurements in the electric utility and competitive electricity retail sector in a holistic way. Some companies provide GHG information voluntarily and do not consistently report on purchased generation through power purchase agreements. Many major utilities and competitive electricity retailers procure renewable power through power purchase agreements, but their emissions data may or may not reflect such power contracts, and municipal utilities and rural co-ops often decarbonize through power purchase agreements ("PPAs") and not through their owned assets. Investors do not have the data they need to show how utility strategies would translate to their Scope 3-related targets. Through more consistent disclosures of

[7] A REC is a type of EAC that "represents the environmental attributes of the generation of a one-megawatt hour (MWh) of energy produced by renewable sources." https://www.irecstandard.org/what-are-recs/

the GHG emissions of generator-owned and purchased electricity, financial institutions can better account for the emissions attributable to their financing beyond the current voluntary, patchwork disclosure environment. See Question 11 for industry-based disclosure recommendations.

In response to Question 11, Industry-based requirements

a. Commercial Banks, Investment Banks, and Asset Management

Commercial banks, investment banks, and asset managers should be asked to disclose their direct renewable energy investments as part of their transition strategy or as a climate opportunity, and should have the option to disclose the avoided GHG emissions associated with renewable energy investments.

Disclosures of direct renewable energy investments would provide a clear picture and promote transparency of investors' commitments to the transition to a low-carbon economy without discouraging investment in creating new renewable energy. This will allow investors to report these investments and their impact transparently in climate-related disclosures.

Investors choose to invest in renewable energy both as a strategic business decision and as a strategy to achieve decarbonization objectives. The U.S. renewable energy sector has attracted over $425 billion in investment over the last decade.[8] Debt and equity providers continue to show strong confidence in the renewable energy sector even as financing mechanisms have evolved to meet the capital requirements of renewable energy projects.

Financial institutions and other corporations with large tax capacities provide renewable energy tax equity in support of U.S. renewable energy development and the clean energy transition. In addition to the environmental benefits, these investments compare favorably to other financial products in risk and return profiles. Many financial institutions also offer sustainable finance and other climate-related financial products and services that can direct funding to renewable energy.[9] Chief among them are sustainable financing product options and client services that assist in the transition to green portfolios.

Sustainable debt options include green bonds and loans, social bonds, sustainability bonds, sustainability-linked loans and bonds, and transition bonds.[10] As the energy transition accelerates, financial institutions are stepping up the issuance of these products and increasing the underwriting of sustainable debt for renewable energy firms. In 2020, green and sustainability bonds totaled $315.4 billion.[11] Many financial institutions disclose impact reports on issued bonds reviewed by third-party opinion providers and may attach metrics to their sustainability-linked bonds and transition bonds, such as an ESG score, to increase transparency to investors. Green bonds can also be linked to specific environmental targets, such as an

[8] "Clean Energy Investment Trends". BloombergNEF. https://about.bnef.com/
[9] "Transition bonds" finance projects that are considered as interim steps toward a low-carbon economy, such as the development of a gas power plant in place of coal, which may still retain climate risks.
"Climate Transition for Financials: Bankers and Brokers". BloombergNEF.
https://www.bnef.com/insights/26637/view
[10] Ibid.
[11] Ibid.

increase in the share of renewable energy generation and consumption, to enhance their climate impact. Financial institutions can also create ESG-related derivatives products, including renewable energy purchasing instruments such as power purchase agreements, proxy revenue swaps, renewable energy certificates, wind index futures, renewable identification numbers ("RINs") futures, and low-carbon fuel standard futures. These efforts enhance the liquidity and deployment of green investment and can be verified to demonstrate the veracity and impact of investments.

While the Exposure Draft does not propose disclosures of an entity's avoided emissions, bank and capital provider investments in renewable energy extend beyond the operational carbon footprints of the investing companies and contribute to GHG reductions in other sectors of the economy. The downstream impacts of their investment activity could provide tremendous future GHG savings in the form of avoided carbon emissions. Other investors will also benefit from avoided emissions information if they seek to invest in companies that are driving capital to renewable energy. Including disclosures of avoided emissions in the industry-based requirements of commercial banks, investment banks, and asset managers would be an important way to reflect investors' role in the energy transition.

b. Electric Utilities & Power Generators

We understand that the SASB open project "Renewable Energy in Electric Utilities & Power Generators Industry" will soon enter a post-consultation analysis. The ISSB should plan to incorporate relevant findings into the climate-related disclosures for the Electric Utilities & Power Generators standards once the project is complete. As detailed in our response to Question 9, we strongly recommend GHG emissions disclosures in this sector of both owned and purchased generation.

We appreciate this opportunity to provide comments on the ISSB's Exposure Draft on Climate-Related Disclosures. Please do not hesitate to contact Lesley Hunter at hunter@acore.org with any additional questions you may have.

Sincerely,
/s/ Lesley Hunter
Lesley Hunter
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American Council on Renewable Energy

Appendix

Background on Energy Attribute Credits / Renewable Energy Credits

Driven by investors and customers demanding less carbon-intensive energy, many load serving providers and independent power producers are transitioning to GHG emissions-free renewable power. Commercial and industrial ("C&I") offtakers are dramatically transforming the grid by creating demand for projects to meet internal sustainability goals. Seventy-five percent of Fortune 100 companies now have some form of renewable energy or sustainability target.[12] C&I offtakers accounted for over 40 percent of all signed U.S. renewable power purchase agreements

[12] Fortune 100 sustainability reports.

in 2021.[13] In 2021, corporate procurement through renewable PPAs reached 17 gigawatts ("GW"), an approximate 3.5 GW increase from the previous year.[14]

An energy attribute credit is a legal instrument that represents the environmental and nonpower attributes of renewable energy generation. One EAC represents one megawatt-hour ("MWh") of renewable energy generation. EAC ownership is how companies in the U.S. make credible and verifiable renewable energy usage claims,[15] and may be used to address Scope 2 GHG emissions associated with purchased electricity.[16,17]

While a company that claims credit for renewable energy use must retain or retire ownership of EACs, companies have various options available to procure renewable energy, as described below. These methods have differing impacts on reducing GHG emissions.[18]

Power Purchase Agreements: A multi-year contract in which an entity sells electricity and EACs to another party, often at a fixed price. In a *physical* PPA, the offtaker receives the electricity generated from a renewable power plant and its EACs. A *virtual* PPA is a contract in which an offtaker agrees to purchase electricity and EACs from a renewable developer at a set fixed price, but continues to buy physical electricity from its local electricity provider. In this scenario, the developer sells the renewable power into the wholesale electricity market and does not deliver electricity to the buyer, and the parties agree on a financial settlement on the difference between the market price of the electricity and the stated contract price. Renewable energy projects often do not receive financing until a PPA with an offtaker is signed. An offtaker that has signed either a physical or virtual PPA is thus at least partly responsible for helping to bring a new renewable energy project to the power grid.

Renewable Energy Investments: Certain investments in renewable energy projects can be structured so that the investor can claim EACs for the renewable energy produced, as long as double counting is avoided. Certain large technology companies and retailers, for example, have invested in renewable energy tax credits (also known as a "tax equity" investment) and receive EACs generated from those projects. Direct investments in renewable energy projects bring new GHG emissions-free electricity to the power grid, regardless of whether EACs are retained.

Unbundled EAC Purchasing: EACs can be purchased without the underlying electricity from EAC retailers. Unlike EACs acquired through PPAs, unbundled EACs may not be associated

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[13] "Clean Energy in America Reaches Milestone in 2021, But Installation Pace Must Accelerate to Reach Emissions Goals". American Clean Power Association. https://cleanpower.org/blog/clean-energy-in-america-reaches-milestone-in-2021-but-installation-pace-must-accelerate-to-reach-emissions-goals

[14] https://www.bnef.com/interactive-datasets/2d5d59acd9000022; PPAs are not the only means by which C&I entities acquire or support renewable energy as part of their sustainability programs.

[15] "Power Purchase Agreements". BloombergNEF. https://www.there100.org/sites/re100/files/2021-02/RE100%20Making%20Credible%20Claims.pdf

[16] Jurisdictions outside the U.S. have other contractual instruments to document renewable energy use, such as Guarantees of Origin in the E.U. or through contractual arrangements between electricity generators and users in regions without established markets for renewable energy attributes.

[17] "Offsets and RECs: What's the Difference?" U.S. Environmental Protection Agency (EPA). https://www.epa.gov/sites/default/files/2018-03/documents/gpp_guide_recs_offsets.pdf

[18] "4 Ways to Get Renewable Energy Certificates". LevelTen Energy. https://www.leveltenenergy.com/post/ways-to-get-renewable-energy-certificates

with new renewable energy project construction. However, renewable energy projects still benefit from demand for unbundled EACs, and unbundled EAC purchasing remains important to how the U.S. renewable energy market functions, particularly for residential and smaller business customers for which PPAs and green pricing programs and green tariffs (see below) may not be feasible.

Green Pricing Programs and Green Tariffs: Companies and households in certain electricity markets may purchase renewable power and EACs from their utility, competitive supplier, or community choice aggregator, through green power pricing programs or green tariffs. The buyer does not generally control where the renewable energy is sourced in green pricing programs, nor is the market price of electricity relevant to what the buyer pays. In a green tariff, the buyer pays a bundled price stated in the tariff or negotiated with the retail electricity provider, and the rules of the provider's green tariff assure that it has procured energy from a renewable source and that the renewable attributes of generation from that source may only be claimed once by the green tariff customer.

Onsite Generation: A company may also choose to own a renewable energy generation facility and retire the generated EACs to meet its renewable energy goals. Similarly, a homeowner may install solar panels on their home's rooftop and thereby generate their own renewable electricity. It may be possible for both the company and homeowner to sell excess renewable generation back to the electric grid at the applicable net metering tariff. The EACs associated with renewable electricity sold back to the grid may also be transferred to the customer's retail electricity provider.

24/7 Purchasing: Some companies have committed to purchasing 24/7 clean energy to ensure their electricity consumption is matched by carbon-free energy generation on an hourly basis.[19] Companies currently use different time-based energy tracking certificates, as the industry works on a more widely accepted standard that could effectively time stamp the hour electricity is produced on an EAC / REC. 24/7 purchasing is intended to have a larger impact on reducing carbon emissions, and to incentivize suppliers to locate renewable energy in regions with more fossil fuel generation, thus maximizing the emissions displacement potential of new renewable generation.

[19] "Can 24/7 carbon-free energy become a global standard?" Canary Media. https://www.canarymedia.com/articles/corporate-procurement/can-24-7-carbon-free-energy-become-a-global-standard