May 31, 2022

James P. Sheesley, Assistant Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

Subject: Principles for Climate-Related Financial Risk Management for Large Financial Institutions (RIN 3064-ZA32)

Dear Mr. Sheesley and FDIC Board of Directors:

Thank you for the opportunity to provide comments on the FDIC's statement of principles for climate-related financial risk management for large financial institutions. I am a Board Member and Executive Vice President of Jonah Bank of Wyoming. Jonah Bank of Wyoming is a $500 million community bank located in Casper and Cheyenne, Wyoming. We are a full-service financial institution and are well-positioned to meet the financial service needs of our community.

Jonah Bank of Wyoming is also the only community bank in the region that focuses on providing credit to small oil and gas producers. With respect to our direct energy portfolio, we have extended credit secured by production and mineral interests in Wyoming, Montana, Colorado, Nebraska, Kansas, North Dakota, Pennsylvania, and Nevada. While this is a highly technical and specialized type of lending, our board members and energy lenders have in excess of 100 years of combined experience in providing credit to this industry. Our direct energy portfolio represents approximately 10% of our overall commercial loan outstandings and 45% of tier-one capital.

Application of the Principles to Large and Small Banks

The Board of Directors and management of Jonah Bank of Wyoming have significant concerns related to the proposed principles. While we recognize the principles are designed for financial institutions with assets in excess of $100 billion; invariably the principles will trickle down to all banks. I personally have observed this reality having served as a state bank examiner and Deputy Banking Commissioner for over a decade. Our community bank has experienced a large increase in oil and gas industry loan

requests due to the social governance policies of larger institutions. Should the FDIC implement these new risk management principles, this industry will be driven even further into the community bank space. As this occurs, the risk concerns expressed for large institutions will be shifted to smaller institutions. Those who support these additional risk management principles will turn their sites in our direction and request expansion of the regulatory oversight.

Regardless of the size of the bank for which the princples are designed to apply, the mere existence of such principles will result in yet another headwind to the oil and gas industry. The oil and gas industry is vital to the economic success and overall standard of living in our country. We are already experiencing the negative impact of the implementation of unreasonable barriers (originating from different agencies in Washington, DC) to the development of oil and gas resources. As a result, the development of new supplies of oil and gas are not keeping up with demand, and prices have soared for these vital commodities. The escalation in utility bills and the cost to purchase fuel is negatively impacting household disposable income and disproportionately impacts the quality of life for low and moderate income households. There is no doubt the overall regulatory environment is the significant factor impacting the development of new supplies of oil and gas. Furthermore, uncertainty in the markets caused by burdensome regulation and barriers to the maintenance of current production levels is negatively impacting oil and gas employment. This affects small communities to a much larger degree than metropolitan areas, due to the vast majority of oil and gas production being located in rural areas. The proposed principles for climate-related financial risk management will add to the problem and reduce the credit available to the oil and gas industry, further exacerbating the issues that are already evident in our local, state, and national economy.

Risk Management Practices

The principles are not specifically aimed at managing bank exposure to the oil and gas industry. While it will have a direct impact on the oil and gas industry, the proposed framework is designed to require the implementation of a set of practices to manage climate change risk more broadly. This is unnecessary and will be burdensome. Banks have been managing risk for decades. Existing risk management practices at community banks are effective. Community bankers know their customers and have been successful in working with their customers to manage through droughts, natural disasters, and changes to industries that become obsolete. None of this is new and community banks have always managed these risks. While it might be trendy to state that climate change is new and different, it is not. Compliance with a new climate-related risk framework will be expensive, duplicative of existing risk management practices, and unnecessary.

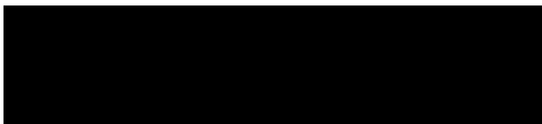
In addition to the proposed general risk management framework, the component of scenario analysis should not become mandatory for a non-complex, low risk profile community bank. This analysis would be complex, expensive, and based on speculation. Community banks are already well-positioned to manage economic shocks in our communities and adding a scenario analysis component, especially related to climate risk, would provide no value to our Board of Directors and management in the preservation of our risk profile.

Conclusion

Thank you for the opportunity to provide comment on the proposed principles for climate-related financial risk management. In conclusion, we offer the following recommendations:

- While the proposed principles are designed to apply to large banks, the existence of such principles will impact the oil and gas industry and availability of credit to that industry. We recommend that the FDIC rely on existing risk management frameworks that are proven effective, rather than implementing another broad and speculative layer of additional burdensome requirements. That said, should the FDIC implement these principles for large banks, we recommend that the FDIC ensure that the principles do not trickle down to smaller banks. Adding additional burden to small banks will result in further consolidation in the industry and the loss of critical financial infrastructure for the extension of credit to small businesses.
- The Financial Stability Oversight Council (FSOC), in conjunction with the regulatory agencies, should conduct a series of outreach meetings with community bankers prior to instituting any supervisory guidance on climate risks. To ensure that the community bank perspective is appropriately represented and that climate-risk regulation does not unfairly penalize or overburden community banks, we recommend that FSOC include an individual with community banking experience on its new Climate-Related Financial Risk Advisory Committee (CFRAC).
- Jonah Bank of Wyoming supports providing incentives to industries deemed to be affected by climate change if such incentives reward current and future practices. Such incentives could include carbon sequestration or other climate change mitigation efforts that support the long-term use of oil and gas, which is the cheapest, most abundant, and most reliable source of energy available.

Respectfully,



Michael E. Williams
Executive Vice President