

COMMENTS TO THE CALIFORNIA AIR RESOURCES BOARD
ON
PROPOSED CALIFORNIA CORPORATE GREENHOUSE GAS REPORTING AND CLIMATE-RELATED
FINANCIAL RISK DISCLOSURE INITIAL REGULATION

FEBRUARY 9, 2026

These comments to the California Air Resources Board (CARB) are submitted on behalf of a coalition of certain Farm Credit System (FCS) institutions, all of which are federally chartered instrumentalities of the United States.

The FCS is a federally chartered network of borrower-owned cooperative lending institutions and related service organizations dedicated to supporting rural communities and agriculture throughout the United States and Puerto Rico. The FCS was established in 1916 by the U.S. Congress and is a government sponsored enterprise (GSE). Congress designed the FCS “to accomplish the objective of improving the income and well-being of American” farmers, ranchers, and producers and harvesters of aquatic products “by furnishing sound, adequate, and constructive credit and closely related services to them, their cooperatives, and to selected farm-related businesses necessary for efficient farm operations.”¹

The entities participating in these comments to CARB include a select subset of FCS institutions, specifically:

- CoBank, ACB (CoBank), one of the four FCS banks. CoBank is one of the largest providers of credit to the U.S. rural economy, delivering loans, leases, and other financial services to agribusiness, rural infrastructure, and FCS customers in all 50 states.
- AgWest Farm Credit, ACA; American AgCredit, ACA; and Farm Credit Mid-America, ACA, all of which are FCS associations that deliver loans, leases, and other financial services to farmers, ranchers, and other eligible agricultural borrowers in their respective geographic territories.²
- The Federal Agricultural Mortgage Corporation (Farmer Mac), a federally chartered GSE that was established by Congress in 1988 to create a secondary market for agricultural real estate mortgage loans, rural housing loans, and rural cooperative loans to improve liquidity and access to long-term credit for farmers and rural communities.³

While they are not government entities, the FCS institutions described above were either created directly by Congress or operate under the congressionally created FCS, a GSE, to provide vital liquidity to support domestic agricultural production, rural infrastructure, and rural

¹ 12 U.S.C. §§ 2001(a); 2017(1).

² See FCA, “About banks & associations,” available [here](#).

³ See FCA, Title VIII of the Farm Credit Act of 1971, 12 U.S.C. 2279aa *et seq.* and FCA, “About Farmer Mac,” available [here](#). Although Farmer Mac is statutorily defined as an institution of the FCS and is examined and regulated by a common regulator, the Farm Credit Administration (FCA), there are some structural differences from the other FCS institutions as more fully described herein.

homeownership by making long-term credit available to the nation’s farmers, rural homeowners, rural utilities, and agribusinesses.

CARB Should Modify the Scope of Its Proposed Exemption for Government Entities to Include Federally Chartered Instrumentalities of the United States.

The coalition writes to explain the unique nature of the role its members play as instrumentalities of the United States and to request that CARB staff make targeted changes to its proposed initial regulation implementing the Climate Corporate Data Accountability and Climate-Related Financial Risk Disclosure laws (referred to herein as SB 253 and SB 261, respectively) to ensure that FCS institutions are exempted, for the reasons provided below.

1. Federally chartered instrumentalities of the United States are similar to companies that are majority government-owned in that they are quasi-governmental entities formed to serve the public interest.

CARB proposes to codify in § 96071(b)(3) an exemption for “Federal, State, and local government entities, and *companies that are majority-owned by government entities (>50.00%).*”⁴ The coalition requests that CARB change the proposed exemption in § 96071(b)(3) to encompass all *federally chartered instrumentalities of the United States* due to their unique construct as entities created by the federal government to serve a specific public interest.

Presumably, CARB’s proposed exemption for majority-owned government entities would encompass the Federal Home Loan Mortgage Corporation (Freddie Mac) and Federal National Mortgage Association (Fannie Mae) by virtue of their current ownership by the United States Treasury under their conservatorships. Both Freddie Mac and Fannie Mae are instrumentalities of the United States and were created by federal charter in the same manner as the FCS institutions. For example, one FCS institution—Farmer Mac—has similar characteristics and plays a similar role to Freddie Mac and Fannie Mae in that they are all secondary mortgage market GSEs. Farmer Mac was created by Congress to promote a secondary market in qualified agricultural real estate mortgage loans, similar to the secondary markets in residential mortgage loans served by Fannie Mae and Freddie Mac. Although it is not “government-owned,” as an instrumentality of the United States, Farmer Mac’s ties to the federal government closely resemble those of these other GSEs that would presumably be exempt under CARB’s proposal. As examples: Farmer Mac has a congressionally authorized line of credit with the U.S. Treasury; the Federal Reserve Banks are required to act as Farmer Mac’s depositories and fiscal agents, and Farmer Mac has congressionally authorized access to the book-entry system of the Federal Reserve System. Further, five of Farmer Mac’s permanent board members are appointed by the President of the United States and confirmed by the Senate.

⁴ See CARB, Notice of Public Hearing to Consider the Proposed California Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure Initial Regulation, Proposed Regulation Text A-1 (hereinafter Proposed Regulation), available [here](#), at § 96071(b)(3) (emphasis added).

These and other characteristics of FCS institutions demonstrate their interrelationship with the federal government, similar to majority government-owned entities that CARB proposes to exempt. Through the requested modification to § 96071(b)(3), we simply seek to have FCS institutions recognized for their unique status as instrumentalities of the United States government.

Given the specialized purposes and discrete sectors that FCS institutions serve under their federal charters, emissions or climate-related risk information is unlikely to be meaningful or decision-useful for their customer base, which relies on these institutions as a source of dependable liquidity to support agricultural production and rural infrastructure.

2. The requested exemption is necessary to ensure that CARB’s reporting framework does not impose duplicative reporting obligations on FCS institutions.

FCS institutions are regulated by the FCA. Climate-related risk is already embedded in FCA’s safety and soundness framework, tailored to the FCS institutions’ agricultural and rural infrastructure portfolios. FCA’s extensive regulatory and supervisory framework—including its climate-relevant oversight of natural disaster and collateral risks—already provides a unified, nationwide system for managing and disclosing the climate-related risks relevant to FCS institutions. Overlaying SB 253/SB 261 requirements on federally chartered instrumentalities of the United States would be duplicative, inconsistent, and overly burdensome, likely resulting in increased administrative costs and inefficient uses of resources by FCS institutions (by requiring them to divert resources from mission delivery to SB 253/SB 261 compliance activities), the impact of which is ultimately felt by customers in the communities these institutions serve. Regulatory frameworks should not impose unnecessary burdens, particularly where federal laws, regulations, and direct oversight already govern the field. CARB’s proposed requirements would create exactly this problem—a second, competing disclosure regime that is not harmonized with FCA’s prudential and investor protection requirements.⁵

For these reasons, the coalition requests that CARB finalize its Proposed Regulation with a slightly modified government exemption in § 96071(b)(3) to encompass federally chartered instrumentalities of the United States, as follows:

⁵ The legislature exempted insurance companies from reporting climate-related risks under SB 261, presumably because many of these companies are already required to annually report climate-related risks via the TCFD-aligned “Climate Disclosure Risk Survey” adopted by the National Association of Insurance Commissioners (NAIC). For similar reasons, it would make sense for CARB to exempt FCS institutions from reporting because they already are subject to comprehensive requirements for investor disclosures—making the additional California-specific reports and disclosures duplicative of pre-existing federal requirements. *See, e.g.*, 12 C.F.R. § 620.5 (FCA regulatory requirements for annual reports to shareholders, which must describe—among other things—“any seasonal characteristics of the institution’s business” and “risk exposure”).

§ 96071. Applicability.

“(b) This article does not apply to the following entities:

* * *

(3) Federal, State and local government entities, **and** companies that are majority-owned by government entities (>50.00%), **and federally chartered instrumentalities of the United States;**”

Conclusion

We appreciate the opportunity to provide input on the Proposed Regulation. If you have any questions or would like to discuss this submittal, please contact Rachel Saltzman at rsaltzman@hunton.com or 202-955-1598.