Get Ahead of New SEC Reporting Requirements

Reduce Your On-Site Emissions

New U.S. regulations may require more companies to submit detailed assessments of their greenhouse gas emissions. Here's how to take action now to be prepared for these changes.

Following Congress' successful passing of the Inflation Reduction Act, the U.S. Securities and Exchange Commission (SEC) is finalizing a proposed rule that would impact how businesses report their greenhouse gas (GHG) emissions. Although the proposed change has stirred controversy, businesses should prepare now, as the rules are expected to pass in some form after a period of debate.

The new regulations are intended to bring transparency and accountability to the emissions reporting process, solidifying how companies should account for GHG emissions, climate impact, and climate risk in their financial statements. With the proposed changes, even private companies that have thus far avoided reporting emissions may soon be required to calculate their impact, in order to help fulfill their customers' reporting responsibilities.

The Proposed SEC Requirements

The proposed rule changes would require public companies to report direct GHG emissions, or Scope 1 emissions, along with indirect Scope 2 emissions from purchased electricity and thermal power. Many businesses would have to include Scope 3 emissions, related to upstream and downstream activities, that are material to the business or part of carbon reduction goals. They would also have to report other relevant climate impacts, risks, and hazards. Along with this information, large companies would have to provide assurances in support of their assessments.

Although many firms already report some version of emissions data, a lack of consistency across companies makes it difficult for regulators and investors to accurately assess risk. Voluntary reporting alone means investors may miss out on information that is relevant to financial performance and sustainability. With increased transparency, it will be easier for stakeholders to understand a company's climate impact and track its progress toward emission reduction goals.

Reporting Requirements Will Impact Both Private and Public Companies

If the requirements are adopted, public companies will have to report their GHG emissions according to the new system. But as noted above, the regulations also apply to the Scope 3 emissions of many of these public companies. Scope 3 emissions are typically much larger than a company's direct GHG output and are harder to calculate.

This means that many *private* companies, like suppliers and vendors, who have public companies as their customers, will also need to implement changes. They will likely need to provide their customers with detailed, accurate GHG information, and may face market pressure to reduce their emissions at the same time.

Finding a Solution for Emission Reductions

Many companies purchase carbon offsets or virtual power purchase agreements (VPPAs) in order to balance out their emissions. However, offsets are a financial commitment and do not compel the company to implement internal changes that truly reduce emissions. As we discussed in The Problem with Carbon Offsets, a lack of market regulations and oversight could make offsets a risk in terms of regulatory compliance.

In contrast, a combined heat and power (CHP) or cogeneration microgrid can help facilities reduce both Scope 1 and Scope 2 emissions that they may need to report to the SEC. This also results in reduced Scope 3 emissions for their customers.

A CHP-based microgrid uses natural gas turbines or engines to produce electricity for the facility, reducing utility grid usage but leading to little change in Scope 2 emissions. The major emission reductions come from capturing the system's waste heat for hot water or steam, which allows the site to reduce boiler usage by 30-40%, or up to 100% in some cases, thereby reducing the site's Scope 1 emissions. Cogeneration can reduce a facility's emissions by 30-40%, or up to 40-60% in combination with other technologies.

Unison Energy Helps Clients Cut Emissions and Costs

Unison Energy finances, owns, builds, and operates microgrids designed to support your facility through the Energy Transition. Our microgrids are built to reduce our clients' emissions and energy costs while offering resiliency. As part of this process, we provide an assessment of your GHG emissions.

Many of our clients see significant cost savings without upfront investment required. Unison Energy offers microgrids through an Energy-as-a-Service (EaaS) model, which means we finance and own the microgrid on our balance sheet, charging clients only for energy used. While opponents of the SEC regulations suggest they could place a financial burden on small businesses, for many facilities, this moment may in fact signal a cost-saving opportunity. With a microgrid designed for your needs, you can make progress on your ESG goals and be prepared for the new SEC requirements.

Unison Energy's microgrids help companies reduce GHG emissions, lower energy costs, and improve energy resiliency. Get in touch at **sales@unisonenergy.com** to learn more.