Congress of the United States
Washington, DC 20510

June 5, 2023

The Honorable Janet Yellen
Secretary of the Treasury
U.S. Department of Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Dear Secretary Yellen:

We are writing to request information regarding the Biden Administration's activities taken in connection or coordination with the European Union ("E.U.") on environmental, social, and governance ("ESG") and climate-related measures that significantly impact U.S businesses, including E.U. climate-related disclosure mandates that closely resemble the U.S. Securities and Exchange Commission's ("SEC's") proposed climate disclosure rule.

The U.S. Department of the Treasury ("Treasury") is charged with a singularly important mission: to "maintain a strong economy and create economic and job opportunities by promoting the conditions that enable economic growth and stability at home and abroad, strengthen national security by combating threats and protecting the integrity of the financial system, and manage the U.S. Government's finances and resources effectively."[1] Given this mission, it is deeply troubling that Treasury is facilitating efforts by the E.U. that would significantly harm American businesses and the U.S. financial system, instead of offering robust resistance to such initiatives and providing zealous advocacy for the American economy.

In 2018, the European Commission ("E.C.") published its initial Sustainable Finance Action Plan. The plan outlined a comprehensive strategy to overhaul the E.U.'s financial regulatory regime and to ingrain sustainability and ESG factors throughout the financial sector.[2] Since then, the EU has worked to implement its Sustainable Finance Action Plan by adopting highly proscriptive regulations on private companies, including the Corporate Sustainability Reporting Directive ("CSRD").

The CSRD would mandate all affected firms to calculate and disclose untested Scope 1, Scope 2, and Scope 3 greenhouse gas emissions and force disclosure of metrics related to pollution, water resources, biodiversity, human rights, and governance impacts like gender equality, and working conditions. Significantly, these onerous reporting burdens imposed by the CSRD are applicable not only to E.U. companies but also to American companies and their U.S.

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[1] *See* U.S. Department of the Treasury, *The Role of the Treasury* (last accessed Jun. 2, 2023), https://home.treasury.gov/about/general-information/role-of-the-treasury.
[2] *See* European Commission, *Renewed sustainable finance strategy and implementation of the action plan on financing sustainable growth* (Mar. 8, 2018), https://finance.ec.europa.eu/publications/renewed-sustainable-finance-strategy-and-implementation-action-plan-financing-sustainable-growth_en.

clients with securities listed in an E.U.-regulated market or that have "substantial activity" in the E.U. with net turnover of €150 million or more for the last two financial years.[3] Under the CSRD, over three thousand U.S. companies will be scoped into the new disclosure regime.[4]

In 2022, the E.C. quickly moved to enforce its ESG standards through its proposed Corporate Sustainability Due Diligence Directive (CS3D).[5] CS3D would require companies to address *actual* and *potential* climate and human rights impacts on their business operations and upstream and downstream value chains.[6] If companies fail to disclose or mitigate these impacts, they could face fines or civil liability. As drafted, CS3D would apply to any American company and their clients with an E.U. net turnover of €150 million in the last two years and to smaller companies in "high impact" sectors.[7]

Between 2021 and 2023, representatives from Treasury and independent U.S. regulatory agencies met with E.U. officials on multiple occasions to discuss "ongoing E.U. and U.S. cooperation" on climate and other sustainability related financial disclosures.[8] Following one such meeting in October 2021, the U.S. and E.U. issued a joint statement indicating that the E.U. and SEC were engaged in "bilateral technical-level exchanges on sustainability-related disclosures" while the SEC was developing rule proposals addressing disclosures around climate risk.[9] In addition, after recent such meetings in July 2022 and February 2023, the U.S. and E.U. issued joint statements elaborating that, "E.U. and U.S. participants agreed to continue the bilateral exchange on sustainability-related disclosures and their engagement in international fora, including on standards being developed by the International Sustainability Standards Board" ("ISSB").[10]

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[3] *See* Directive (E.U.) 2022/2464 of the European Parliament and of the Council (Dec. 14, 2022), https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32022L2464.
[4] *See* Dieter Holger, *At Least 10,000 Foreign Companies to Be Hit by EU Sustainability Rules*, Wall Street Journal (Apr. 5, 2023), https://www.wsj.com/articles/at-least-10-000-foreign-companies-to-be-hit-by-eu-sustainability-rules-307a1406.
[5] *See* EC Press Release, *Council adopts position on due diligence rules for large companies* (Dec. 1, 2022), https://www.consilium.europa.eu/en/press/press-releases/2022/12/01/council-adopts-position-on-due-diligence-rules-for-large-companies.
[6] *Id*.
[7] "High impact" sectors include agriculture, textiles, food product, forestry, metals, clothing, live animals, chemicals, and construction with €40 million or more in net turnover in the E.U.
[8] *See*, U.S. Department of the Treasury, Joint Statement on the EU - U.S. Joint Financial Regulatory Forum (Oct. 4, 2021), https://home.treasury.gov/news/press-releases/jy0386; U.S. Department of the Treasury, Joint Statement on the E.U. - U.S. Joint Financial Regulatory Forum (Mar. 7, 2022), https://home.treasury.gov/news/press-releases/jy0636; U.S. Department of the Treasury, Joint Statement on the EU - U.S. Joint Financial Regulatory Forum (Jul. 20, 2022), https://home.treasury.gov/news/press-releases/jy0882; U.S. Department of the Treasury, Joint Statement on the E.U. - U.S. Joint Financial Regulatory Forum (Feb. 13, 2023), https://home.treasury.gov/news/press-releases/jy1268.
[9] U.S. Department of the Treasury, Joint Statement on the EU - U.S. Joint Financial Regulatory Forum (Oct. 4, 2021), https://home.treasury.gov/news/press-releases/jy0386.
[10] U.S. Department of the Treasury, Joint Statement on the E.U. - U.S. Joint Financial Regulatory Forum (Jul. 20, 2022), https://home.treasury.gov/news/press-releases/jy0882; U.S. Department of the Treasury, Joint Statement on the EU - U.S. Joint Financial Regulatory Forum (Feb. 13, 2023), https://home.treasury.gov/news/press-releases/jy1268.

In light of these joint statements and the coordinated U.S.-E.U. efforts to address perceived climate-related financial risks described above, we are deeply concerned that Treasury and other federal agencies are actively empowering, if not colluding with, European governments to impose onerous extra-territorial climate mandates on American businesses. Treasury should be the leading advocate for the U.S. and its businesses, not for the E.U. or any other foreign interests. Any such efforts to advance the E.U.'s ESG agenda over the interests of the U.S. and American companies would be contrary to Treasury's role to promote and protect the economic success and well-being of U.S. firms and a significant deviation from historical practices. Furthermore, shifting to an E.U.-style climate regulatory regime in the U.S. would materially and unnecessarily harm our nation's oil and gas sector, agriculture sector, and our preeminent capital markets.

With these concerns in mind, we request that you provide answers to the following questions no later than June 19, 2023:

1. What specific goals does Treasury hope to achieve in its efforts to cooperate or coordinate with the E.U. on climate disclosure regulations that would adversely impact thousands of U.S. companies?

2. What concerns, if any, has Treasury expressed to its international counterparts regarding the effect of these proposals on U.S. and American businesses?

    a. Has Treasury communicated any concerns to its international counterparts about the compliance costs for U.S. companies associated with any E.U. climate disclosure regulations?

    b. Has Treasury communicated any concerns to its international counterparts about the adverse impact that any E.U. climate disclosure regulations might have on energy prices?

3. Please provide a comprehensive list of all meetings in which Treasury or another agency of the U.S. government met with representatives from the E.C., the European Banking Authority, the European Securities and Markets Authority, the European Insurance and Occupational Pensions Authority, the European Central Bank, the Single Resolution Board, and/or the ISSB to discuss the Sustainable Finance Disclosure Regulation ("SFDR"), CSRD, and/or CS3D. For each such meeting, please provide the meeting date, the names and titles of all participants, and any meeting agenda or minutes that may have been prepared.

4. How has Treasury engaged with the United States business community (including the small business community) to understand how SFDR, CSRD, or CS3D may impact U.S. businesses?

5. Has Treasury or any other federal agency conducted any cost-benefit analyses related to SFDR, CSRD, and/or CS3D?

6. Has Treasury or any other federal agency conducted any analyses related to the impact of SFDR, CSRD, and/or CS3D on energy prices?

7. Which U.S. government officials or employees have been responsible for coordinating or working with foreign governments on SFDR, CSRD, CS3D, or any other E.U. climate-related corporate disclosure regulation or directive since January 20, 2021? Please provide a comprehensive list of all such employees (both former and current), to include each employee's name, agency, title, and duties with respect to any such coordination or work.

In addition, to allow Congress to evaluate the Administration's activities taken in connection with U.S. and European ESG and climate-related measures that significantly impact U.S businesses,[11] we request that you provide the following records in unredacted form no later than June 19, 2023:

1. All nonpublic calendar entries of any Treasury officials or employees who coordinated or worked with a foreign government on SFDR, CSRD, CS3D, or any other E.U. climate-related corporate disclosure regulation or directive since January 20, 2021, that relate to any such E.U. climate-related corporate disclosure regulation or directive;

2. All nonpublic meeting minutes, meeting notes, and memoranda related to SFDR, CSRD, CS3D, or any other E.U. climate-related corporate disclosure regulation or directive since January 20, 2021;

3. All nonpublic slide decks and other presentation materials exchanged between the U.S. government and any E.U. country or foreign entity related to SFDR, CSRD, CS3D, or any other climate-related corporate disclosure regulation or directive proposed or considered by the E.U. or the SEC since January 20, 2021;

4. All nonpublic records[12] referring or relating to the climate consultancy, climate accounting, or sustainability-related organizations Persefoni, Ceres, ERM, or South Pole since January 20, 2021;

[11] The Senate Committee on Banking, Housing, and Urban Affairs has jurisdiction over, among other things, the SEC; financial exchanges and markets; securities, annuities, and other financial investments; accounting standards; and international economic policy as it affects U.S. monetary affairs, financial institutions, economic growth, and credit. The House Committee on Oversight and Accountability is the principal oversight committee of the U.S. House of Representatives and has broad authority to investigate "any matter" at "any time" under House Rule X.
[12] The term "records" means any written, recorded, or graphic matter of any nature whatsoever, regardless of how recorded or preserved, and whether original or copy.

5. A copy of the memorandum on “Private Company Climate Levers” emailed by Treasury official Adair Morse to Treasury officials Nellie Liang, John Morton, Stephen Ledbetter, Suzanna Fritzburg, Laurie Schaffer, and Catherine Wolfram on June 6, 2021, and all nonpublic records related to this memorandum;

6. All nonpublic meeting minutes, meeting notes, and memoranda referring or relating to any approaches or strategies undertaken or contemplated by the Biden Administration to align private investments to U.S. or E.U. sustainability goals[13] since January 20, 2021;

7. All nonpublic analyses of the costs and/or economic impact for U.S. businesses expected to result from SFDR, CSRD, CS3D, and/or any other E.U. climate-related corporate disclosure regulation or directive since January 20, 2021, including, but not limited to, the impact that these directives are expected to have on energy prices;

8. All nonpublic analyses of the costs and/or economic impact for U.S. businesses expected to result from the SEC’s proposed rule on “The Enhancement and Standardization of Climate-Related Disclosures for Investors” (climate disclosure rule); and

9. All nonpublic communications between Treasury and the SEC related to SFDR, CSRD, CS3D, or the SEC’s proposed climate disclosure rule.

Thank you for your attention to this matter.

Sincerely,

Tim Scott Ranking Member Senate Committee on Banking, Housing, and Urban Affairs	James Comer Chairman House Committee on Oversight and Accountability

[13] *See e.g.*, U.S. Department of the Treasury, *Joint Statement on the E.U. – U.S. Joint Financial Regulatory Forum* (Oct. 4, 2021) (“Consistent with their respective mandates, [E.U. and U.S. government] participants shared views on potential approaches to aligning private investments to sustainability goals.”), https://home.treasury.gov/news/press-releases/jy0386.