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Is Biden's Climate Disclosure Rule on the Right Path?

**Professional Landmen's Association
of New Orleans**

Poe Leggette – September 19, 2022



U.N. Definition of Net-Zero

“Put simply, net zero means cutting greenhouse gas emissions to as close to zero as possible, with any remaining emissions re-absorbed from the atmosphere, by oceans and forests for instance.”

Source: <https://www.un.org/en/climatechange/net-zero-coalition>

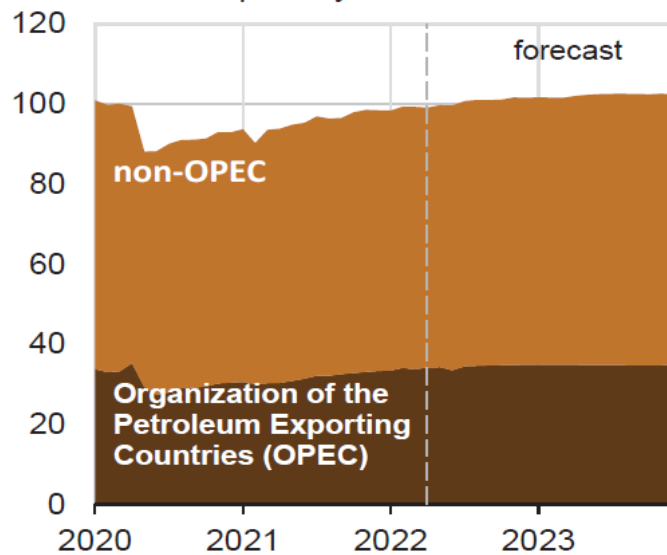
We All Use More

- ✓ “Energy-related CO₂ emissions grew to 36.3 Gt in 2021, a record high”
- ✓ “The world has not heeded the call for a sustainable recovery from the Covid-19 crisis”

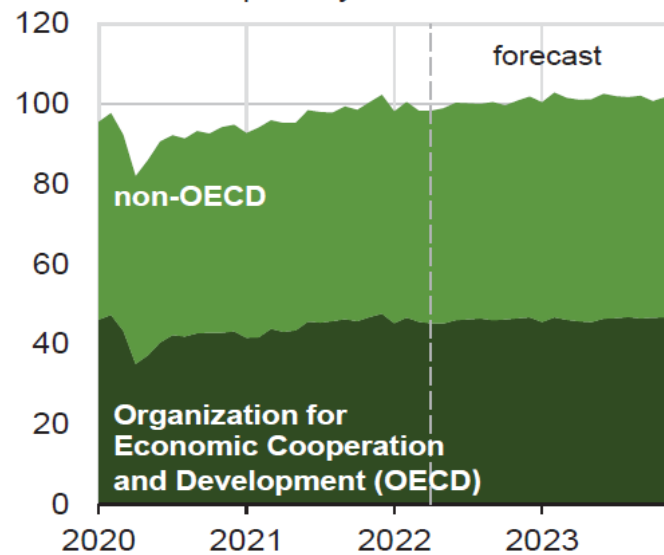
Source: IEA, “Global Energy Review: CO₂ Emissions in 2021” (released March 2022)

Global petroleum demand still rising

World liquid fuels production
million barrels per day



World liquid fuels consumption
million barrels per day

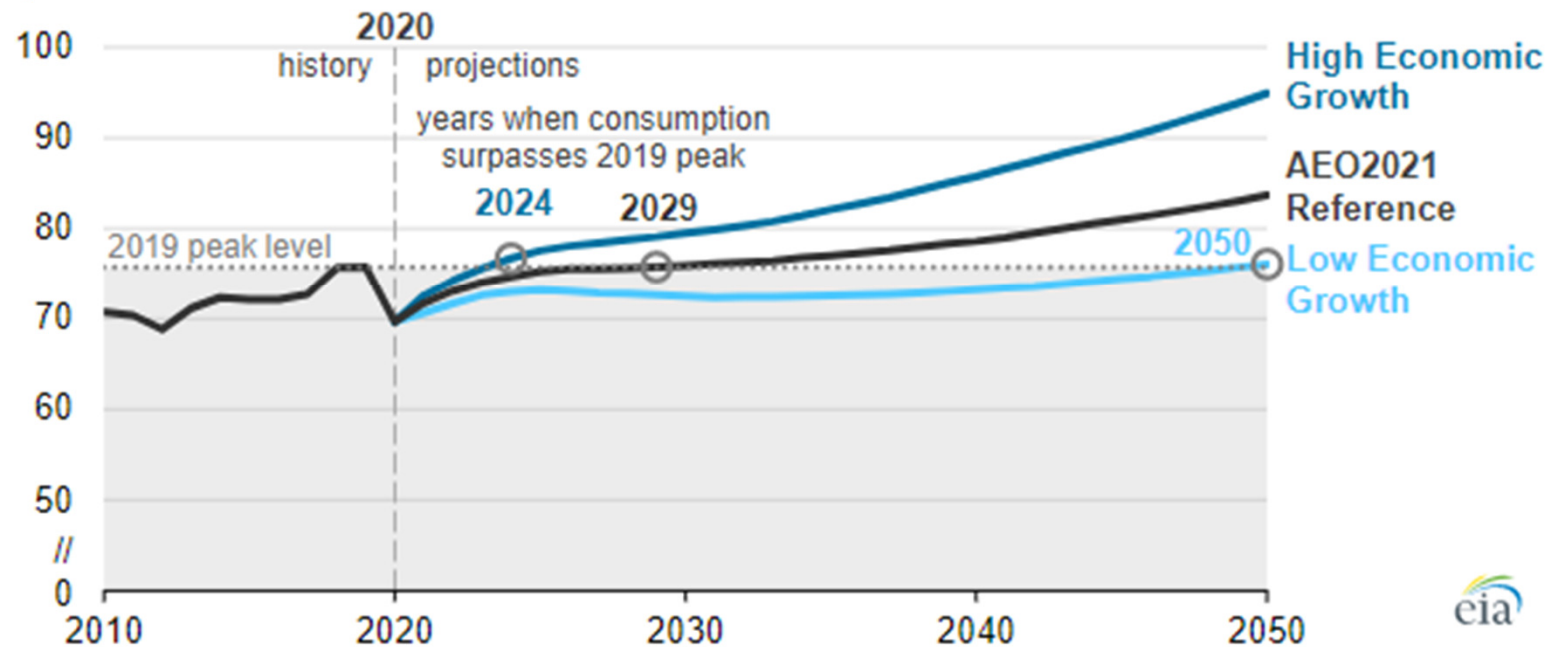


Source: U.S. Energy Information Administration, Short-Term Energy Outlook, April 2022



The COVID Consumption Cliff

U.S. delivered energy across end-use sectors (2010–2050)
quadrillion British thermal units



Source: U.S. Energy Information Administration, *Annual Energy Outlook 2021* (AEO2021)

Cost of SEC Climate Risk Rule

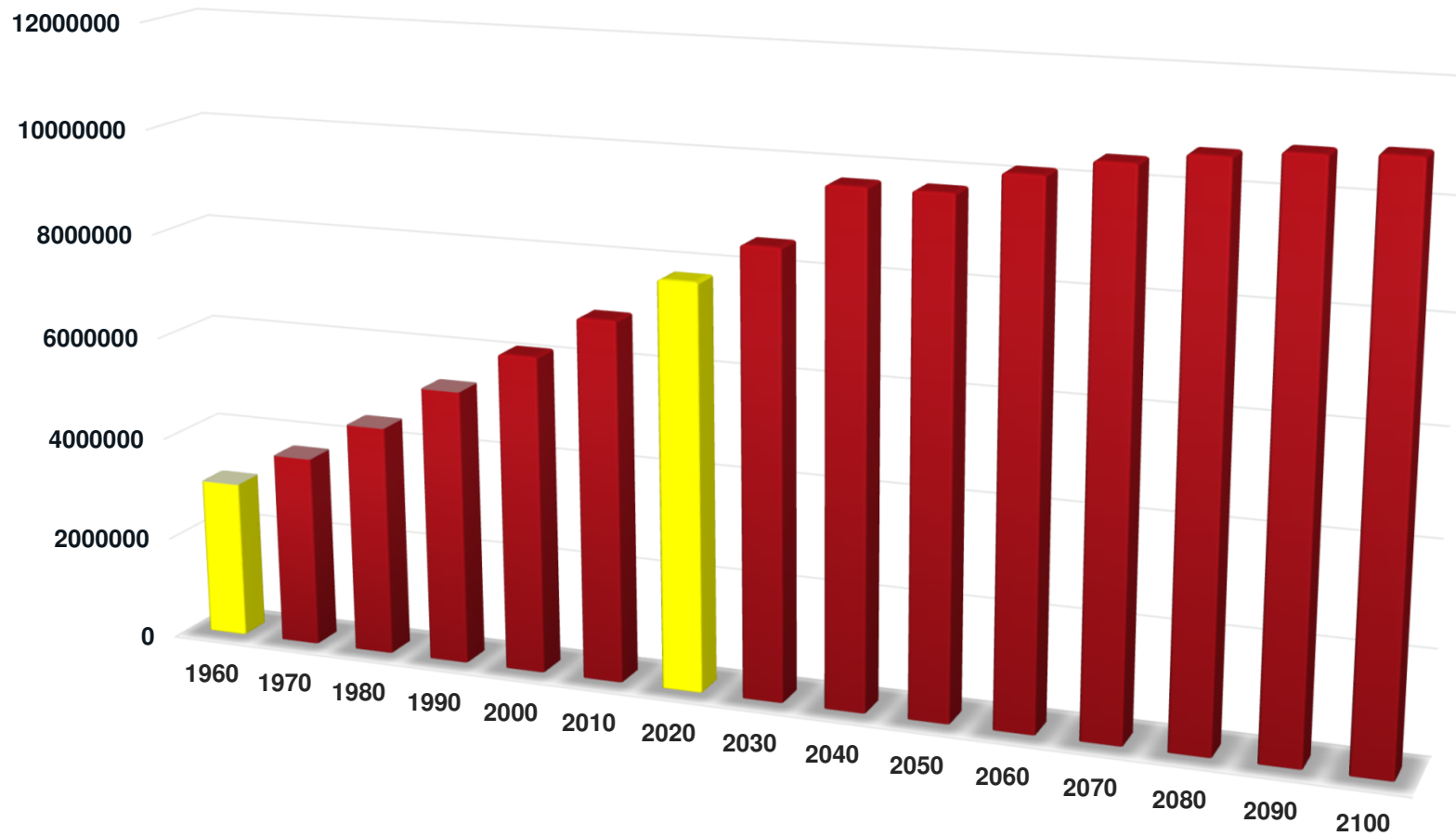
- “[A]nnual compliance burden of the affected collections of information,”
87 Fed Reg. at 21458 (4/11/22),
- Is **\$10,235,031,998**. *Id.* at 21461.

Changes By the Numbers, 1960-2020

- Atmospheric Concentration of CO₂
Increase: **100 ppm** [1960-310 ppm; 2019-410 ppm]
- Average surface temperature increase: 1.4° Fahrenheit
- Average sea level rise: 5 inches
- Global human population increase: ???



Population Prospects...



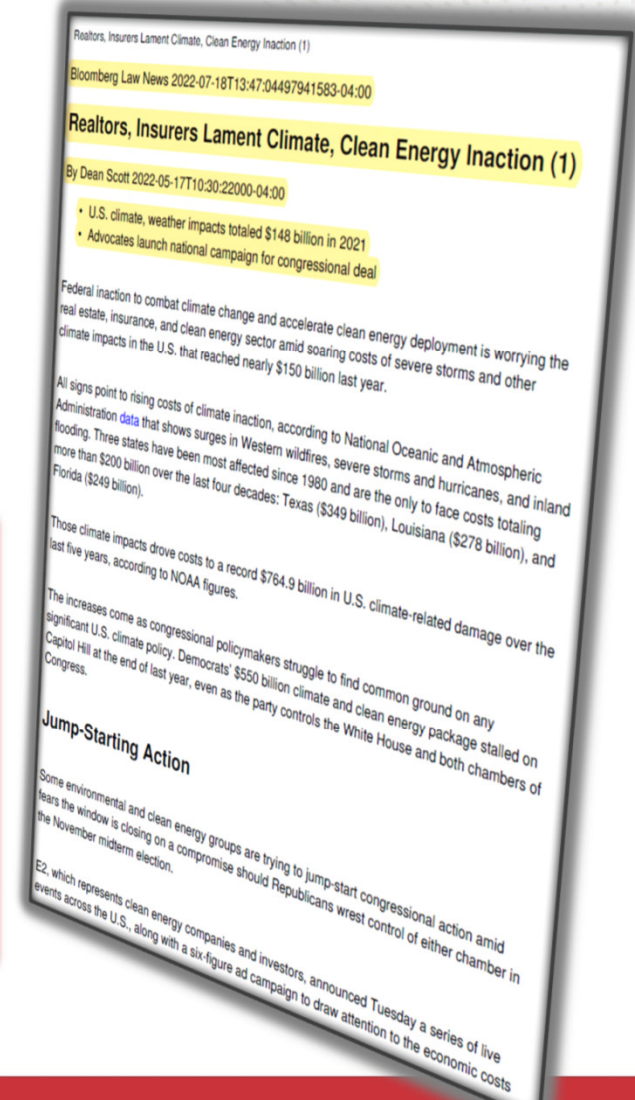
Here's a specific illustration of the effect of population growth, showing that what is perceived as a climate problem is really a population problem. Why the rise in insurance losses from extreme weather events? In a *May 17, 2022, article in Bloomberg News*, reporter Dean Scott's headline was "Realtors, Insurers Lament Climate, Clean Energy Inaction."

Bloomberg Law News 2022-07-18T13:47:04497941583-04:00

Realtors, Insurers Lament Climate, Clean Energy Inaction (1)

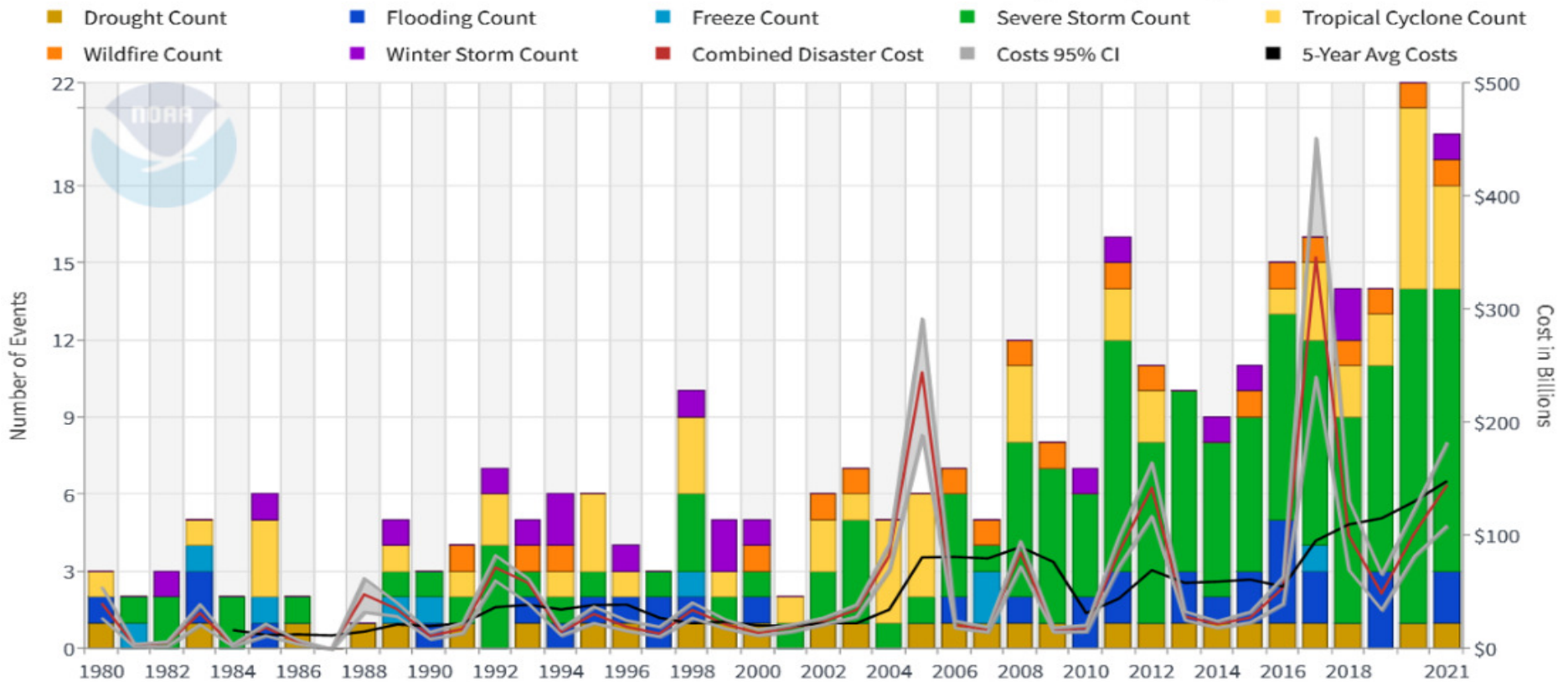
By Dean Scott 2022-05-17T10:30:22000-04:00

- U.S. climate, weather impacts totaled \$148 billion in 2021
- Advocates launch national campaign for congressional deal



NOAA's Costs of Disaster Events

United States Billion-Dollar Disaster Events 1980-2021 (CPI-Adjusted)



Climate Change Plays a Minor Role in Increased Damages from Tropical Cyclones

“Recent decades have seen very large increases in the economic damage and disruption caused by tropical cyclones. Historical analyses indicate that this has been caused primarily by rising coastal populations and the increasing value of infrastructure in coastal areas.”

Source: T. Knutson, J. McBride, et al., “Tropical Cyclones and Climate Change,” NATURE GEOSCIENCE (online pub. Feb. 21, 2010) (emphasis added).

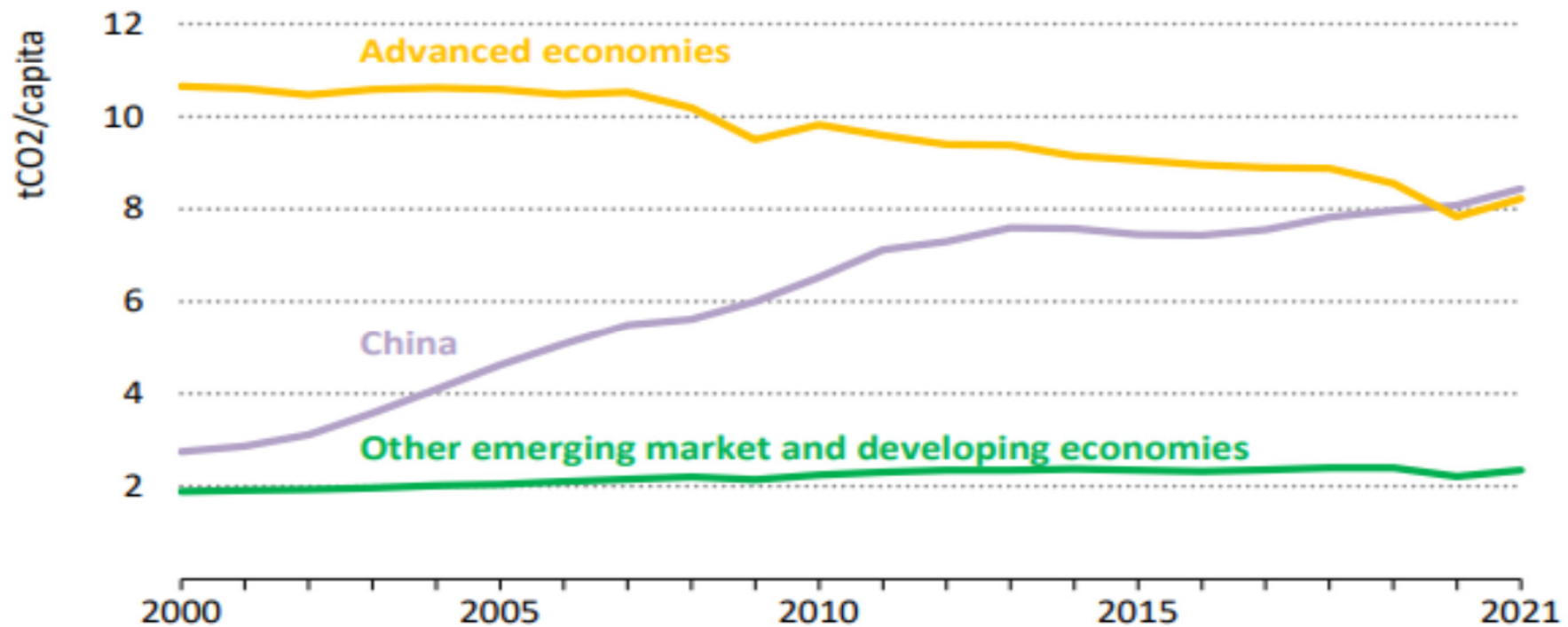
Disaster Losses and Climate Change?

Increasing exposure of people and economic assets has been the major cause of long-term increases in economic losses from weather- and climate-related disasters (high confidence). Long-term trends in economic disaster losses **adjusted for wealth and population increases** have not been attributed to climate change, but a role for climate change has not been excluded (high agreement, medium evidence).

Source: *Managing the Risks of Extreme Events and Disasters to Advance Climate Change Adaptation, Summary for Policymakers at 7 (emphasis added), available at ipcc.ch/site/assets/uploads/2018/03/SREX_FD_SPM_final-2.pdf*

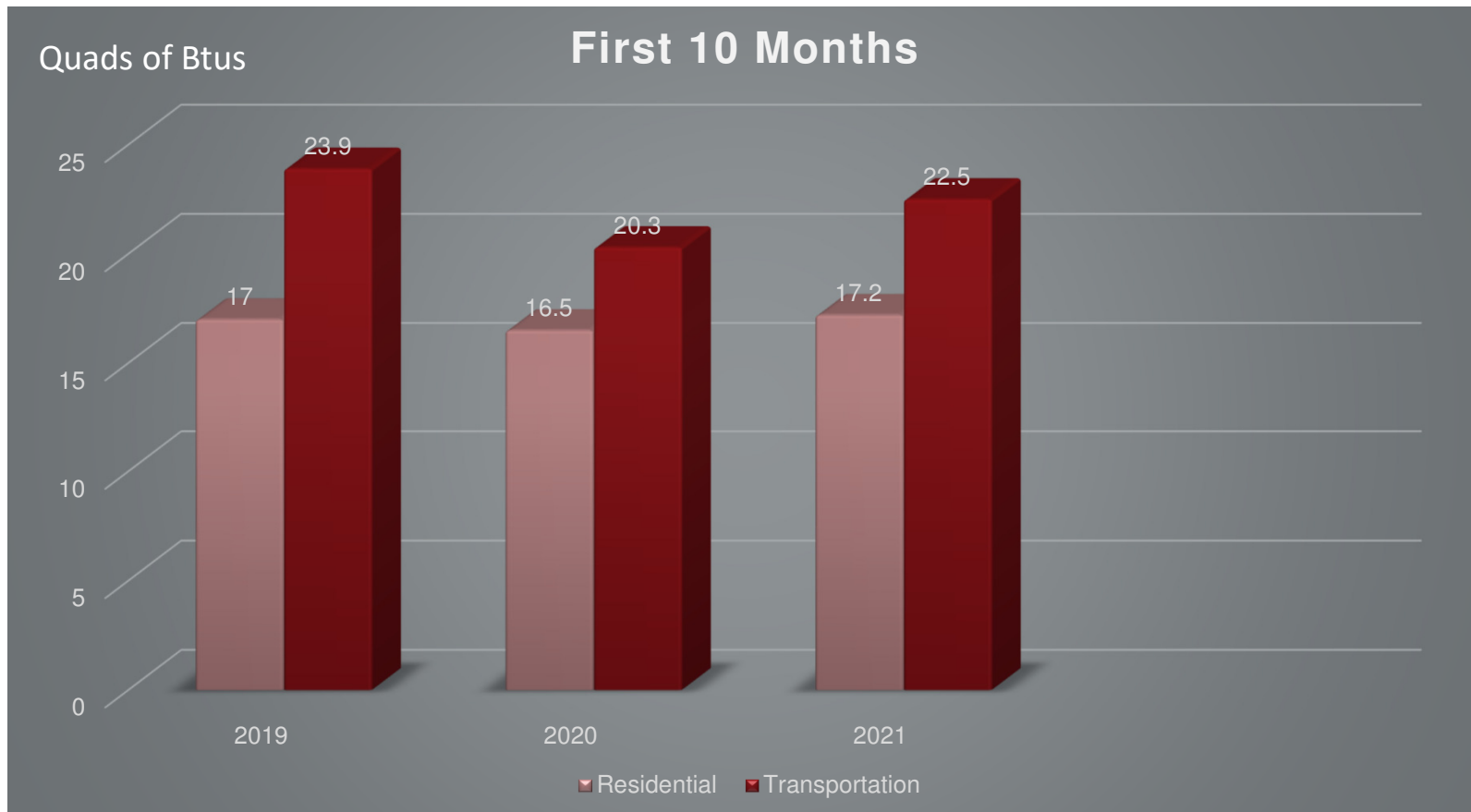
Emissions per Capita

Figure 6 CO2 emissions per capita by region, 2000-2021



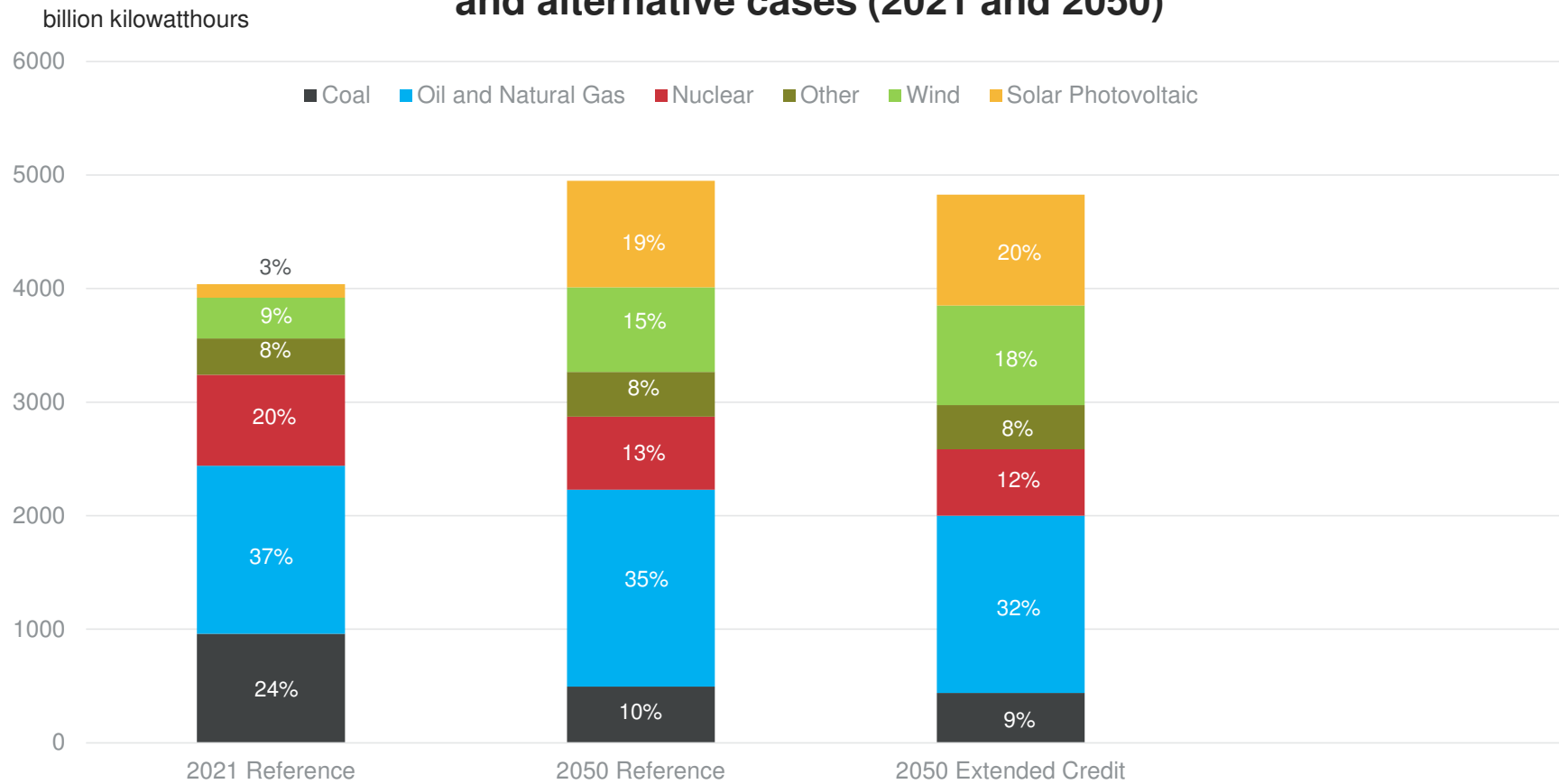
IEA. All rights reserved.

U.S. Energy Consumption



[eia.gov/totalenergy/data/monthly/pdf/sec.2-3.pdf](https://www.eia.gov/totalenergy/data/monthly/pdf/sec.2-3.pdf)

Electric Power Sector Generation by fuel type, reference case and alternative cases (2021 and 2050)



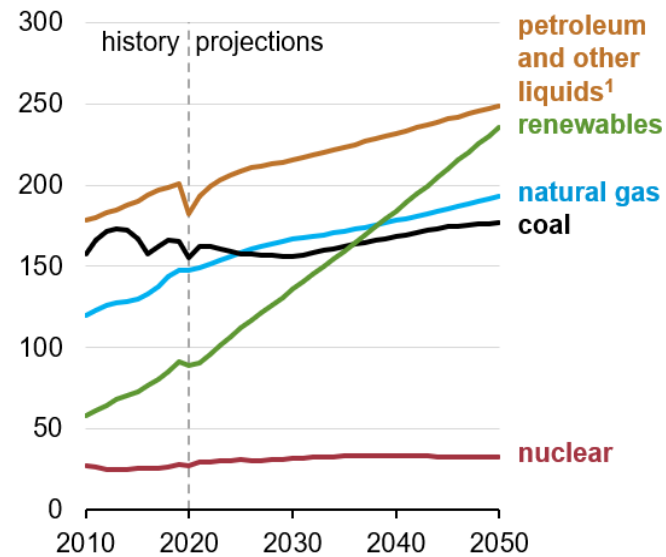
Data source: U.S. Energy Information Administration, Annual Energy Outlook 2022

Global Energy Projections

Figure 1

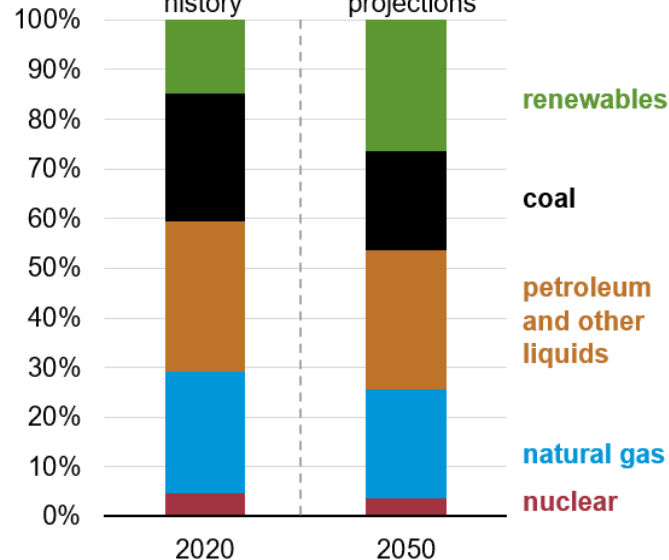
Primary energy consumption by energy source, world

quadrillion British thermal units



Share of primary energy consumption by source, world

percentage



Source: U.S. Energy Information Administration, *International Energy Outlook 2021* (IEO2021) Reference case

¹ includes biofuels

Wind Growth

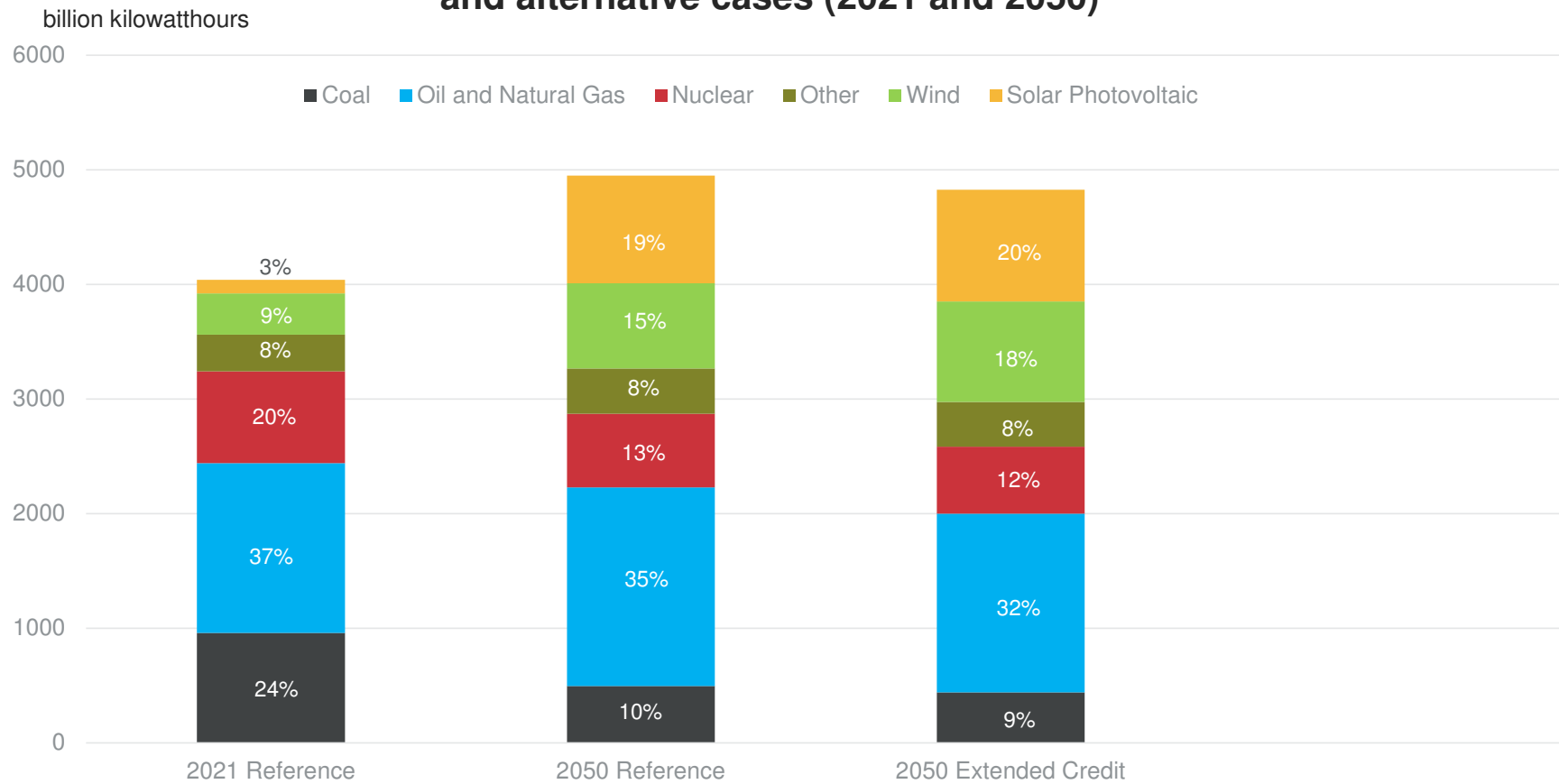
So Total Solar and Wind Energy Generation & Capacity in 2019, 2020, and 2021

	Cumulative Capacity (GW)		Annual Generation (GWh)	
	U.S.	World – U.S.	U.S.	World – U.S.
2019	105.6¹	545.1²	295,882³	1,032,172⁴
2020	122.0⁵	620.4⁶	337,938⁷	1,142,462⁸
2021	134.7⁹	702.3¹⁰	379,767¹¹	1,433,933¹²

Solar Growth

Solar Energy	Cumulative Capacity (GW)		Annual Generation (GWh)	
	U.S.	World – U.S.	U.S.	World – U.S.
2019	60.8 ¹³	530.3 ¹⁴	106,894 ¹⁵	586,169 ¹⁶
2020	75.6 ¹⁷	641.2 ¹⁸	130,721 ¹⁹	703,909 ²⁰
2021	95.2 ²¹	754.3 ²²	163,703 ²³	859,397 ²⁴

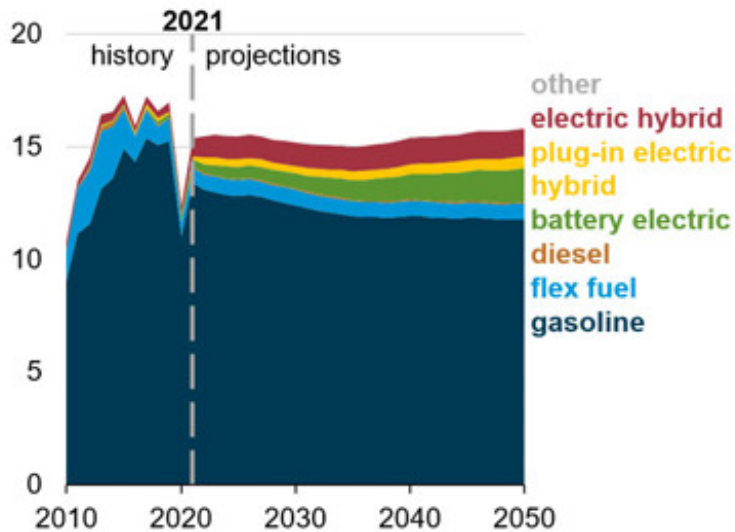
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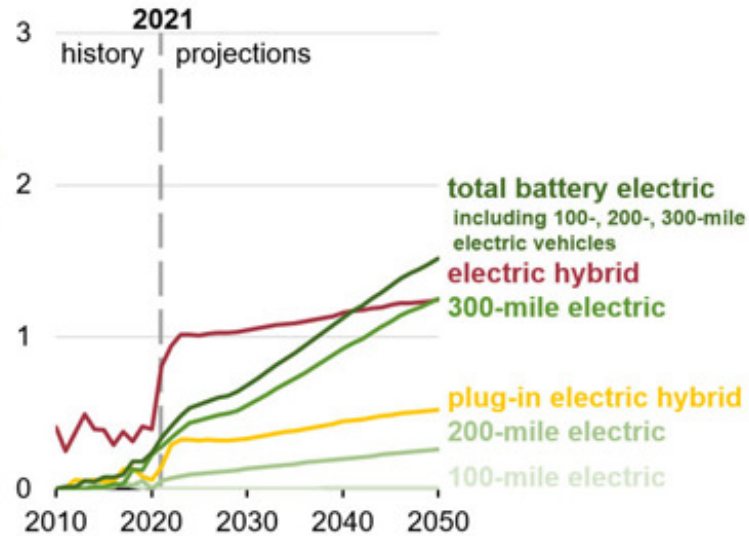
Data source: U.S. Energy Information Administration, Annual Energy Outlook 2022

Gasoline in 2050

Light-duty vehicle sales by technology or fuel
AEO2022 Reference case
 millions of vehicles



New vehicle sales of battery-powered vehicles
AEO2022 Reference case
 millions of vehicles

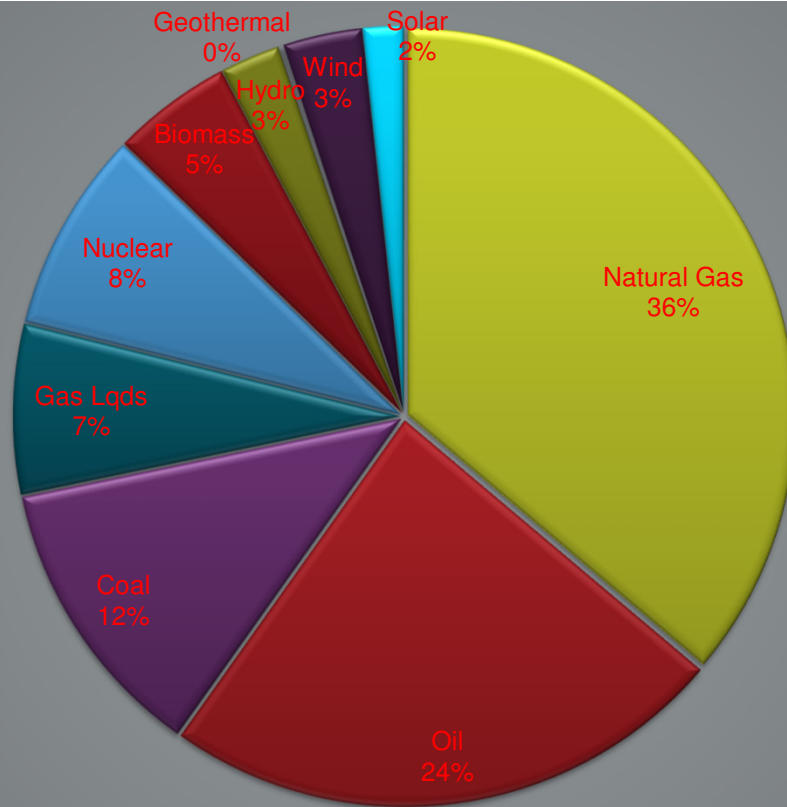


Source: U.S. Energy Information Administration, *Annual Energy Outlook 2022* (AEO2022) Reference case

U.S. Primary Energy Sources Jan – Aug 2021 (64.6 Quadrillion Btus)

Natural Gas	36.1%
Oil	23.6%
Coal	11.9%
Gas Lqds	7.1%
Nuclear	8.4%
Biomass	5.0%
Hydro	2.5%
Geothermal	0.2%
Wind	3.3%
Solar	1.7%

(Total less than 100.0% due to rounding)



■
■
■
■ Natural Gas
 ■ Oil
 ■ Coal
 ■ Gas Lqds
 ■ Nuclear
 ■ Biomass
 ■ Hydro
 ■ Geothermal
 ■ Wind
 ■ Solar

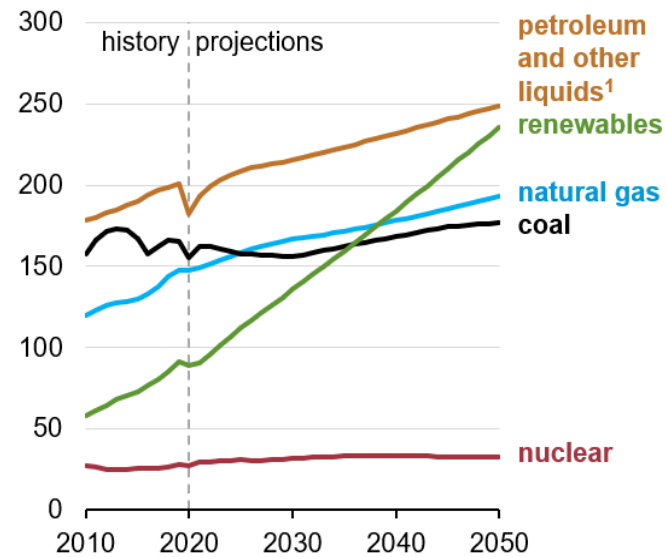
Source: U.S. Energy Information Administration, Monthly Energy Review
Nov. 2021

Global Energy Projections

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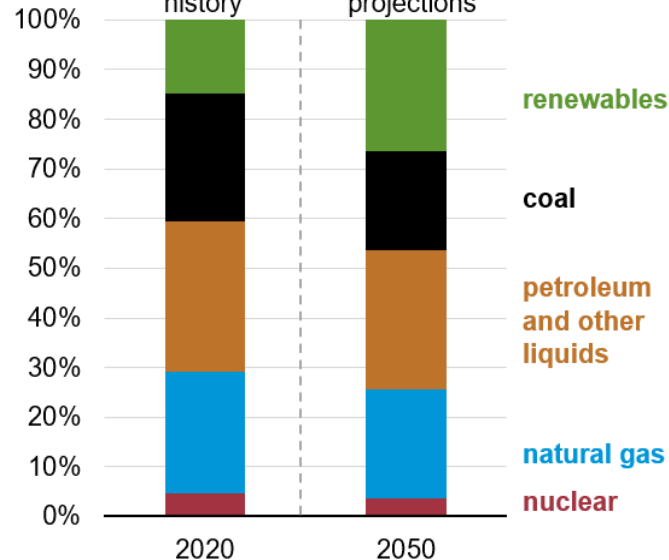
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Share of primary energy consumption by source, world

percentage



Source: U.S. Energy Information Administration, *International Energy Outlook 2021* (IEO2021) Reference case

¹ includes biofuels

China and Critical Minerals

- **2018:** China produced more than 75% of world's cobalt chemicals
- **90%** of all rare earth magnets are manufactured in China
- **2019:** seven of the world's ten largest solar panel manufacturers were Chinese, making 84% of capacity in solar panels
- **2019:** China controlled 73% of lithium cell manufacturing capacity; the U.S. 12%

Uyghur Forced Labor Prevention Act

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6/20/2022

CBP Releases Operational Guidance to Importers Regarding UFLPA Enforcement

Bakerlaw.com website (Resources)

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CBP Releases Operational Guidance to Importers Regarding UFLPA Enforcement

June 20, 2022

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Introduction

The Uyghur Forced Labor Prevention Act (UFLPA), signed into law on December 23, 2021, furthers the United States' policy of prohibiting the importation of goods made with forced labor.^[1] The UFLPA requires Customs and Border Protection (CBP) to presume that all imported goods, wares, articles and merchandise mined, produced or manufactured wholly or in part in the Xinjiang Uyghur Autonomous Region (XUAR) of China, or by entities identified by the U.S. government on the UFLPA Entity List^[2] are made with forced labor and are prohibited from entry into the United States.^[3] According to CBP, the presumption applies to all goods manufactured in or transported through China and other countries that include inputs made in the XUAR.^[4]

On June 13, CBP released its operational guidance for importers, broadly outlining how the UFLPA will be enforced and how the presumption will be applied, and specifying the types of information and documentation importers can provide to show "clear and convincing evidence" to successfully rebut the presumption.^[5] The UFLPA enforcement and rebuttable presumption will apply to merchandise imported on or after June 21.^[6] Shipments within the scope of the UFLPA will be presumed to violate Section 307 of the Tariff Act of 1930.^[7] Accordingly, CBP will have the authority to detain, exclude, or seize and forfeit such shipments.^[8] Starting June 21, shipments that previously would have been subject to the XUAR Withhold Release Order (WRO) process will be processed under UFLPA procedures.^[9]

The Department of Homeland Security (DHS), as chair of the Forced Enforcement Task Force (FETF), will release the "Statement on

Not a Net Zero American Future by 2050

Key takeaways from the Reference and side cases

- Petroleum and natural gas remain the most-consumed sources of energy in the United States through 2050, but renewable energy is the fastest growing
- Wind and solar incentives, along with falling technology costs, support robust competition with natural gas for electricity generation, while the shares of coal and nuclear power decrease in the U.S. electricity mix
- U.S. crude oil production reaches record highs, while natural gas production is increasingly driven by natural gas exports

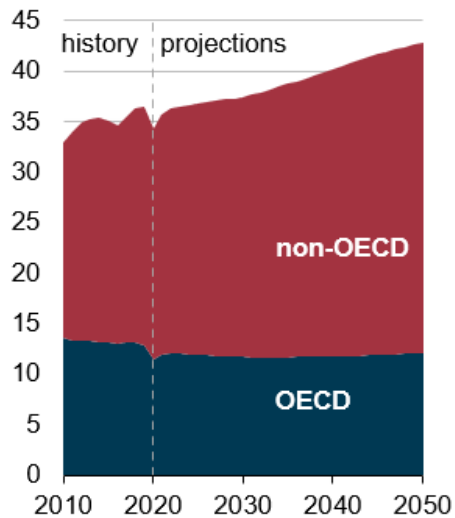
Source: U.S. EIA 2022 Annual Energy Outlook

Emissions Still Rising

Energy related carbon dioxide (CO₂) emissions rise, even as carbon and energy intensity fall

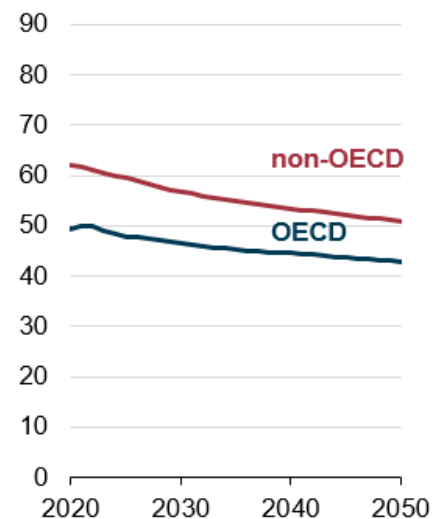
Energy-related CO₂ emissions

billion metric tons



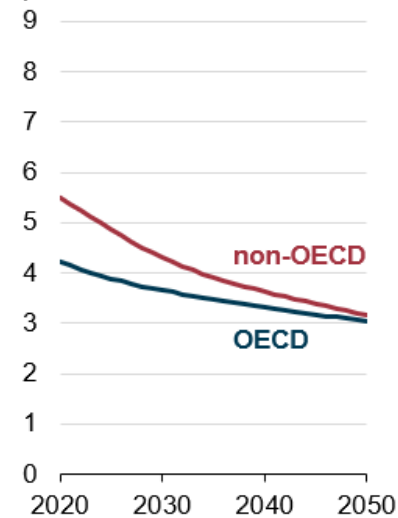
Carbon intensity

metric tons CO₂ per billion
British thermal units



Energy intensity

thousand British thermal units
per 2015 dollar of GDP



Why the SEC Rule?

- Registrants' emissions and exposure to potential transition risk, as well as whether they have in place emissions targets with credible pathways of achievement.

87 Fed. Reg. 21425L.

How Is the Market Doing on Climate Without the SEC Rule?

- Increased mandatory ESG disclosure is associated with aggregate stock price movement. . . with firms disclosing large GHG emissions experiencing price declines.

87 Fed. Reg. 21429R.

Verification Organizations

- **Clean Development Mechanism**
- **Gold Standard**
- **Verra/Verified Carbon Standard (VCS)**
- **American Carbon Registry**
- **Climate Action Reserve**
- **Forest Carbon Partnership Facility**
- **Global Carbon Trust**

Source: IATA - Aviation Carbon Offsetting Guidelines

Verified Carbon Offsets

- **Verra's Verified Carbon Standard: "1,797 certified VCS projects" have "reduced or removed more than 922 million tonnes of carbon and other GHG emissions."**

[Source: verra.org/project/vcs-program, last visited 5/2/2022]

- **Sustaincert's Gold Standard: 208,766,151 "credits" issued. One credit = one metric ton of CO₂e .**

[Source: registry.goldstandard.org/credit-blocks/issuance?q=&page=1, last visited 5/2/2022]

Carbon Capture and Storage (CCS); Carbon Capture, Use, and Storage (CCUS).

- **Equinor's Sleipner, offshore Norway, 1 million tonnes per year (MT/yr)**
- **Chevron's Gorgon, Australia, 2.5 MT/yr**
- **Summit Project, North Dakota (a/k/a "far western Norway"), 9 MT/yr**
- **Total 27 operational, mostly N. Am., 36 MT/yr, per CCS Institute**
- **US storage potential, at least 3,000 Gigatonnes, per US Geol. Survey**

Texas Live Oak



Rethinking the Strategy

- ✓ Ending oil and gas vs.
- ✓ Reforestation &
- ✓ CCS &
- ✓ Nuclear Power &
- ✓ Hydrogen.

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