

September 8, 2008

Ms. Florence Harmon, Acting Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090

Re: 33-8935, Modernization of the Oil and Gas Reporting Requirements

Dear Ms. Harmon:

We submit these comments in response to the SEC's new proposed requirements for oil and gas reserves reporting. (Release Nos. 33-8935; 34-58030; File No. S7-15-08). We represent a cross-section of leading environmental, investor, and other non-profit groups.

We applaud the SEC for taking the time to modernize the oil and gas reserve reporting requirements, particularly in light of the fact that technologies utilized for oil reserves estimations have evolved significantly since the original rules were established. Other developments also make these revisions important and necessary, including the fact that oil and gas companies listed on US exchanges are far more dependent on external reserves than they were when the rules were first drafted – thus creating the need for a clear, internationally consistent standard of reporting.

After carefully reviewing the draft proposal, we urge the SEC to pay more careful attention to the implications of climate change and carbon-related regulations before finalizing the new reserves reporting requirements, particularly since the risks and challenges posed by climate change are likely to grow rapidly in the coming years, with significant consequences for the oil and gas industries.

We are concerned that climate change, and policies adopted to combat greenhouse gas emissions, could render certain assets—particularly those with high carbon intensity—uneconomic. We are not alone in this view. According to Daniel Yergin, Chairman of respected industry consultancy Cambridge Energy Research Associates, “climate change and putting a price on carbon will change the dynamics of the energy marketplace.”<sup>1</sup> Investment bank CIBC has said that governments worldwide “are waging a war on carbon”<sup>2</sup> that will hurt energy companies, and BP Special Economic Advisor Peter Davies testified recently before the UK government that “global oil consumption could peak as a result of

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<sup>1</sup> Krauss, Clifford. “Study Suggests That, Unlike in the '70s, Energy Lessons Will Last” New York Times 5 February 2008

<sup>2</sup> Rubin, Jeff, CIBC Canadian Portfolio Strategy Outlook, February 2007

climate policies.”<sup>3</sup>

As you know, current SEC regulations require the disclosure of known trends that companies can reasonably expect will have a material impact on net sales, revenues or income from continuing operations. For the oil and gas industry regulatory, physical and litigation-related climate risks fall clearly into this category, as a petition filed last fall with the SEC makes clear.<sup>4</sup>

We therefore believe that the disclosure of any estimated additional risks posed by the extraction and development of additional reserves will be important. In addition, we believe that filers should be required to disclose reported reserves that have higher than average full lifecycle greenhouse gas emissions associated with their extraction, production and combustion. Such “carbon intensive reserves” could be subject to potentially enormous risks associated with their extraction and development, including litigation-related risks and higher carbon taxes.

We do not believe that companies should be allowed to disclose additional oil and gas reserves (other than proved reserves) unless such additional categorical and descriptive information is required, along with any other potential liabilities that could be expected. Unless and until the SEC adopts a strict and diverse disclosure framework including geographic location and these risks, the current restrictions on including oil and gas reserves from sources that require further processing (e.g. tar sands) should be maintained.

Investors are increasingly concerned about the impacts of global warming and the threats of climate change. The issue is now broadly recognized as an economic and industrial priority, as well as an issue of national security.<sup>5</sup> Therefore, filers should be required to provide investors with information about the carbon content of proven, probable and potential oil reserves in their portfolio, as well as the potential liabilities posed by their continued extraction and use.

We submit these comments on the SEC's proposed rule without any implicit endorsement of the SEC's position on those parts we do not wish to address here, but may comment upon elsewhere.

Thank you for your consideration of this issue. Please do not hesitate to contact Andrew Logan (617.247.0700 x133, [logan@ceres.org](mailto:logan@ceres.org)) or Steve Kretzmann (202) 518-9029, [steve@priceofoil.org](mailto:steve@priceofoil.org)) if you have any questions or concerns.

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<sup>3</sup> Lawler, Alex. “World oil demand to peak before supply – BP,” Reuters 16 January, 2008

<sup>4</sup> See California Public Employees’ Retirement System et al., Petition for Interpretive Guidance on Climate Risk Exposure, filed before the Securities and Exchange Commission on September 18, 2007 and June 12, 2008 supplement. Both are available from the Investors’ Network on Climate Risks at <http://www.incr.com/NETCOMMUNITY/Page.aspx?pid=912&srcid=198>

<sup>5</sup> See, e.g. “National Security and the Threat of Climate Change,” CNA June 2008. Available at <http://securityandclimate.cna.org/>

Sincerely,

California Public Employees' Retirement System (CalPERS)

California State Teachers' Retirement System (CalSTRS)

Bennett Freeman, Senior Vice President, Social Research and Policy  
Calvert Group, Ltd.

Charlie Cray, Director  
Center for Corporate Policy

Andrew Logan, Director of Oil and Gas Industry Program  
Ceres

Adam M. Kanzer, Managing Director & General Counsel  
Domini Social Investments LLC

Karina Litvack, Director, Head of Governance & Sustainable Investment  
F&C Management Ltd.

Cathy Rowan, Corporate Responsibility Coordinator  
Maryknoll Sisters

Gary A. Hawton, Chief Executive Officer  
Meritas Financial Inc.

Luan Steinhilber, Director of Social Research  
Miller/Howard Investments

Lance E. Lindblom, President & CEO  
The Nathan Cummings Foundation

Stephen Kretzmann, Executive Director  
Oil Change International

Stephen Dodson, President  
Parnassus Investments

Michael H. Crosby, Corporate Responsibility Office  
Province of St. Joseph of the Capuchin Order

Ethel Howley, SSND Social Responsibility Resource Person  
School Sisters of Notre Dame Cooperative Investment Fund

Peter Chapman, Executive Director  
Shareholder Association for Research and Education

Patricia Marshall, Director, Social Justice Office  
Sisters of the Blessed Sacrament

Shelley Alpern, Director of Social Research and Advocacy  
Trillium Asset Management

Timothy Smith, Senior Vice President  
Walden Asset Management