September 18, 2007

John W. White, Director
Division of Corporation Finance
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Dear Mr. White:

We have today filed a petition with the Commission asking that it issue interpretive guidance clarifying registrants' obligation under existing regulations to disclose material information concerning the effect of climate change and regulation of greenhouse gas emissions upon their financial condition and business operations. Copies of the petition are attached for the convenience of you and your staff.

With this letter, we separately request that the Division of Corporation Finance, when reviewing registrants' 10-K and 10-Q filings, devote particular attention to the adequacy, under existing regulations, of disclosures concerning climate risk, in light of the circumstances identified in the petition and below.

As more fully explained in the Petition, climate change is affecting the business environment in numerous ways that can have material effects on registrants' performance and operations. Many jurisdictions have already adopted, or are in the process of adopting, statutes and regulations limiting the emission of greenhouse gases. *See* Petition Appendices C, D. The Supreme Court set aside the U.S. Environmental Protection Agency's refusal to regulate global warming pollution under the Clean Air Act in *Massachusetts v. EPA*, 127 S. Ct. 1438 (2007), and federal legislation to control greenhouse gas emissions is very likely imminent. *See* Petition Appendix E. Compliance with these laws will have significant financial implications for many companies – including firms that are directly regulated by the laws and those that do business with regulated firms. The new markets created by greenhouse gas emissions limits and the resulting demand for cleaner energy will present significant opportunities for businesses as well. And many firms are affected in a material way by the many physical changes and related risks that are associated with a warming climate.

As documented in detail in our Petition, very extensive and broad-based investor demand for climate risk information underscores the conclusion that this information is material to many corporations' performance and operations, and critical to investors' ability to make informed assessments about corporate value. The transition to a carbon-constrained economy is underway, and public access to material information concerning the risks and opportunities that companies face, and their means of addressing those risks and opportunities, is vital to investors.

Depending on the circumstances of an individual corporation, the type of material climate risk information that warrants disclosure could include corporate policies and governance structures relating to climate change; a tabulation of the registrant's current and forecast greenhouse gas emissions; physical risks to corporate facilities or operations arising from climate change; financial risks and opportunities arising from enacted or imminent greenhouse gas regulation; and climate-related litigation.

Recent comprehensive reviews of corporate climate risk disclosures demonstrate that, although many registrants engage in some disclosure, to date, these disclosures have been inconsistent and in many cases inadequate. *See* Petition, Section 5. Many registrants include little or no climate risk information in their periodic reporting. In some cases, disclosures have been inadequate or nonexistent even within industries that are recognized to be distinctly at risk from climate change or from regulation of greenhouse gas emissions.

We have asked the Commission to provide interpretive guidance concerning corporations' obligation to disclose climate risk information under regulations including Regulation S-K Items 101, 103, and 303. However, because this obligation exists under current law, the Division need not and should not wait for the Commission's decision on that request in order to increase its scrutiny of the adequacy of climate risk disclosures in corporate filings.

Particular registrants' disclosure obligations will depend upon their circumstances. However, the inadequate and inconsistent state of current climate risk disclosure is of critical importance to millions of investors, and to the ability of our financial markets to adjust to the regulatory and physical changes resulting from climate change. Closely scrutinizing the adequacy of registrants' climate disclosures should now be a high priority for the Division.

The Division should systematically incorporate attention to climate disclosure into its review of registrants' disclosures. For example, the Division should compare disclosures of firms within an industry, and make further inquiries of registrants that have failed to disclose potential material information that their competitors have disclosed. Similarly, a firm that is or soon will be subject to greenhouse gas regulation under state or federal policies should disclose, in light of its current and projected greenhouse gas emissions, the effects of regulation upon their capital expenditures, earnings and competitive position. And when registrants disclose significant climate-related initiatives in voluntary disclosures such as "sustainability reports," but not in their mandatory disclosures under Regulation S-K, Division staff should assess whether that information is material to corporate performance and operations and therefore subject to mandatory disclosures.

We would be pleased to brief you and your staff on our petition at your convenience, and invite you to call Jim Coburn (617-247-0700 ext. 19) or Sean H. Donahue (202-277-7085), or any of the petitioners listed below, to discuss scheduling a meeting on climate risk disclosure. We thank you for your consideration of this important issue.

Sincerely,

California Public Employees'
Retirement System

John Chiang
Controller
State of California

California State Teachers'
Retirement System

Bill Lockyer
Treasurer
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