Congressional Budget Office
Cost Estimate

May 19, 2021

H.R. 2570, Climate Risk Disclosure Act of 2021

As ordered reported by the House Committee on Financial Services on May 12, 2021

By Fiscal Year, Millions of Dollars	2021	2021-2026	2021-2031
Direct Spending (Outlays)	0	0	0
Revenues	0	0	0
Increase or Decrease (-) in the Deficit	0	0	0
Spending Subject to Appropriation (Outlays)	*	*	not estimated

Statutory pay-as-you-go procedures apply?	No	**Mandate Effects**	
Increases on-budget deficits in any of the four consecutive 10-year periods beginning in 2032?	No	Contains intergovernmental mandate?	No
		Contains private-sector mandate?	Yes, Cannot Determine Costs

* = between zero and $500,000.

H.R. 2570 would require publicly traded companies to annually disclose certain climate-related information to the public. Under the bill, such companies would need to describe physical and financial risks they would face under different climate change scenarios, explain strategies and corporate governance processes in place to manage those risks, and analyze the social cost associated with the company's greenhouse gas emissions. The Securities and Exchange Commission (SEC) would be required to establish and periodically update rules to implement the climate disclosure requirements. The SEC also would be required to annually assess and report to the Congress on the compliance of these public companies with those rules. The Government Accountability Office would be required to periodically evaluate the SEC's effectiveness in carrying out and enforcing the new climate disclosures.

Using information from the SEC, CBO estimates that implementing H.R. 2570 would have a gross cost of $10 million over the 2021-2026 period. CBO expects that the SEC would need the services of approximately 20 employees for different periods of time at an average annual rate of $270,000 per employee to issue and update rules, compile disclosures, and assess compliance. However, the SEC is authorized to collect fees sufficient to offset its annual appropriation; therefore, CBO estimates that the net effect on discretionary spending would be insignificant, assuming appropriation actions consistent with that authority.

See also *CBO's Cost Estimates Explained*, www.cbo.gov/publication/54437;
How CBO Prepares Cost Estimates, www.cbo.gov/publication/53519; and *Glossary*, www.cbo.gov/publication/42904.

H.R. 2570 contains private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). CBO cannot determine whether those mandates' aggregate costs would exceed the UMRA threshold ($170 million in 2021, adjusted annually for inflation).

By requiring public companies to annually disclose to the SEC the effect of climate change on their operations and finances, H.R. 2570 would impose a mandate as defined in UMRA. The mandate's costs would equal the expenses incurred by those companies to comply with the disclosure requirements as established through SEC rules.

In 2010, the SEC published guidance to clarify how publicly traded corporations should apply existing SEC disclosure rules to the risk that climate change developments may pose to their businesses. Such guidance did not establish reporting requirements as strict as those set out in H.R. 2570. Based on information from industry sources, CBO estimates that a small portion, about 15 percent, of public companies are currently reporting information related to climate change to investors.

Because the SEC has not issued the rules required by the bill, CBO cannot determine whether the mandates cost would exceed the private-sector threshold. However, given the current low disclosure rate, the aggregate costs for publicly traded companies to comply with the new rules may be substantial.

Furthermore, if the SEC increased fees to offset the costs associated with implementing the bill, H.R. 2570 would increase the cost of an existing mandate on private entities required to pay those assessments. CBO estimates that the incremental cost of the mandate would be roughly $2 million per year, on average.

H.R. 2570 contains no intergovernmental mandates as defined in UMRA.

The CBO staff contact for this estimate is Sofia Guo (for federal costs) and Rachel Austin (for mandates). The estimate was reviewed by H. Samuel Papenfuss, Deputy Director of Budget Analysis.