

Comment on Notice 2020-19

from Tonya Graham, Geos Institute

on Monday, January 11, 2021

Comment:

As an organization that directly assists communities in building climate resilience, we see regularly how communities stumble when it comes to making the business case for investments in resilience - followed by difficulty actually financing those improvements.

A fundamental challenge to creating the business case for climate resilience is the inability to readily access and aggregate financial data. This is especially true at the municipal level. The way in which the current municipal reporting is carried out precludes real time analytics or efficient comparisons across municipalities. It also fails to capture or disclose the actual costs of climate change. This means that municipalities, analysts, investors, the financial sector and public sector alike are always making decisions based on incomplete and outdated information.

This creates market inefficiency, excessive cost of data acquisition, and unequal access to information by various market participants. The MSRB has an important role to play in promoting a fair and efficient market by increasing investors' access to timely, relevant, high quality, and consistent data about municipal issuers' growing climate change risks.

Making the data within those reports machine-readable would bring about a much-needed paradigm shift. Electronic financial reporting and the ability to "tag" certain types of data would lead to both transparency and, just as importantly, significant innovation within the world of municipal finance. It would provide decision-makers and investors with the needed market clarity and certainty to pivot towards a more sustainable and resilient economy.

Dozens of securities regulators around the world, including the SEC, already require machine readable structured data disclosure. The technology tools and standards-setting communities to support such an effort by the MSRB are already in place and the feasibility of these types of standards is well-established. The Sustainability Accounting Standards Board (SASB) has created an ESG taxonomy that covers 77 industries, many of which have municipal corollaries, such as healthcare facilities, utilities, and transportation, providing a great starting point for a "test and learn" municipal market demonstration program that the MSRB could sponsor.

The next few years will likely witness a major transformation in the markets, as climate disclosures and ESG certifications become standard practice (and likely widely regulated). Municipalities should absolutely be leaders and active participants in this transformation; however, that will only occur if there is ready access to a machine-readable, "one-stop-source" of information for municipal finance.