

Congress of the United States
Washington, DC 20515

October 21, 2022

The Honorable Gary Gensler
Chair
Securities and Exchange Commission
100 F Street NE
Washington, D.C. 20549

Dear Chair Gensler:

We write to urge you to make improvements to the Securities and Exchange Commission's (SEC) proposed rule on climate-related disclosures to ensure this rule does not have unintended negative impacts on farmers and small businesses and instead supports their critical role in our communities and our economy.

We share your goal of increasing investor information about large public companies, and believe that understanding a company's climate-related risks is important for investors to make good long-term decisions. We see the impacts of climate change every day, from flooding to droughts, to both heat waves and cold snaps straining our electrical grid, and believe those impacts and the risks they create must be understood. In addition, we believe that the SEC has broad authority when it comes to requiring corporate disclosures. Investors benefit greatly from having comparable information regarding company operations like revenue, profits, and assets, and that this rulemaking is critical to providing that comparable information on a company's emissions and climate risks.

However, while large public companies have significant resources to compile and report emissions information, we have heard concerns from farmers and small businesses in our districts about the proposed rule's requirements around Scope 3 greenhouse gas (GHG) emissions. Our constituents worry that since they are part of the supply chain for large public companies, they may be asked to report detailed emissions information to their customer or supplier and face additional reporting burdens. While we do not believe the proposal's intent is to burden small and medium sized family farmers and businesses, we urge you to help alleviate these concerns by making that more clear and providing additional protections in any final rule.

Our understanding is that large public companies which currently report Scope 3 emissions, including several agricultural companies, do so using estimates rather than directly collected data from small business suppliers. This is necessary and should be continued. An example of efforts to work within this type of framework can be seen in the dairy industry, which is working to report aggregate Scope 3 emissions via its FARM Environmental Stewardship (FARM ES) platform, a key component of the industry's producer-led Net Zero Initiative to become greenhouse gas neutral or better by 2050. Dairy farmer cooperatives are continuing to increase enrollment in the FARM ES platform but are understandably concerned about the reporting burdens that could immediately impact many farmers and manufacturers in a short time period if the ability to use aggregate estimates is not preserved.

Even though family farmers strive to be the best stewards of their land, many lack the tools let alone the regulatory expertise to accurately quantify and report their emissions. Rather than placing additional burdens on small and mid-sized farmers, we should continue to allow the usage of emissions estimates. While it is important that these estimates are based on reliable sources, this method strikes the appropriate balance by providing useful information and disclosures while limiting the burden of complying with the information. We believe the proposed rule would be improved by making it clearer that this method is sufficient, as the farmers and small businesses in our districts should not be feeling the ultimate burden of this disclosure.

We have also heard some concerns about the liability that companies may face based on their Scope 3 emissions disclosures, and believe more clarity will help. This concern from companies may also be leading these large companies to go beyond what is required, and press their suppliers for detailed information that small businesses and independent farmers may not be able to provide. That could lead to a preference for larger suppliers, and make it even harder to operate as a small business, which is the last thing any of us should want. Accordingly, we would ask that you clarify the safe harbors from liability to further protect our farms and small businesses.

We thank you for your attention to this request, and hope we can work together to finalize this important rule in a way that protects the family farmers and small businesses in our districts.

Sincerely,



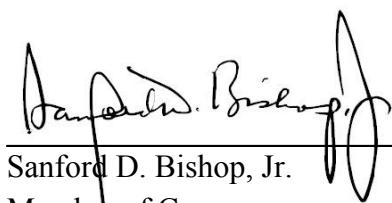
Cynthia Axne
Member of Congress



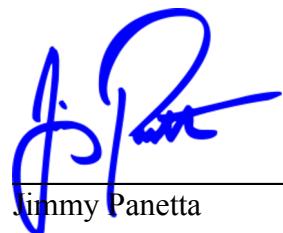
Jim Costa
Member of Congress



Abigail Davis Spanberger
Member of Congress



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Jimmy Panetta
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