

# Congress of the United States

## House of Representatives

COMMITTEE ON SCIENCE, SPACE, AND TECHNOLOGY

2321 RAYBURN HOUSE OFFICE BUILDING

WASHINGTON, DC 20515-6301

(202) 225-6371

[www.science.house.gov](http://www.science.house.gov)

March 10, 2023

Brenda Mallory  
Chair  
Council on Environmental Quality  
The White House  
1600 Pennsylvania Ave NW  
Washington, D.C. 20500

Dear Chair Mallory:

Under a recently proposed rule by the National Aeronautics and Space Administration (NASA), the Department of Defense, and the General Services Administration, all major government contractors will have to disclose their greenhouse gas emissions and develop emission reduction targets that must be validated and approved by an international non-governmental organization known as the Science Based Target Initiative (SBTi).<sup>1</sup> The Science Committee has grave concerns that these requirements would have detrimental consequences for our national security and mission readiness. Additionally, the decision to outsource the responsibility for validating emission reductions to an international organization—particularly one with a history of problematic actions, potentially in conflict with U.S. interests—is disturbing.

It's unclear why government agencies are unable to independently validate emission reduction targets for their own contractors and would instead delegate such responsibilities to an international entity outside of our government's supervision and whose loyalties and mission do not align with those of the United States. The Council on Environmental Quality (CEQ) must explain its reasoning for inserting this requirement into the proposed rule and for arbitrarily selecting SBTi to both set emission reduction targets and validate compliance with those same targets.

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<sup>1</sup> Federal Acquisition Regulation: Disclosure of Greenhouse Gas Emissions and Climate-Related Financial Risk, 87 Fed. Reg. 218 (proposed on Nov. 14, 2022) (to be codified 48 C.F.R. pt. 1.4,9,23,52). *available at* <https://www.federalregister.gov/documents/2022/11/14/2022-24569/federal-acquisition-regulation-disclosure-of-greenhouse-gas-emissions-and-climate-related-financial>

Under the proposed rule, all federal contractors would have to disclose their greenhouse gas emissions, and major contractors, which the regulation defines as businesses with contracts valued at over \$50 million, would be required to set “science-based reduction targets.”<sup>2</sup> If finalized, this proposed rule would implement President Biden’s executive order on Climate Related Financial Risk which seeks to require that major suppliers “publicly disclose greenhouse gas emissions and climate-related financial risk and to set science-based reduction targets.”<sup>3</sup> President Biden’s executive order does not require, nor does he have the authority to require, reduction target validation by a private international non-governmental organization. It appears the CEQ has gone far beyond the scope of the President’s executive order by outsourcing their work to SBTi as the standard setter for greenhouse gas emissions and requiring that all major contractors use their validation services.<sup>4</sup>

SBTi was established in 2015 as a collaboration between the Carbon Disclosure Project, World Wide Fund for Nature, United Nations Global Compact, and World Resource Institute.<sup>5</sup> It aims to reduce greenhouse emissions by encouraging the private sector to set emission reduction targets which SBTi then validates **for a fee**. In 2022, SBTi received approximately 35% of its funding from its validation services, with the rest of their funding coming in the form of donations from philanthropic groups and businesses.<sup>6</sup> Some of SBTi’s biggest donors include Amazon, Bezos Earth Fund, and Ikea Foundation among others.<sup>7</sup>

SBTi has recently come under scrutiny due to potential conflicts of interest, a lack of transparency, and has even been accused of manipulating their metrics to make it appear as though certain companies were doing more to reduce greenhouse gas emissions than what was happening.<sup>8</sup> For example, the New Climate Institute recently analyzed the greenhouse gas emissions disclosures of 18 companies which had received a good approval score from SBTi.<sup>9</sup> They published their findings in a report which stated that “for the majority of the 18 companies assessed in this report with an SBTi approved 1.5°C (or 2°C) compatible target, we would consider that rating either **contentious or inaccurate**, due to various subtle details and loopholes that significantly undermine the companies' plans [emphasis added].”<sup>10</sup> Among the companies that were flagged by the New Climate Institute for receiving a misleading or erroneous rating by SBTi was IKEA, the buyer-assembled furniture store. This is notable because the IKEA Foundation – which is the parent company of IKEA – donated \$18 million to SBTi.<sup>11</sup> While there is no evidence of wrongdoing, it is clear the potential of strong conflicts of interests exists, especially for those companies who both donate to SBTi and seek their services.

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<sup>2</sup> *Id.*

<sup>3</sup> Exec. Order No. 14,030, 86 Fed. Reg. 27967 (May 20, 2021), available at <https://www.federalregister.gov/documents/2021/05/25/2021-11168/climate-related-financial-risk>.

<sup>4</sup> *Id.*

<sup>5</sup> Science Based Targets, <https://sciencebasedtargets.org/resources/files/Head-of-Standards.pdf>.

<sup>6</sup> Science Based Targets, How We Are Funded, <https://sciencebasedtargets.org/about-us/funders>.

<sup>7</sup> *Id.*

<sup>8</sup> Joe Lo, *Science Based Targets initiative accused of providing a ‘platform for greenwashing’*, Climate Home News (Jun. 6, 2022), available at <https://www.climatechangenews.com/2022/02/06/science-based-targets-initiative-accused-providing-platform-greenwashing/#:~:text=The%20Science%2DBased%20Targets%20initiative,or%20C%20of%20global%20warming>.

<sup>9</sup> Thomas Day et al, *Corporate Climate Responsibility Monitor 2022*, New Climate Institute (Feb. 2022) available at <https://newclimate.org/sites/default/files/2022/02/CorporateClimateResponsibilityMonitor2022.pdf>.

<sup>10</sup> *Id.* at pg. 6.

<sup>11</sup> Science Based Targets, SBTi Secures \$37M USD to Scale-up Exponential Growth, <https://sciencebasedtargets.org/news/sbti-secures-37m-usd-to-scale-up-exponential-growth>.

The New Climate Institute is not SBTi's only critic. Bill Baue, one of the founders of SBTi, has recently criticized SBTi for the inherent conflict of interest in combining the role of standard setter while also being paid to vet companies' climate plans.<sup>12</sup> According to a news article, Mr. Baue is quoted as saying "Science-Based Targets is not a science-based approach... I believe in this instance that SBTi... [is] putting their own interest above the interests of the public."<sup>13</sup>

Designating SBTi or any other international non-governmental organization as the sole arbiter of compliance with emission reduction targets presents clear national security concerns and will hurt the government's mission readiness.<sup>14</sup> Alarming, the federal government is not actively reviewing SBTi's processes and methodologies to ensure sound scientific practices are being followed. The federal government is also failing to monitor SBTi to ensure foreign actors are not influencing the group to harm the U.S. or other countries. There is strong evidence that foreign actors are engaging in this type of misinformation.<sup>15</sup> For example, there is evidence Russia funneled millions of dollars through non-government organizations to influence U.S. energy markets.<sup>16</sup> According to the former Secretary General of NATO, "Russia, as part of their sophisticated information and disinformation operations, engaged actively with so-called nongovernmental organizations - environmental organizations working against shale gas - to maintain dependence on imported Russian gas."<sup>17</sup>

As an international organization, SBTi's goals do not align with those of the United States. For example, SBTi currently does not allow oil and gas companies to submit proposals for science-based targets.<sup>18</sup> This would imply that if this proposed regulation is enacted, companies specializing in oil and gas may not even be able to submit a proposal and, as a result, would no longer be able to do business with the government unless a waiver was granted. This would severely hurt our national security and mission readiness since a large part of our government, specifically our military, still depends on fossil fuels including jet fuel and rocket fuel for which there is no current electrical alternative.<sup>19</sup>

The CEQ and the other departments involved must explain their reasoning for inserting this requirement into the proposed rule despite the various national security concerns, conflicts of interest, and questions over the accuracy of SBTi's methods. To better understand the CEQ's reasoning, please answer the following questions by no later than March 22, 2023:

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<sup>12</sup> Ed Ballard, *Group That Vets Corporate Climate Plans Aims to Strengthen Its Own Governance*, Wall Street Journal (Feb. 23, 2022), available at <https://www.wsj.com/articles/group-that-vets-corporate-climate-plans-aims-to-strengthen-its-own-governance-11645638638>.

<sup>13</sup> Joe Lo, *Science Based Targets initiative accused of providing a 'platform for greenwashing'*, Climate Home News (Jun. 6, 2022), available at <https://www.climatechangenews.com/2022/02/06/science-based-targets-initiative-accused-providing-platform-greenwashing/#:~:text=The%20Science%2DBased%20Targets%20initiative,or%20C%20of%20global%20warming>.

<sup>14</sup> Wayne Winegarden, *Neither The Department Of Defense Nor NASA Should Be Setting U.S. Climate Policy*, Forbes (Jan. 30, 2023), available at <https://www.forbes.com/sites/waynewinegarden/2023/01/30/neither-the-department-of-defense-nor-nasa-should-be-setting-us-climate-policy/?sh=7a0db3a02f14>

<sup>15</sup> Letter from Lamar Smith, Chairman, House Committee on Science, Space, and Technology, and Randy Weber, Chairman, Subcommittee on Energy, to Steven Mnuchin, Secretary, Department of Treasury (Jun.29, 2017) (on file with Committee).

<sup>16</sup> *Id.*

<sup>17</sup> *Id.*

<sup>18</sup> Science Based Targets, Oil and Gas, <https://sciencebasedtargets.org/sectors/oil-and-gas>.

<sup>19</sup> Wayne Winegarden, *Neither The Department Of Defense Nor NASA Should Be Setting U.S. Climate Policy*, Forbes (Jan. 30, 2023), available at <https://www.forbes.com/sites/waynewinegarden/2023/01/30/neither-the-department-of-defense-nor-nasa-should-be-setting-us-climate-policy/?sh=7a0db3a02f14>.

1. Please describe the selection process that resulted in SBTi being selected as the sole provider of target setting and validation services?
  - a. Since the CEQ is requiring American companies to pay for SBTi's services, does the CEQ consider SBTi to be a government contractor? If not, why not?
  - b. Was SBTi subject to the open bidding process as required by federal regulation? If not, why not?
  - c. What other federal agencies or nongovernmental organizations besides SBTi were considered?
2. Was the CEQ aware of the conflicts of interest central to SBTi's business model such as being responsible for both setting emission reduction standards and validating such standards; charging clients a fee for their validation services; and, accepting donations from foundations linked to companies it is validating such as Amazon, Ikea, etc.?
  - a. If yes, then how does the CEQ reconcile these conflicts of interests?
  - b. If not, why not?
3. Was the CEQ aware of the claims made by the New Climate Institute or others that highlight serious errors or inconsistencies with SBTi's metrics and methods for validating emission reduction targets?
  - a. If yes, how did the CEQ conclude that SBTi would be reliable?
  - b. Has the CEQ independently verified the accuracy of SBTi's metrics and methods? If so, how?
  - c. Does the CEQ believe that the New Climate Institute's report was false? If so, why?
4. Did the CEQ have any communications with SBTi prior to or after the promulgation of this rule? Please provide the Committee with all communications between CEQ members, employees, or agents thereof and SBTi employees or agents thereof.
5. If this rule is ultimately adopted, how does the CEQ plan to address the national security concerns associated with having a foreign entity set emissions standards for U.S. contractors and then validate those same standards?
6. How does the CEQ plan to counter Russian environmental disinformation as it relates to SBTi?

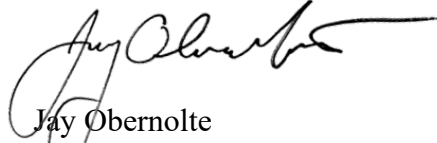
Chair Mallory  
March 10, 2023

Should you have any questions or concerns please contact Dario Camcho of the Committee's Majority staff at (202) 225-6371. Thank you for your time and consideration regarding this important matter.

Sincerely,



Frank Lucas  
Chairman  
House Committee on  
Science, Space, and Technology



Jay Obernolte  
Chairman  
House Committee on  
Science, Space, and Technology  
Subcommittee on Investigations  
and Oversight



Brian Babin  
Chairman  
House Committee on  
Science, Space, and Technology  
Subcommittee on Space and Aeronautics



Max Miller  
Chairman  
House Committee on  
Science, Space, and Technology  
Subcommittee on Environment

Cc:

Karla S. Jackson  
Assistant Administrator for Procurement  
National Aeronautics and Space Administration  
300 E Street SW,  
Washington, DC 20546