June 17, 2022 Submitted Via E-mail: rule-comments@sec.gov

Vanessa A. Countryman
Secretary, Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: Field No. S7-1022 – Securities and Exchange Commission Proposed Rules on the Enhancement and Standardization of Climate-Related Disclosures for Investors

Dear Ms. Countryman:

The California Farm Bureau appreciates the opportunity to provide comments on the Securities and Exchange Commission's (SEC or Commission) Proposed Rules on the enhancement and standardization of climate-related disclosures for investors (File No. S7-10-22).

I. About California Farm Bureau

California Farm Bureau is California's largest farm organization, comprised of 53 county Farm Bureaus currently representing approximately 31,000 agricultural, associate, and collegiate members in 56 counties. Farm Bureau strives to protect and improve the ability of farmers, ranchers, and foresters engaged in production agriculture to provide a reliable, safe, and affordable supply of food and fiber through responsible stewardship of our natural resources.

II. Background

We submit these comments for the SEC's consideration in response to the Proposed Rules seeking to amend its rules under the Securities Act of 1933 and Securities Exchange Act of 1933 that would require registrants to provide certain climate related information in their registration statements and annual reports. The Proposed Rules would require registrant companies to report climate related risks that are reasonably likely to have a material impact on its business, results of operations, or financial condition. The required information about climate-related risks would also include disclosure of a registrant's greenhouse gas emissions.

III. General Comments

Currently, farmers and ranchers are not considered registrants or otherwise subject in any way to the jurisdiction and oversight of the SEC. However, we believe the Proposed Rules would change this by extending reporting requirements for public companies to report on Scope 3 greenhouse gas emissions or those emissions that result from activities from assets not owned or controlled by an organization but contribute to its value chain including farms and ranches. While California farmers and ranchers are committed to transparency in climate-related matters as it relates to existing agricultural practices, we remain concerned about the content of the current Proposed Rules without

changes and clarifications. The inclusion of a local level climate data reporting requirement in the Proposed Rules would be significantly burdensome and expensive for many small and mid-sized farmers to comply with. When small and mid-sized farmers and ranchers cannot afford overhead required to comply with regulations, the consequence is often industry consolidation and extended socioeconomic consequences to the rural community.

We do not believe the SEC has fully considered, nor has sufficiently sought to mitigate, the potential socioeconomic impacts of the Proposed Rules on rural, agricultural communities, or the consumer. Farming and ranching play a vital role in the social fabric of rural communities. Farmland also provides many social and ecosystem benefits beyond a safe and affordable food supply, such as open space, habitat, and carbon sequestration. These adverse impacts to farmers, ranchers, and rural communities ultimately erode the strength of American agriculture ultimately harming all American consumers. To avoid these consequences, we urge the Commission to consider the following policy issues as final rules are adopted:

Remove the "Value-Chain" Concept from the Proposed Rules

The Proposed Rules require registrants to gather information from their value chain as it relates to climate-related risks and impacts from those risks and Scope 3 emissions. This will be extremely detrimental to farmers and ranchers. Currently, the proposal defines "value chain" vaguely, extending upstream to "supplier activities" without clear limitation as well as an ill-defined downstream scope. Nearly every farmer and rancher, irrespective of operation size, finds themselves in the upstream or downstream activities of a registrant's value chain. The agricultural supply chain is also extremely diverse in terms of the products produced and the various roles in which the products play in the creation of a variety of other products as well. Nowhere is this truer than California, where our farmers and ranchers produce over 400 commodities.

We are also concerned that the Proposed Rules will result in registrants demanding additional data and information from farmers and ranchers as well as registrants favoring engagement with only larger farmers and ranchers again pressuring industry consolidation. For these reasons, we urge the SEC to remove the "value chain" concept, which departs from historical SEC materiality standards, is overly vague, would impose considerable burdens onto registrants, and harm farmers and ranchers.

Remove or Substantially Revise the Scope 3 Emissions Disclosure Requirement

Our family farm and ranch members are deeply concerned about the indirect economic effects of Scope 3 emissions disclosures as well as the impact on data privacy. Under the Proposed Rules, a registrant would be required to disclose Scope 3 emissions if such emissions are material or included in a previously disclosed emissions reduction target or goal. The Proposed Rules define Scope 3 emissions as, *"all indirect GHG emissions not otherwise included in a registrant's Scope 2 emissions, which occur in the upstream and downstream activities of a registrant's value chain."*

The Proposed Rules will inevitably require registrants to pass the costs and burdens of reporting Scope 3 emissions onto farmers and ranchers who already dedicate significant time to demonstrate compliance with federal, state, and local regulation. Because of varied weather patterns, farms are highly dynamic in terms of input and output resources. Tracking such variability and fluctuations in

the context of greenhouse gas emissions would be daunting. We also request that the SEC consider the impact this would have on beginning farmers and ranchers as well as those from historically underrepresented backgrounds.

For the reasons above, we urge the Commission to remove the Scope 3 emissions disclosure in its entirety, or, alternatively, the Commission should provide a specific carveout for the agricultural industry. If a carveout is included, it should make clear that registrants do not need to include Scope 3 emissions from the agricultural industry in their respective disclosures. Inclusion of such a carveout for the agricultural industry would also allow the Commission to avoid the externalities associated with such a complex and difficult reporting regime, while also preserving the competitiveness of the agricultural industry.

Remove the Requirement that Registrants Disclose Climate-Related Targets and Goals

The Commission's Proposed Rule on climate-related targets and goals could disincentivize companies from setting targets, diminishing the ability of farmers and ranchers to economically capitalize on climate-smart agriculture opportunities. Additionally, the Proposed Rules include prescriptive detail and requirements for companies that make such targets and goals. We believe that such specific requirements will result in some registrants not setting targets or cause registrants to retract previously set targets or goals.

Provide Guidance on the Prohibition on Manure Management Systems Mandatory Greenhouse Emissions Reporting and Revise the Proposed Rules to Operate in Unison with Existing Federal Emissions Reporting Programs

The Consolidated Appropriations Act (2022) Section 437 includes a prohibition on greenhouse gas emissions reporting. Section 437 of the Consolidated Appropriations Act (2022) includes a prohibition on greenhouse gas emissions reporting, stating that notwithstanding *"any other provision of law, none of the funds made available in this or any other Act may be used to implement any provision in rule, if that provision requires mandatory reporting of greenhouse gas emissions from manure management systems."*

Section 437 also prohibits all agencies, including the SEC, from using funds to require mandatory reporting of greenhouse gas emissions from manure management systems. This prohibition extends to the use of non-appropriations funds as money received by the government that would be deposited in the Treasury per the Miscellaneous Receipts Act. Use of such funds would still be considered a federal appropriation.

In 2020, California produced $7.47 billion in dairy products including milk and $2.74 billion in cattle and calves. Our producers understand the responsibility they have to implement sound manure management practices as it is a significant part of dairy, meat, poultry and protein production; many of them utilize existing programs that work with agriculture to find sound solutions in reducing greenhouse gas emissions through these practices within their operations. Currently, the Proposed Rules provide no guidance with respect to how a registrant should exclude such emissions from its

greenhouse gas emissions disclosure leading our members to believe that registrants would in fact be required to disclose emissions from manure management systems.

Considering the prohibition and lack of guidance included in the Proposed Rules, we urge the SEC to clearly indicate that registrants that operate manure management systems are not required to disclose such greenhouse gas emissions. We also urge the SEC to provide guidance to registrants and auditors on how they should exclude such emissions from their respective mandatory greenhouse gas disclosures.

Inclusion of Location Data in Greenhouse Gas Emissions Disclosures

Question 108 discusses whether the SEC should require registrants to provide location data for its greenhouse gas emissions in the Final Rules. We strongly urge that the SEC does not include such a requirement in the Final Rules as this may result in serious privacy concerns for farmers and ranchers. Should registrants be required to disclose the location of sources of greenhouse gas emissions within their value chain, this too could inadvertently reveal data about a farmer or rancher at a particular location. Many farmers and ranchers live on their farm, meaning that business information is also personal information. For this reason, inclusion of a location data requirement creates serious privacy and personal safety concerns.

Provide a More Robust Safe Harbor that Precludes All Implied Private Rights of Action for Alleging Defects in Quantitative Scopes 1, 2, or 3 Disclosures

We urge the Commission to include a stronger safe harbor for the disclosures of Scopes 1, 2, and 3 emissions. Currently, the Proposed Rules deem Scope 3 disclosures as not fraudulent unless made or reaffirmed *"without a reasonable basis"* or disclosed *"other than in good faith."* We are concerned that this language does not serve as a meaningful roadblock to litigation.

We urge the Commission to provide a more robust safe harbor that precludes all implied private rights of action alleging defects in quantitative Scopes 1, 2, or 3 disclosures. A robust safe harbor of this nature would provide the appropriate level of liability protection for Scopes 1, 2 or 3 disclosures and incentivize registrants to provide voluntary disclosures. The SEC and the Department of Justice would also still retain the authority to institute proceedings alleging defects in Scopes 1, 2, or 3 disclosures, providing the intended deterrent effect and ability to police fraud. This approach would also minimize potential externalities including increased insurance premiums and legal fees.

I. Conclusion

After reviewing the Proposed Rules, we believe the magnitude of this proposal will cut across every aspect of the U.S. economy and beyond. For farmers and ranchers, the Proposed Rules would force disclosure of private information, create burdensome reporting requirements for family farms and ranches who sell into supply chains, and result in multiple, new sources of substantial costs and liabilities.

Many registrants publish sustainability reports and are voluntarily trying to meet investor demand for climate-related disclosures. Additionally, farmers and ranchers are increasingly being asked to produce more using fewer resources all the while decreasing agricultural greenhouse gas emissions. We believe this illustrates that *voluntary*, *market-based* incentives are helping farmers and ranchers accomplish these milestones all while making real progress on climate-change.

On behalf of California's farmers and ranchers, California Farm Bureau appreciates the opportunity to provide comments on the Proposed Rules and would be happy to discuss our members' concerns or provide you with further information to the extent the Commission would find it useful. Please contact Erin Huston at ehuston@cfbf.com (916-849-3746) if additional questions.

Sincerely,



JAMIE JOHANSSON
President