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Enhancing Disclosure: The Road to Improved ESG Reporting

Media Mentions

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Bracewell's **Rachel Goldman** discussed with *Gas Pathways* how environmental, social and governance (ESG) has grown into a central issue for oil and gas companies, requiring them to consider climate alongside other business risks.

"The basic rule is that if there's a risk to your company, a factor that potentially impacts it in a material way, you have an obligation to disclose it to the public and to shareholders," said Goldman.

Over the past two years, the US Securities and Exchange Commission (SEC) has been developing a new set of rules for US businesses designed to align with the more stringent disclosure requirements in the EU.

The rules were published in draft form last year, but publication has been delayed due to push back from the oil and gas industry. The latest schedule suggests they will be released sometime in the first half of 2024.

"There probably will be a rule that comes from the SEC, but it will likely be modified with specific components left out, such as certain requirements for Scope 3 reporting," added Goldman.

Scope 3 reporting – the obligation for firms to report on the emissions of the products they sell – has been the most contentious issue in the SEC proposals.

Republican politicians have also made a series of proposals in Congress to overhaul the Department of Labor rules on ESG climate disclosure – one of which was subject to a presidential veto from Joe Biden.

If a Republican president were elected later this year, the existing US ESG disclosure regime would be unlikely to be protected by such vetoes.

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But whatever the political headwinds, the increasing awareness amongst asset managers of the risk that climate represents to the economic bottom line is unlikely to change, according to Goldman.

“There can be backlash, but asset managers are not likely to invest significant amounts into a company that doesn’t adjust for the energy transition,” she said.