December 1, 2022

Vanessa A. Countryman
Secretary
Securities and Exchange Commission 100 F Street, NE
Washington, DC 20549-1090

Re: The Enhancement and Standardization of Climate-Related Disclosures for Investors, Release No. 33-11042, 34-94478; File No. S7-10-22

Sub: Market Reactions to the Inflation Reduction Act and the Need for Climate-Related Financial Disclosures

Dear Ms. Countryman:

This letter is a supplement to prior comments submitted by Americans for Financial Reform Education Fund (AFREF).

By passing the Inflation Reduction Act (IRA) in September 2022, Congress has created a package of financial incentives that will fundamentally reshape the economy over the next eight years and beyond.[1] The goal of the climate portion of the effort was two-fold: to lower Greenhouse Gas (GHG) emissions and to create an abundance of low carbon energy that lowers costs for consumers over the next decade.

Investors will need the information outlined in the Securities and Exchange Commission's (SEC's) climate risk disclosure proposal–including full scope GHG emissions and trends over time–to determine which companies and sectors are best positioned and ready to capitalize on the IRA's GHG reduction incentives over the coming decade, and to analyze the progress towards and profitability of companies' transition strategies in this new investment context.

Models of the IRA predict an incredible 32 percent drop in economy-wide GHGs from 2021 to 2030 (compared to an expected 14 percent drop without the IRA).[2] Notably, the IRA prioritizes GHG reductions and removals rather than focusing exclusively on zero-carbon technologies–similar to the Obama-era "all-of-the-above" energy strategy. The bill provides tax incentives and direct finance for renewable energy, electric vehicles, and energy storage as well as domestic manufacturing and carbon capture deployment which may affect the profitable

[1] H.R.5376 - Inflation Reduction Act of 2022, https://www.congress.gov/bill/117th-congress/house-bill/5376/text
[2] Princeton University Zero Lab REPEAT Project, "Preliminary Report: The Climate and Energy Impacts of the Inflation Reduction Act of 2022," August 2022.
https://repeatproject.org/docs/REPEAT_IRA_Prelminary_Report_2022-08-12.pdf

lifetime of carbon-intensive assets in the fossil fuel and heavy industrial sectors. Seizing emissions reduction opportunities may be especially important for fossil fuel firms, as recent research using remote sensing and satellite imagery shows that oil and gas GHG emissions are three times higher than producers currently claim.[3]

Importantly, the law creates powerful financial incentives to lower GHG emissions that will begin showing up in the financial statements of public companies next year, as they are already making their way into the forecasts and recommendations of financial analysts, investors, asset managers, credit rating agencies, and banks:

1. Credit Suisse noted the "IRA will have **'profound effect across industries in the next decade and beyond'** and could ultimately shape the direction of the American economy, the bank said….The report shows how even after the bonanza of climate-bill coverage earlier this year, we're still only beginning to understand how the law works and what it might mean for the economy."[4]

2. PWC is encouraging companies to reassess the least cost method for decarbonization and "how carbon reduction could change [their] cost structure, price of products and services, and profit and losses."[5]

3. iShares is urging investors to "consider pure-play ETFs investing in clean energy and the electric vehicle value chain" to capitalize on direct IRA investments, but also suggests that "the indirect impacts could be equally immense."[6]

4. Morning star:
    a. There are "three main key takeaways that investors should be watching here.
        i. The "10 year [solar power credits] extension…is going to end up adding a lot of value to stocks levered to solar power."
        ii. Investors should consider the "incentives for new technologies in clean energy. Two of the bigger beneficiaries…were going to be hydrogen and energy storage."
        iii. Investors should consider the "incentives for domestic manufacturing."

---

[3] Fiona Harvey, "Oil and gas greenhouse emissions 'three times higher' than producers claim," *The Guardian*, 9 Nov 2022, https://www.theguardian.com/environment/2022/nov/09/oil-and-gas-greenhouse-emissions-three-times-higher-than-producers-claim
[4] Robinson Meyer, "The Climate Economy Is About to Explode," *The Atlantic*, 5 Oct 2022. https://www.theatlantic.com/science/archive/2022/10/inflation-reduction-act-climate-economy/671659/
[5] PWC, "The Inflation Reduction Act and your business: Four ways it can help drive sustainability strategy and growth," Accessed November 8, 2022. https://www.pwc.com/us/en/services/esg/library/inflation-reduction-act-climate-considerations.html
[6] Jay Jacobs, "The Inflation Reduction Act's impact on clean energy and EVs," *iShares by BlackRock*, 16 Aug 2022. https://www.ishares.com/us/insights/the-inflation-reduction-act-deal-could-benefit-clean-energy-evs

b. "**As we incorporate the projected impact of these provisions across our stock coverage universe, we have increased our valuations by up to 20%, or more, depending on the company and its specific product portfolio**."[7]

5. Morningstar: "The IRA is spurring interest in clean energy and climate-conscious investing."
    a. "Morning star equity analysts see the entire range of renewables benefits from the legislation, noting the extension of solar and wind tax credits and the addition of incentives for clean hydrogen, stand-alone energy storage, and domestic manufacturing, which will especially benefit solar manufacturers."
    b. "Beyond that, [their] view is that the legislation signals what will become the federal government's ongoing commitment to supporting the development of clean energy and addressing the climate crisis. While Republican legislators are currently 100% in lockstep against this bill, it seems unlikely they will have the power or inclination to roll it back anytime soon. They may at some point be able to slow the pace or try to simultaneously take action to prop up fossil fuels (which, by the way, the current legislation also does)."
    c. **"Investors should consider clean energy as a long-term investment in the inevitable transition away from the fossil-fuel-based economy**, not as a short term play based on a single piece of legislation."
    d. "Take a look at your core stock and bond funds. Is there any indication they are being managed with an awareness of climate risk? This should be your minimum standard. After all, you are paying your portfolio managers to take all material risks into account as they work to provide you a competitive risk-adjusted return. Don't be surprised to find distressingly few funds that have anything to say about how they're managing climate risk."
    e. "Consider instead diversified stock and bond funds that are explicitly climate-aware. There are plenty of them out there. They may have fossil-fuel-free; carbon transition; or broad environmental, social, and governance investment mandates. Across all sub-asset classes in a typical investor portfolio, you can find climate-aware funds that provide diversified market exposure similar to that of your existing funds."[8]

---

[7] Dave Sekera, "The Companies That Stand to Win and Lose From the Inflation Reduction Act," Morningstar, 17 Aug 2022, https://www.morningstar.com/articles/1109386/the-companies-that-stand-to-win-and-lose-from-the-inflation-reduction-act; and Dave Sekera and Susan Dziubinski, "3 Stocks That Will Benefit From the Inflation Reduction Act," Morningstar, 18 Aug 2022. https://www.morningstar.com/articles/1108876/3-stocks-that-will-benefit-from-the-inflation-reduction-act

[8] Jon Hale, "The Inflation Reduction Act Is Spurring Interest in Clean Energy and Climate-Conscious Investing: Renewable energy funds already awash in inflows. How to position your portfolio," Morningstar Sustainalytics, 12 Aug 2022. https://www.morningstar.com/articles/1109048/the-inflation-reduction-act-is-spurring-interest-in-clean-energy-and-climate-conscious-investing

6. Vanguard: "As ESG Draws Fire, Vanguard Expands Sustainable-Funds Lineup."
    a. "*A Bet on the Inflation Reduction Act.* The Inflation Reduction Act of 2022 is burnishing [climate fund] prospects. Deidre Cooper, the fund's manager, says the Vanguard fund looks for "solutions providers for decarbonization."
    b. "In the U.S. in particular, the benefits of the Inflation Reduction Act are hugely underestimated, Cooper said."
    c. "[The IRA] provides a 10-year visible growth opportunity for U.S. companies in the renewable energy area, the hydrogen area, electric cars, and energy efficiency," she said. "On the other side, it sets us up to deliver low-cost highly visible energy systems that will aid a manufacturing renaissance in the U.S."[9]

7. CNBC: "This month, investors have already poured $425.5 million into U.S. renewable energy exchange-traded funds through Aug. 12, compared with $112.8 million in July, according to estimates from Morningstar Direct."[10]

8. Eos Energy press release:
    a. "Eos Energy Enterprises, Inc. (NASDAQ: EOSE) ("Eos"), a leading provider of safe, scalable, efficient, and sustainable zinc-based energy storage systems, today announced the expected impacts on the energy storage industry and on Eos from the recent passage of the transformational Inflation Reduction Act ("IRA") and Eos's shift in strategy and revised outlook for fiscal year 2022."
    b. "We believe that one of the important benefits of the IRA is that it will significantly reduce the costs of battery cells, modules, and energy storage systems, particularly for those manufactured in the US which we expect to accelerate the domestic energy transition," said Joe Mastrangelo, Chief Executive Officer of Eos. "We continue to see accelerated demand in our robust opportunity pipeline. The IRA encourages the building of a clean energy future in America and Eos is well-positioned as one of the only at-scale US manufacturers of proven long duration energy storage."
    c. "We believe Eos is positioned well in this process since our products and technologies are an enabler to greenhouse gas emission reduction and decarbonization. In addition, the Company's Made in America and job creation strategy meet many policy objectives of the IRA and broader White House Administration."[11]

---

[9] Morningstar, "As ESG Draws Fire, Vanguard Expands Sustainable-Funds Lineup," 3 Nov 2022.
https://www.morningstar.com/articles/1122879/as-esg-draws-fire-vanguard-expands-sustainable-funds-lineup

[10] Kate Dore, "Investors flock to green energy funds as Congress passes climate bill. What to know as assets reach 'new territory'," *CNBC*, 15 Aug 2022.
https://www.cnbc.com/2022/08/15/investors-flock-to-green-energy-funds-as-congress-passes-climate-bill.html

[11] Eos Energy Enterprises press release via GlobeNewswire and Morningstar, 31 Oct 2022.
https://www.morningstar.com/news/globe-newswire/8685247/inflation-reduction-act-offers-opportunity-for-eos-energy-enterprises-inc-and-energy-storage-customers-to-capture-substantial-long-term-value-while-significantly-reducing-emissions

9. VanEck blog and white paper:
    a. “The Act also addresses many other verticals of U.S. emissions.”
    b. “The benefit of this Act is that even in a normalized natural gas price environment, green hydrogen is becoming cost competitive.”
    c. “Testing of the viability and returns profile of the green revolution is certain to be accelerated by this Act and we expect significant winners as well as failed business models. We believe this creates a very attractive environment for active equity investment managers to apply extensive experience, hands-on expertise and understanding of both old and new paradigms.”[12]

10. JPMorgan:
    a. “Our multi-year conviction in sustainability themes such as renewable energy, battery storage, green real estate and clean infrastructure is bolstered by these policy advancements” in the IRA.[13]

11. Bank of America:
    a. “As highlighted in Corporate Strategies for Net Zero, we noted a capex cycle is already underway, with companies representing 11% of BofA Global Research’s coverage footprint aiming to achieve Net Zero during this decade, quadrupling to 41% by 2040 and further doubling to 76% by 2050. BofA Global Research US analysts estimate incremental spending for US companies (ex-Financials) of $400 billion in R&D and $740 billion in incremental capex towards carbon mitigation efforts.”
    b. “If the IRA succeeds in bringing forward capex plans, these inflationary pressures may intensify. In the longer-term positive impact of potentially less climate risk, lower oil prices and better growth should ultimately benefit corporates and consumers via margins and disposable income.”[14]

12. Bank of America: *$1.5 trillion Sustainable Funding to Focus on ‘Impact’.* Bloomberg NEF Interview with Karen Fang, BoA global head of sustainable finance.
    a. “The boost provided to the green economy by the US climate bill - officially the Inflation Reduction Act - will ease the way for Bank of America to reach its target of $1.5 trillion in sustainable financing by 2030.”

---

[12] VanEck, “The Inflation Reduction Act: A Green Catalyst,” 4 Oct 2022. https://www.vaneck.com/us/en/blogs/sustainable-investing/the-inflation-reduction-act-a-green-catalyst/; Shawn Reynolds *et al.*, “The Inflation Reduction Act: Accelerating the Energy Transition in the U.S.” Sept 2022. https://www.vaneck.com/us/en/blogs/sustainable-investing/the-inflation-reduction-act-a-green-catalyst/sustainability-monthly-the-inflation-reduction-act.pdf

[13] Elyse Ausenbaugh and Madison Faller, “What the Inflation Reduction Act could mean for the economy,” *JP Morgan Wealth Management*, 19 Aug 2022. https://www.jpmorgan.com/wealth-management/wealth-partners/insights/what-the-inflation-reduction-act-could-mean-for-the-economy

[14] Bank of America Institute, “The Inflation Reduction Act: A long game,” 8 Sept 2022. https://business.bofa.com/content/dam/flagship/bank-of-america-institute/economic-insights/inflation-reduction-act-september-2022.pdf

b. “Bank of America supports decarbonization ventures through multiple channels. It is an investor in the Breakthrough Energy Catalyst program backed by Bill Gates. The program is focused on direct air capture, green hydrogen, long-duration energy storage and sustainable aviation fuel. ‘More of these projects should become easier to fund in the near future, thanks to the Inflation Reduction Act.’”
c. “The Bank has its own Sustainable Finance Taxonomy. It does no direct financing of petroleum exploration or production activities in the Arctic, construction of new coal-fired power plants and thermal coal mines or expansion of existing plants and mines.”
d. “Our initial read is that there are a lot of incentives in this bill that can help reduce the green premium….given our significant market share in this space, we have to see how to allocate our capital thoughtfully.”
e. **Q: Allocating capital “thoughtfully” – what exactly would that entail?**
    i. A: “It’s always about impact and return. If the market can absorb some of the easier projects from more mature technologies, our added value and impact will be larger in newer technologies. We want to fulfill our role as a catalyzing agent for newer technologies, and for emerging markets. We have a goal to mobilize and deploy $1.5 trillion in sustainable financing by 2030. In 2021, the first year of this commitment, we mobilized and deployed approximately $250 billion.”
f. **Q: To get a sense of what is your biggest opportunity and challenge, I want to ask you what you are spending most of your time on?**
    i. A: “The next couple of months will go into digesting the Inflation Reduction Act and getting a handle on the size and scope of the business opportunities it will enable. We go where our clients go. So, if all the large oil and gas companies are thinking about methane leakage prevention – because that’s a real stick in the new law – we are going to try to help enable more of these projects. I am excited about carbon capture and sequestration, and am excited about some of the larger scale projects we are working on in the country. We are getting together with a lot of corporate clients as well as investors to strategize. There is a lot more momentum now. We have a few major initiatives in each of our eight lines of business. I think we’re going to penetrate the consumer and small business space even more with an increased product mix.”
g. **Q: Capital flows are also guided by returns. Would you be similarly driven by returns?**
    i. A: “Yes. We are not a public sector entity. We are not a non-profit organization. We are a regulated bank that needs to think about risks and returns, as well as capital and liquidity. However, I can tell you that for some of the financing that we are doing, we lean in from a pricing standpoint. Many of these emerging markets have currency risk, convertibility risk, economic volatility, political risk and social risk. Some of these are difficult to mitigate completely. That is why blended finance structures are really needed, and why we work with multilateral development banks and agencies to blend our capital.”[15]

---

[15] Vandana Gombar, *BofA’s $1.5 Trillion Sustainable Funding to Focus on ‘Impact’,”* BloombergNEF, 8 Sept 2022. https://about.bnef.com/blog/bofas-1-5-trillion-sustainable-funding-to-focus-on-impact/

13. [Fidelity](https://www.fidelity.com/learning-center/trading-investing/inflation-reduction-act):
    a. “There are investing implications in terms of tax credits for both fossil fuel companies as well as the producers of nuclear energy, hydrogen energy from clean sources, biofuels, and carbon capture technology. Producers of residential rooftop solar systems, heat pumps, and small wind energy systems also have incentives in the new law. Additionally, there are incentives for sourcing domestically manufactured steel, iron, and other product components.”
    b. "The climate section of the bill focuses on making lower and zero carbon sources of energy as well as their use cases more abundant and accessible, and this could result in accelerated uptake of technologies such as electric vehicles and home devices," Anolic states. "**I believe that companies that design and produce products or services to fight global warming will see increased demand for their businesses**, likely at a greater pace than that of US GDP, from both the public and private sectors."[16]

14. BlackRock: *David Giordano, Head of BlackRock Climate Infrastructure*: “This law creates a long runway for U.S. energy transition investments. It creates more certainty around the fundamental policy incentives, which can be significant value drivers for these assets.”[17]

15. BlackRock: “The iShares U.S. Infrastructure ETF (IFRA) and the iShares Global Clean Energy ETF (ICLN) have held up relatively well in a tumultuous 2022 for markets…The ETFs stand to benefit from fiscal policies such as the U.S. Inflation Reduction Act and the U.S. Infrastructure Investment and Jobs Act, according to Blackrock.”[18]

16. BCG: “**The second and third order implications of this legislation will emerge over time. For example, these policies impact the ability of every industry across the economy to decarbonize their supply chains**.”[19]

17. Bain: “ The Inflation Reduction Act Is a Decarbonization Game Changer”
    a. “By creating more certainty for investments in clean energy production and low-carbon materials, the act reduces the risks and costs of decarbonization.”
    b. “**Companies that were tentatively moving in the direction of clean energy and green products can move more aggressively into these new businesses now, a change that will shake up trade relationships and boost the role of the US private sector in the global clean energy sector**.”

---

[16] Fidelity, “The Inflation Reduction Act: What to expect,” 18 Aug 2022.
https://www.fidelity.com/learning-center/trading-investing/inflation-reduction-act
[17] BlackRock, “The Inflation Reduction Act: A Q&A with investors,”Aug 2022.
https://www.blackrock.com/institutions/en-us/literature/investor-education/inflation-reduction-act-q-a.pdf
[18] Morningstar, “Why BlackRock sees these thematic ETFs potentially outperforming in 2023,” 17 Nov 2022.
https://www.morningstar.com/news/marketwatch/20221117679/why-blackrock-sees-these-thematic-etfs-potentially-outperforming-in-2023
[19] BCG, “US Inflation Reduction Act: Climate & Energy Features and Potential Implications,” Aug 2022.
https://media-publications.bcg.com/BCG-Executive-Perspectives-US-Inflation-Reduction-Act-16August2022.pdf

c. "Beyond energy industries, the act will also help reduce the emissions footprint of companies in other industries, as they source more widely available clean energy and green technologies made more readily available (and more affordable by the IRA's incentives."
d. "**Companies that were already positioning themselves to shift or expand their business toward clean energy are in a better position to take advantage of the opportunities" which include "hydrogen….battery manufacture….solar manufacture….power generation….domestic manufacturing….[and] sustainable jobs.**"[20]

18. [Seeking Alpha](https://seekingalpha.com) author Logan Kane: "How Will The Inflation Reduction Act Affect The Stock Market?"
    a. "So far, the biggest winners after the bill was announced, far and away were solar stocks. Invesco has a Solar ETF (TAN) that immediately spiked after the announcement. Big holdings of TAN include Enphase Energy (ENPH), SolarEdge (SEDG), and First Solar (FSLR). The push for utility-scale solar benefits NextEra Energy (NEE). Electric vehicle stocks were more subdued, with the idea being that the most likely beneficiaries of the bill are established domestic manufacturers like General Motors (GM) and Ford (F). Albemarle (ALB) is a big second-order play on this as a lithium producer."

19. Kiplinger contributing author Charles Sizemore: "Biden's Inflation Reduction Act: Investing Winners and Losers: These seven stocks could benefit the most (and least) from the Inflation Reduction Act, which has been signed into law."[21]

20. Canary Media Podcast with CohnReznick:
    a. Q: "With the expansion of these tax credits, what does that do to the mergers and acquisitions landscape?"
        i. A: "It continues to keep it hot. There is a different kind of short term and long term result. Long term, continued/renewed interest from a variety of financial and strategic investors looking to acquire pipeline and platforms and see the value in developing renewables or storage or other carbon capture projects. **In the short term, some of the active processes have put a little bit on hold, because all of a sudden values of this pipeline are potentially 30%, 50%, 100% more valuable than they were in the week before this passed. That hasn't kind of trickled down and made its impact known yet on the corporate valuation side, but we absolutely anticipate an uptick…and really strong interest from investors**."[22]

---

[20] Bain, "The Inflation Reduction Act Is a Decarbonization Game Changer," 27 Oct 2022. https://www.bain.com/insights/decarbonization-game-changer/
[21] Charles Sizemore, "Biden's Inflation Reduction Act: Investing Winners and Losers," *Kiplinger,* 13 Aug 2022. https://www.kiplinger.com/investing/stocks/605045/bidens-inflation-reduction-act-investing-winners-and-losers
[22] CohnReznick, "How the Inflation Reduction Act will finance the energy transition," 28 Oct 2022. https://www.cohnreznick.com/insights/how-inflation-reduction-act-will-finance-energy-transition

21. Moody's:
    a. **The IRA "will have far-reaching credit implications, especially for companies at high risk related to the carbon transition."**
    b. **"It will be "credit-positive" for asset managers with a focus in renewable energy investing, and will likely increase investors' flows into the already-growing ESG funds market**, Moody's predicted."
    c. "It will likely have a positive effect on credit quality of electric-vehicle manufacturers, regulated utilities and unregulated power companies, heating, ventilating and air conditioning manufacturers, states and local governments."
    d. "Moody's predicted a negative impact on credit quality of fossil fuel producers and coal miners, "but demand for natural gas will likely remain high in the short- to medium-term as utilities continue to retire coal-fired plants and switch to natural gas."[23]

Anticipatory shifts are already occurring due to market participants' response to the passage of the IRA, though rulemaking to establish exactly how these financial incentives will operate has only just begun. Analysts argue that the full benefits of the IRA are yet to be baked into the market.[24]

Investors will need the information outlined in the SEC's climate risk disclosure proposal–including full scope GHG emissions and trends over time–to determine which companies and sectors are best positioned and ready to capitalize on the IRA's GHG reduction incentives over the coming decade, and to analyze the progress towards and profitability of companies' transition strategies in this new investment context.

Thank you for your consideration of these comments. For more information please reach out to Alex Martin (alex@ourfinancialsecurity.org).

Sincerely,
Americans for Financial Reform Education Fund

[23] Environmental Finance, "The Inflation Reduction Act: A 'ground-breaking' climate deal," 12 Aug 2022. https://www.environmental-finance.com/content/analysis/the-inflation-reduction-act-a-ground-breaking-climate-deal.html

[24] Tom Lydon, "Inflation Reduction Act Benefits Not Yet Fully Appreciated, Says Analyst," 12 Oct. 2022. https://www.yahoo.com/video/inflation-reduction-act-benefits-not-132638550.html