Title 17. California Air Resources Board

Notice of Public Hearing to Consider Proposed Amendments to the Regulation for the Mandatory Reporting of Greenhouse Gas Emissions

The California Air Resources Board (CARB or Board) will conduct a public hearing at the date and time noted below to consider proposed amendments to the Regulation for the Mandatory Reporting of Greenhouse Gas Emissions.

Date: May 28, 2026

Time: 9:00 A.M.

In-Person Location:

California Air Resources Board
Byron Sher Auditorium
1001 I Street, Sacramento, California 95814

Remote Option:

Zoom

This public meeting may continue at 9:00 a.m., on May 29, 2026. Please consult the public agenda, which will be posted ten days before the May 28, 2026, Board Meeting, for important details, including the day on which this item will be considered and how to participate via Zoom if they choose to be remote.

Written Comment Period and Submittal of Comments

In accordance with the Administrative Procedure Act, interested members of the public may present comments orally or in writing during the hearing and may provide comments by postal mail or by electronic submittal before the hearing. The public comment period for this regulatory action will begin on January 23, 2026. Written comments not submitted during the hearing must be submitted on or after January 23, 2026, and received **no later than March 9, 2026**. Comments submitted outside that comment period are considered untimely. CARB may, but is not required to, respond to untimely comments, including those raising significant environmental issues. The Board also encourages members of the public to bring to the attention of staff in advance of the hearing any suggestions for modification of the proposed regulatory action. Comments submitted in advance of the hearing must be addressed to one of the following:

Postal mail: Clerks' Office, California Air Resources Board
1001 I Street, Sacramento, California 95814

Electronic submittal: https://www.arb.ca.gov/lispub/comm/bclist.php

Please note that under the California Public Records Act (Gov. Code, § 7920.000 et seq.), your written and oral comments, attachments, and associated contact information (e.g., your

address, phone, email, etc.) become part of the public record and can be released to the public upon request.

Additionally, the Board requests but does not require that persons who submit written comments to the Board reference the title of the proposal in their comments to facilitate review.

Authority and Reference

This regulatory action is proposed under the authority granted in California Health and Safety Code, sections 38510, 38530, 38580, 39600, 39601, 39607, 39607.4, and 41511. This action is proposed to implement, interpret, and make specific sections 38501, 38505, 38510, 38530, 38560.5, 38564, 38565, 38570, 38580, 38597, 39600, 39601, 39602, 39607, 39607.4, and 41511 of the Health and Safety Code.

Informative Digest of Proposed Action and Policy Statement Overview (Gov. Code, § 11346.5, subd. (a)(3))

Sections Affected:

Proposed amendments to California Code of Regulations, title 17, division 3, chapter 1, subchapter 10, article 2, subarticles 1, 2, 4 and 5, sections 95101, 95102, 95103, 95104, 95105, 95106, 95107, 95110, 95111, 95112, 95113, 95114, 95115, 95116, 95117, 95118, 95119, 95120, 95121, 95122, 95123, 95124, 95130, 95131, 95132, 95133, 95150, 95152, 95153, 95156, and 95157. Proposed adoption of California Code of Regulations, title 17, division 3, chapter 1, subchapter 10, article 2, subarticle 2, sections 95125, 95126, and 95127.

Documents Incorporated by Reference (Cal. Code Regs., tit. 1, § 20, subd. (c)(3)):

The following documents and test methods would be incorporated in the regulation by reference:

- ASTM International. (April 2021). D4806-21: Standard Specification for Denatured Fuel Ethanol for Blending with Gasolines for Use as Automotive Spark-Ignition Engine Fuel. Incorporated in section 95102(a), “Fuel ethanol”
- ASTM International. (July 2022). C150/C150M-22: Standard Specification for Portland Cement. Incorporated in section 95102(a), “Cement”
- ASTM International. (July 2023). C595/C595M-23: Standard Specification for Blended Hydraulic Cements. Incorporated in section 95102(a), “Cement”
- ASTM International. (September 2023). C1157/C1157M-23: Standard Performance Specification for Hydraulic Cement. Incorporated in section 95102(a), “Cement”
- 40 C.F.R. §§ 98.440-98.449. (November 29, 2013). Code of Federal Regulations, 7-1-2023 Edition. *https://www.govinfo.gov/content/pkg/CFR-2023-title40-vol23/pdf/CFR-2023-title40-vol23-part98-subpartRR.pdf.* Incorporated in section 95125
- California Energy Commission (CEC). (April 2017*). Renewables Portfolio Standard Eligibility Commission Guidebook, Ninth Edition Revised. https://efiling.energy.ca.gov/getdocument.aspx?tn=217317*. Incorporated in section 95102(a), “Renewable Energy Credit” or “REC.”

Background and Effect of the Proposed Regulatory Action:

The Global Warming Solutions Act of 2006 (Assembly Bill (AB) 32, Nunez, Stats. 2006, ch. 488) requires California to cut greenhouse gas (GHG) emissions to 1990 levels by 2020, to continue and maintain reductions beyond 2020, support investment in clean and efficient technologies, and improve air quality and public health. AB 32 also requires CARB to adopt regulations for the mandatory reporting of GHG emissions in order to monitor and enforce compliance with CARB's GHG emissions reduction actions, including the market-based compliance mechanism. In 2016, the Legislature passed and Governor Brown signed Senate Bill (SB) 32 (California Global Warming Solutions Act of 2006: emissions limit, Pavley, Stats. 2016, ch. 249), which mandates a 40% reduction below 1990 levels by 2030. The 2022 Scoping Plan for Achieving Carbon Neutrality (2022 Scoping Plan; CARB, December 2022) lays out a path to achieve targets for carbon neutrality and reduce anthropogenic GHG emissions by 85% below 1990 levels no later than 2045, as directed by AB 1279 (The California Climate Crisis Act, Muratsuchi, Stats. 2022, ch. 337). AB 1207 (Climate change: market-based compliance mechanism: extension), Irwin, Stats. 2025, ch. 117) extends the Cap-and-Invest Program (formerly Cap-and-Trade Program) to January 1, 2046, to support further climate action and achieve the 2045 targets. SB 905 (Carbon sequestration: Carbon Capture, Removal, Utilization, and Storage Program, Caballero, Stats. 2022, ch. 359) works together with AB 1279 to accelerate the deployment of carbon management technologies to meet the 2045 targets.

One of the requirements of AB 32 is that CARB must adopt a GHG reporting regulation. To comply with this requirement, the Board approved the Regulation for the Mandatory Reporting of Greenhouse Gas Emissions (reporting regulation or MRR) at its December 2007 Board meeting. The initial reporting regulation became effective on January 2, 2009.

Over the past fifteen years, CARB staff has implemented the California GHG reporting program established by the reporting regulation. Under the program, approximately 800 facilities and entities annually submit to CARB their GHG emissions data reports, the majority of which are verified as accurate and complete by CARB-accredited third-party verifiers. Information about the program can be found at: http://www.arb.ca.gov/our-work/programs/mandatory-greenhouse-gas-emissions-reporting.

At its December 2010 public hearing, the Board approved amendments to the reporting regulation to support the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms (Cal. Code Regs, tit. 17, § 95800 et seq.) (Cap-and-Invest Regulation) data requirements, harmonize to the extent feasible with the U.S. Environmental Protection Agency's (U.S. EPA) Final Rule on Mandatory Reporting of Greenhouse Gases (U.S. EPA rule), and align with the Western Climate Initiative reporting structure. Those amendments to the reporting regulation became effective on January 1, 2012.

In September 2012, the Board approved additional amendments to the reporting regulation, as well as updates to the definition sections of the AB 32 Cost of Implementation (COI) Fee Regulation and the Cap-and-Invest Regulation. These updates were necessary to streamline and avoid duplicate GHG reporting, to further align with U.S. EPA's rule, and to continue to provide the highest quality data needed to support California's Cap-and-Invest Regulation. These amendments to the reporting regulation became effective on January 1, 2013. In September 2013, the Board approved further amendments to the reporting regulation and the Cap-and-Invest Regulation, which became effective on January 1, 2014. In September 2014, the Board adopted amendments to clarify the reporting requirements, integrate the COI Fee

Regulation reporting requirements, and collect additional information to support CARB's various climate change programs, such as the statewide GHG emissions inventory. These amendments to the reporting regulation became effective on January 1, 2015. In July 2017, the Board approved further amendments to the reporting regulation, which became effective on January 1, 2018.

Since the Board's 2018 action, CARB staff has identified additional requirements and clarifications to the reporting regulation to be heard at the Board's May 28, 2026, hearing. These amendments are needed to support the Cap-and-Invest Regulation, to ensure that reported GHG emissions and product data are accurate and complete to support California's GHG reduction programs, and further clarify the regulation and reporting requirements.

CARB may also consider other changes to the sections affected, as listed on page 2 of this notice, or other sections within the scope of this notice during the course of this rulemaking process.

Objectives and Benefits of the Proposed Regulatory Action:

The purpose of the proposed amendments to the reporting regulation is to carry out the directions in AB 32, SB 32, and AB 1279 and maintain a robust and accurate GHG reporting program. The data submitted by reporters under the reporting regulation allow CARB staff to track the emissions from reporting entities over time, demonstrating California's progress in reducing GHG emissions.

The proposed amendments support the Cap-and-Trade Regulation (which is in process of changing its name to Cap-and-Invest Regulation) with the highest quality of data by improving clarity for reporting entities as to their reporting requirements, collecting additional information for more complete and accurate GHG emissions estimates. This supports continued, robust methods for reporting emissions and product data to support the statewide greenhouse inventory program and emissions reduction programs that directly improve the health and welfare of California residents, worker safety, the state's environment, and CARB's Cap-and-Invest Regulation.

CARB staff has proposed amendments to the regulations to:

- Align with and support California's Cap-and-Invest Regulation, including allocation and the calculation of compliance obligations.
- Ensure that reported GHG emissions and product data are accurate and complete to support California's GHG emissions reduction programs, including the statewide GHG emissions inventory.

The proposed amendments to the reporting regulation are necessary to ensure complete and accurate GHG reporting by clarifying reporting requirements and including additional or modified definitions reflecting the other modifications. The proposed amendments do not change the overall reporting structure or requirements of the reporting regulation. These proposed amendments improve upon, clarify, and add to the existing requirements.

Consistent with Government Code sections 11346, subdivision (b), and 11346.45, subdivision (a), and with the Board's long-standing practice, CARB staff held five public workshops between 2023 and 2025 and had other meetings with interested persons during the development of the proposed regulation. These informal pre-rulemaking discussions provided staff with useful information that was considered during development of the regulation that is

now being proposed for formal public comment. Other changes are considered to be relatively minor clarifications and have not been a subject of pre-rulemaking workshops.

Summary of Proposed Amendments

Below is a summary of proposed updates to the reporting regulation. A more detailed description of the proposed updates appears in the Initial Statement of Reasons (ISOR).

General

Staff proposes minor revisions throughout the regulation that do not materially affect the reporting requirements, including corrections for typos and references, clarifications, and removal of obsolete or redundant requirements; these are not summarized in this chapter, but are discussed in detail in Chapter III of the ISOR. Staff proposes setting an effective start date of 2027 data reported in 2028 for the amended regulation unless otherwise specified. Staff propose that amendments related to Electric Power Entity (EPE) reporting and verification requirements are applicable for 2026 data reported in 2027.

Staff proposes amendments to the definitions of “operational control” and “supplier” to require multiple entities that that are under common control or common ownership that supply fuels for which GHG emissions are reportable under MRR to report as a single reporting entity under MRR.

Staff proposes substantive amendments to other definitions that do not fall under the topics covered in later sections of this chapter. Staff proposes revising the definition of “supplier” to include importers of cement and hydrogen and suppliers of imported liquified petroleum gas (LPG) and revising the definition of “fuel supplier” to include suppliers of biomass-derived natural gas and natural gas liquids, and suppliers of hydrogen. Staff proposes revising the “natural gas supplier” definition to include entities that sell or deliver fossil or biomass-derived liquefied natural gas (LNG) or compressed natural gas (CNG) to end-users so that natural gas purchases from these suppliers are included in natural gas purchase data reported by facilities under section 95115(k). Staff proposes revising the definition for “pipeline quality natural gas” to be based on annual weighted averages of the defining criteria. Staff also proposes amending the definition of “biogenic portions of CO_2 emissions” to include emissions from the consumption of biomass-derived fuels and feedstocks.

Staff proposes a number of amendments to provisions for cessation of reporting and verification, including clarifying cessation requirements for EPEs with reduced emissions levels, establishing cessation provisions for EPEs and suppliers that cease operations, and revising existing reporting cessation requirements for facility operators and suppliers with reduced emissions levels to be based more generally on their applicable reporting threshold, rather than a 10,000 MT CO_2e reporting threshold, which will no longer apply to all suppliers under proposed amendments.

Staff proposes amendments requiring CARB to assign an emissions level when needed to all entities subject to verification and not just those with a Cap-and-Invest Regulation compliance obligation. Staff propose to add a statement clarifying that product data definitions in section 95102(b) of the MRR may be utilized immediately by reporters starting with 2026 data reported in 2027. Staff proposes that data on the use of forest-

derived wood and wood waste be reported for wood harvested from CalFire's Tier 1 High Hazard Zones of Tree Mortality, as emissions from this wood may be eligible for exemption under section 95852.2(a)(4) of the Cap-and-Invest Regulation. To support this change, staff also proposes amending the definition for "forest-derived wood and wood waste" to incorporate wood harvested from areas of the State designated by CalFire as Tier 1 High Hazard Zones of Tree Mortality.

Staff proposes an amendment to require operators or suppliers who report emissions from biomethane to report for each contracted delivery whether the biomethane is a biomass-derived fuel with exempt CO_2 emissions as described under sections 95852.1.1 and 95852.2.(a) of the Cap-and-Invest Regulation. This change helps reporters, CARB staff, and verifiers evaluate if biomethane emissions are accurately reported as exempt or non-exempt, which may impact an entity's covered emissions. Staff also proposes to require entities to separately identify, calculate and report direct emissions of CO_2 from the consumption of biomass-derived fuels rather than only from their combustion for consistency with proposed amendments to exemption provisions for CO_2 from biomass-derived fuels in the Cap-and-Invest Regulation.

Staff proposes revisions to add and clarify information that must be included in an alternative method request to reduce the need for staff to collect additional information from the reporter before the request can be routed for Executive Officer approval.

Staff proposes revisions to add a definition for "linear generators" and require that operators of linear generator units are subject to the same reporting requirements as operators of fuel cells.

Staff proposes an amendment to require all reporting entities to designate an Alternate Designated Representative in the California electronic GHG Reporting Tool in addition to a Designated Representative. This amendment helps to ensure continuity in reporting and prevent late reporting violations.

Applicability

Staff proposes applying this article to biorefineries regardless of emissions levels, as is currently the case for petroleum refineries, so that all types of refineries are treated consistently under this article.

Staff proposes several amendments to include GHG emissions from sources and fuels not currently subject to MRR to support the statewide GHG emissions inventory and other programs that rely on data collected under this article. Staff proposes to expand the point of regulation for transportation fuel suppliers to include enterers of biomass-derived fuels and in-state biomass-derived fuel production facilities that supply fuel outside of the bulk transfer/ terminal system to better capture GHG emissions from biomass-derived transportation fuels supplied in California. To support emissions reductions under SB 596 (Greenhouse gases: cement sector: net-zero emissions strategy, Becker, Stats. 2021, ch. 246) net-zero GHG target for cement used in California, staff proposes applying this article to importers of cement to collect the data needed to track and analyze GHG emissions associated with imported cement. Staff proposes applying this article to importers of hydrogen and producers of hydrogen utilizing electricity to collect GHG emissions data to support tracking of hydrogen production and associated GHG emissions in response to expected expansion of lower

carbon hydrogen production technologies as signaled by the 2022 Scoping Plan Update (CARB, December 2022).[1]

Staff proposes to revise the intrastate pipeline definition to include entities that jointly own or operate an interconnection pipeline to an interstate pipeline with other facilities if they do not report facility GHG emissions under MRR so that GHG emissions from supplied natural gas are reported by entities that fit this description. Staff also proposes to apply MRR requirements to suppliers of biomass-derived equivalents of natural gas liquids (NGL), including biomass-derived LPG, rather than just suppliers of fossil NGLs, to capture GHG emissions from novel, low carbon fuels not currently reported under MRR.

To ensure accurate and complete reporting of GHG emissions from imported LPG, staff also proposes changing the point of regulation for LPG imports from the "importer of fuel" to the operator of an LPG receiving facility that supplies imported fossil or biomass-derived LPG at their facility for distribution in California; staff also proposes excluding suppliers of imported LPG from a minimum reporting threshold. The proposed changes to the point of regulation and reporting threshold for imported LPG has been discussed and refined with stakeholders and will be reflected in the proposed regulation going forward. However, to ensure that proposed amendments are as accurate and comprehensive as possible, staff may continue to develop proposals in this area throughout this regulatory process.

Product Data Reporting

The data used to calculate allocation under the Cap-and-Invest Regulation's product-based benchmarks for industrial allocation are reported pursuant to MRR. To align with proposed amendments to several product-based benchmarks and related definitions in the Cap-and-Invest Regulation, MRR staff proposes to add "sweet whey powder" as a reportable covered product and revise the definition of "aseptic tomato paste" to include tomato puree. Staff proposes new requirements to support updated allocation for cement in the Cap-and-Invest Regulation. These include requiring cement producers to report the annual quantity of supplementary cementitious materials (SCM) consumed for blending cement that is received from SCM manufacturers that are covered or opt-in entities in the Cap-and-Invest Regulation, by SCM type and manufacturer, and requiring manufacturers of SCMs to report annual quantities of SCMs produced and the annual quantity of SCMs delivered to cement or concrete plants to make finished cement, by SCM type and customer. Staff also proposes revising product data reporting requirements for refineries, including transitioning from reporting complexity-weighted barrel (CWB) data to reporting liquid hydrocarbon fuel and asphalt production data, and defining asphalt production for the purposes of non-CWB reporting to exclude facilities that only engage in bitumen oxidation or asphalt blowing of asphalt produced from offsite petroleum refining. These potential changes have been discussed in public workshops and will be reflected in the proposed regulation going forward. However, to ensure that proposed amendments are as accurate and comprehensive as possible,

[1] Existing provisions in MRR capture emissions from in-state hydrogen production facilities that have combustion and process emissions greater than 10,000 MT CO_2e, inclusive of traditional fossil-based technologies and biomass-based production technologies.

staff may continue to develop proposals in these areas throughout this regulatory process.

Staff proposes to remove the requirement to report calcium ammonium nitrate production data because the product-based benchmark for this covered product was eliminated from the Cap-and-Invest Regulation in a prior rulemaking. Staff also proposes to revise the definitions for dehydrated onions, chili peppers, garlic, onion, parsley, and spinach to be based on a weight-based moisture content rather than volume-based to simplify calculating the quantity of reportable product, and to revise the definition for “plasterboard” to clarify that only saleable plasterboard, which excludes trimmings, should be reported in the quantity of plasterboard produced.

Staff also proposes revisions to allow covered product data from up to five data years immediately prior to the current data year to be reported and verified for the purpose of one-time new product allocation pursuant to section 95891(b)(1) of the Cap-and-Invest Regulation. To ensure that proposed amendments are as accurate and comprehensive as possible, staff may continue to develop proposals in this area throughout this regulatory process.

Staff is also considering the potential need to require reporting of additional industrial product information to support Cap-and-Invest Regulation allowance allocation. These changes would also require the addition of new product definitions. Any further amendments that staff propose would be sufficiently related to this notice and proposed regulation order and circulated for a 15-day comment period.

Electric Power Entities

Staff proposes to explicitly add the abbreviations for electric power entities (EPE), multi-jurisdictional retail provider (MJRP), asset-controlling supplier (ACS), and ARB identification number (ARB ID) to the regulation text, in line with references in all other CARB and sector documentation. Staff is also proposing to amend the procedure used by CARB to calculate specified source emission factors to clarify which data sources are used in the event that data from the U.S. Environmental Protection Agency (EPA) 40 CFR Part 98 data and/or EIA electricity generation data are unavailable. Staff is also considering the potential need to require certain EPEs that are also electrical distribution utilities to report additional retail sales and retail customer information to support Cap-and-Invest Regulation allowance allocation, though staff is not yet proposing these changes at this time.

Staff also proposes changes to remove requirements for EPEs to report certain redundant information associated with registering specified sources, to clarify high GHG and Renewable Portfolio Standard (RPS) adjustment reporting requirements, to clarify references to the Cap-and-Invest Regulation for RPS Adjustment requirements, and to remove the requirement that REC serial reporting issues for specified sources result in a qualified positive verification. Staff also propose changes to require information related to California Independent System Operator (CAISO) sales to be reported triennially instead of annually to reduce repetitive reporting and better reflect regulatory provisions that determine reporting requirements at the end of each compliance period instead of year-to-year.

Staff proposes adding definitions related to reporting specific types of electricity imports, including pseudo-tie resources and dynamically tagged imports, and updating

definitions and requirements related to electricity imports and exports acquired through CAISO operated electricity markets. Staff also proposes adding requirements for aggregated zero-emissions generation sources to accommodate long-standing contracts between multiple integrated generation sources, and future development of naturally interconnected sources.

Staff also proposes adding definitions and requirements related to electricity imports that pass through an Energy Storage System (ESS) on their transmission path before being imported. As part of future planning, increasing demand, and reliability concerns, entities in the Western Electricity Coordinating Council (WECC) have built out, and are continuing to build out, significant quantities of electricity storage, the nature of which is to delay electricity deliveries of generation from times of low demand to times of higher need, which requires additional reporting clarifications and requirements to ensure accurate accounting and reduce potential sources of leakage over the current assumptions of instantaneous deliveries.

Staff proposes amendments to ensure accurate accounting of, and to appropriately address and minimize the potential for emissions leakage resulting from, imported electricity transfers within the CAISO's Western Energy Imbalance Market (WEIM), including amendments anticipating CAISO's Extended Day Ahead Market (EDAM) tariff. More specifically, staff proposes updating the Outstanding Emissions calculation to reflect improvements in CAISO-operated electricity markets and the new CAISO EDAM expected in 2026. Additional background information and details for these amendments are provided below.

Renewable Portfolio Standard (RPS) Adjustment

The RPS adjustment was included in the initial MRR and Cap-and-Invest Regulations ("Regulations") to provide electricity importers an optional mechanism to recognize the cost of compliance associated with out-of-state RPS-eligible generation. Generation eligible for the RPS adjustment must be RPS-eligible, from an out-of-state source, and not directly delivered to California. To claim an RPS adjustment, an electricity importer must either (1) have ownership or contract rights to procure the out-of-state RPS-eligible generation and the associated RECs, or (2) have a contract with an entity subject to California's RPS that meets the first requirement. The RPS adjustment is not meant to recognize avoided emissions, rather it is meant to recognize the costs associated with RPS Program compliance for importers of electricity, which are generally costs related to Portfolio Content Category (PCC) 2 and PCC 0 Renewable Energy Credits (RECs). PCC 2 (Pub. Util. Code, § 399.16(b)(2)) are purchases of renewable energy from out-of-state resources that aren't delivered to California and are paired with purchases of substitute energy, generally unspecified electricity imports. PCC 0 (Pub. Util. Code, § 399.16(d)) are purchases from RPS resources under contract prior to June 1, 2010. Typically, out-of-state PCC 0 resources do not have a path to direct delivery to California. PCC 0 resources also represent the earliest RPS program procurements. The RPS adjustment does not impact CARB's GHG Emissions Inventory, which reflects all emissions from imported electricity, rather it is solely a mechanism to reduce an electricity importer's Cap-and-Invest Regulation compliance obligation.

Despite being included in the Regulations since 2010, the RPS adjustment has continued to pose significant implementation challenges (CARB, October 2010). These

challenges include difficulty determining that electricity has not been directly delivered to California, difficulty reporting and verifying claims when a portion of generation from an RPS-eligible resource is directly delivered to California and the RPS adjustment is claimed for only a portion of the generation that is not directly delivered, and difficulty reporting and ensuring claims meet the RPS adjustment requirements where multiple entities claim an RPS adjustment for electricity from the same generator. Validation of RPS adjustment claims is further hindered both by confidentiality agreements that limit staff's ability to communicate with procurement contract counterparties, and by differences between reporting requirements for the RPS adjustment and electricity imports.

In recent years staff have addressed many of the challenges with validating RPS adjustment claims, however issues remain. Under California Energy Commission (CEC) rules, RECs can be created retroactively up to 24 months prior to the date of the request to claim use of the REC for RPS purposes to the CEC, and eligibility of RECs for RPS adjustment claims may vary depending upon locational and temporal factors, creating obstacles for staff in assessing the validity of RPS adjustment claims (CEC, April 2017, p. 24). Discrepancies between meter readings at the busbar and REC meter readings present reconciliation problems when attempting to validate that the electricity importer has RECs representing generation from an RPS-eligible source. In addition, RECs may be withdrawn after retirement under certain circumstances, further complicating the assessment of applicable RECs for the RPS adjustment.

SB 1020 (Clean Energy, Jobs, and Affordability Act of 2022, Laird, Stats. 2022, ch. 361), AB 1279, and SB 100 (California Renewables Portfolio Standard Program: emissions of greenhouse gases, De Leon, Stats. 2018, ch. 312) require deep decarbonization of the electricity sector, necessitating significant increases in renewable electricity that are not associated with GHG emissions as well as increased Program stringency to support these changes. Staff are proposing amendments to the Cap-and-Invest Regulation to align the RPS adjustment with the increased stringency necessary for deep decarbonization and to alleviate the implementation challenges posed by the RPS adjustment. The proposed Cap-and-Invest Regulation amendments limit the RPS adjustment to PCC 0 resources after the 2030 Cap-and-Invest Regulation budget year, limiting the implementation challenges posed by the RPS adjustment, while giving entities certainty and time to respond to this change. The words "and associated RECs" were added to MRR section 95111(b)(5), which reference the Cap-and-Invest Regulation's RPS Adjustment requirements, to fully integrate the requirements for RECs claimed as part of an RPS adjustment in both regulations.

Minimize Emissions Leakage for Imported Electricity

Staff are proposing changes to address requirements for imported electricity in light of California's increasingly ambitious decarbonization targets for the electricity sector and CAISO's planned launch of the EDAM. These updates are necessary to ensure that the Regulations reflect California's shifting regulatory environment and avoid gaps due to changes to CAISO markets.

Amendments to reflect changes to CAISO Markets

The CAISO manages the majority of California's electricity grid and operates wholesale electricity markets for California and portions of the West.

In 2014, CAISO expanded its real-time market to other balancing authority areas (BAA), including out-of-state BAAs. This market is known as the Western Energy Imbalance Market (WEIM). The WEIM provides BAAs throughout the West access to CAISO's real-time market services and increases market efficiency by expanding the availability of electricity generation to WEIM participants.

Under AB 32, CARB must account for statewide GHG emissions, including all emissions resulting from the generation of electricity delivered to and consumed in California, whether that electricity is generated in-state or imported to serve California load. In 2015, CARB found that the design of WEIM does not account for the full GHG emissions experienced by the atmosphere from imported electricity under WEIM and results in emissions leakage. CARB has historically referred to these emissions as EIM Outstanding Emissions. Beginning in 2016, CAISO and CARB began coordinating to address GHG accounting limitations in the WEIM. This included implementing a "bridge solution" to account for the full GHG emissions experienced by the atmosphere from imported electricity under WEIM in 2017. The "bridge solution" was a temporary solution developed in anticipation of CAISO implementing improvements to its market at a later date. Under the "bridge solution," CARB retired unsold allowances equal to EIM Outstanding Emissions.

In 2018, CAISO made changes to its market optimization design to better reflect the availability of resources not otherwise supporting demand outside of California, thereby more accurately reflecting the GHG emissions experienced by the atmosphere from electricity imported to California under WEIM. These changes limited the amount of electricity available to support WEIM imports to California by constraining attributions to serve California demand from individual WEIM participating resources located outside of California. While this change helped minimize emissions leakage, it did not fully address the emissions leakage concerns.

In the Cap-and-Invest Regulation 2018 amendments, CARB made changes to the approach to addressing EIM Outstanding Emissions to continue maintaining the environmental integrity of the Cap-and-Invest Regulation (CARB, September 2018). Instead of retiring unsold allowances to address EIM Outstanding Emissions, CARB started withholding allowance allocation to EDUs that both participate in CAISO markets and receive free allowance allocation (historically, these EDUs have been referred to as "EIM Purchasers") and retiring the withheld allowances that would otherwise have been allocated to EDUs. Beginning in 2019, and in each subsequent year, CARB has retired allowances that would otherwise be allocated to EIM Purchasers in an aggregate amount equal to the prior year's EIM Outstanding Emissions. The ratio of an EIM Purchaser's reduced allocation to total EIM Outstanding Emissions is equal to the ratio of its retail sales to the total retail sales of all EIM Purchasers.

CAISO has recently developed changes to its day-ahead market that will extend the option to participate in CAISO's day-ahead market services. EDAM will allow for optimized commitment of electricity generation by CAISO in the day-ahead timeframe. Like the WEIM, the EDAM will enable electricity generators in the West to opt-in to serving areas that prices GHG emissions, including California, and to reflect those costs in their energy bids. EDAM will optimize transfers to GHG regulation areas based on GHG bid adders and energy bids from generators in the West. The new optimization in EDAM is similar to and improves on the WEIM optimization for GHG attribution. Improvements in EDAM relative to WEIM include:

1. Attributing electricity to GHG regulation areas based on state boundaries (instead of balancing authority area (BAA) boundaries);
2. A day-ahead counterfactual that establishes a baseline of what dispatch would have occurred in the non-GHG regulation area absent GHG policy;
3. Placing limits on resource attribution to time periods when a BAA in which the resource is located is exporting electricity; and
4. Providing an opportunity to attribute capacity under contract to load serving entities in a GHG regulation area if it is economic to do so.

In December 2022, CAISO released a final proposal for EDAM (CAISO, December 2022), and in August 2023, CAISO submitted the tariff to implement EDAM to the Federal Energy Regulatory Commission (FERC) for approval (CAISO, August 2023). In December 2023, FERC approved the relevant provisions of the CAISO's EDAM tariff (FERC, December 2023) setting the stage for an expected EDAM to launch in 2026. In this rulemaking, staff proposes to update the Regulations to reflect EDAM and the changes and improvements approved for the WEIM. The proposed changes ensure coverage of all imported electricity emissions and help ensure CARB is appropriately addressing emissions leakage in these markets.

WEIM and EDAM Amendments

To address the developments in CAISO Markets, staff are proposing to update corresponding terminology for these electricity markets in MRR. This includes updating references in the Regulations from "EIM" to "WEIM" and replacing "EIM Outstanding Emissions" with the term "CAISO Markets Outstanding Emissions." The proposed changes to the calculation of Outstanding Emissions are designed to address leakage for electricity imports that occur via WEIM-only and EDAM (once operational). The revised calculations limit the outstanding emissions, to the MWh attributed below a resource's baseline, which are the MWh associated with the highest risk for emissions leakage and to exclude generation from resources contracted to California utilities for reliability purposes. Other terminology changes are proposed to ensure that imports via the EDAM are covered and to reflect the fact that all transactions in CAISO Markets will be settled in the WEIM. Staff also propose to update the term "EIM Purchasers Emissions" to "CAISO Markets Purchaser Emissions." This broader terminology addresses emissions leakage associated with electricity imports that occur through the WEIM only and via the EDAM. The proposed changes are aligned with proposed changes in the Cap-and-Invest Regulation.

Electricity Generation Facilities

Extreme heat events can strain the State's power infrastructure and increase demand beyond what can be met by electricity generation facilities (EGF) under normal operating conditions. During an extreme heat event in 2022, the Governor proclaimed a State of Emergency and issued Executive Order N-14-22 that included provisions to facilitate an increase in electricity generation by suspending certain regulatory requirements. To prevent a non-covered EGF from becoming newly subject to Cap-and-Invest requirements due to emissions from electricity generated to mitigate a grid-related state of emergency, CARB staff has proposed an amendment to section 95812(c)(2)(A)1 of the Cap-and-Invest Regulation that would allow a non-covered EGF to exclude covered emissions during an eligible declared emergency from their Cap-

and-Invest applicability threshold calculation. MRR staff proposes requiring electricity generation facilities (EGF) seeking to exclude covered emissions from the Cap-and-Invest applicability threshold under proposed Cap-and-Invest section 95812(c)(2)(A)1 to separately report total annual covered emissions that occurred during eligible states of emergency to facilitate data checks and verification of the emissions excluded from the Cap-and-Invest Regulation applicability threshold calculation. Emergency electricity generation emissions would continue to be included in the total GHG emissions and covered emissions calculated for MRR GHG emissions reporting, which are used by other agency programs, such as the statewide GHG Inventory, as well as in the reporting and verification applicability threshold determinations.

Refineries and Hydrogen Production Plants

Staff proposes amendments to incorporate biorefining and coprocessing of biomass-derived feedstocks in the scope of MRR refinery reporting to ensure comprehensive GHG emissions reporting by the refinery sector, which now extends beyond petroleum refineries processing crude oil. Staff proposes adding and revising definitions to establish biorefineries and petroleum refineries as distinct entities within the broader category of “refineries,” and requiring operators of biorefineries to report the same data as petroleum refineries under section 95113 of MRR, including vented and fugitive emissions. Staff proposes adding a definition for "coprocessing," and adding requirements in section 95113 for reporting biogenic emissions from the processing of biomass-derived feedstocks in refinery units.

Staff proposes requiring emissions from all startup, shutdown, and malfunction (SSM) flare events to be reported to ensure comprehensive reporting of emissions from SSM flares during all operational scenarios, not just higher-flow situations. Staff also proposes requiring refinery operators to report processed feedstock data and refinery total, biomass-derived, and fossil crude inputs to help CARB monitor facility changes for petroleum refineries and biorefineries and QA reported data.

Staff proposes several amendments to section 95114. Staff proposes requiring operators of hydrogen plants, including hydrogen plants integrated in refinery operations, to report product and delivery data for gaseous and liquid hydrogen sold or otherwise transferred to biorefineries in addition to hydrogen sold or otherwise transferred to petroleum refineries and hydrogen vehicle fueling stations, as is currently required. Staff also proposes requiring operators of standalone hydrogen plants to report GHG emissions from process vents in the same manner that hydrogen plants at integrated refineries already are required to under section 95113. This addition is necessary to capture emissions from process vents at hydrogen plants that are not part of an integrated refinery and ensure consistency in reporting requirements for hydrogen plants across the refining and hydrogen production sectors.

Staff proposes minor deletions in sections 95113 and 95114 to ensure GHG emissions from all fuel combustion, not just fossil fuel combustion, are reported by operators of refineries and hydrogen plants.

Transportation Fuel Suppliers

Staff proposes various amendments to require reporting of GHG emissions from novel, low carbon transportation fuels that are not currently reported by suppliers. These

amendments include adding definitions for biomass-derived LPG and biomass-derived California Reformulated Gasoline Blendstock for Oxygenate Blending (CARBOB or RBOB) and modifying existing reporting requirements in section 95121 to also apply to their biomass-derived equivalent fuel, including requiring GHG emissions to be calculated for biomass-derived fuels using the same emission factors as their fossil equivalents.

Staff proposes amendments to better capture GHG emissions from biomass-derived fuels that are supplied outside of the bulk transfer/terminal system. Staff proposes revisions that apply the existing transportation fuel supplier reporting requirements in section 95121 to in-state biomass-derived fuel production facilities and importers of biomass-derived fuels who supply fuels outside of the bulk transfer/terminal system, which are added to the point of regulation for transportation fuel suppliers in the regulation's applicability provisions. To allow staff to assess completeness and double-reporting of biomass-derived transportation fuels reported to MRR under the existing and proposed points of regulation, staff proposes requiring suppliers to report, for all biomass-derived fuel volumes for which GHG emissions are reported: the LCFS pathway code, fuel type, point of regulation under which the volume is being reported, and the volume of biomass-derived fuel associated with each unique combination of LCFS pathway code, fuel type, and point of regulation.

To improve the quantification of GHG emissions from fossil denaturant in fuel ethanol and to include fossil denaturant emissions in an entity's covered emissions, staff proposes amendments requiring suppliers to report denaturant in fuel ethanol as RBOB or biomass-derived RBOB, rather than as pure ethanol. Staff proposes that denaturant emissions be quantified based on a default volume of 2% of the total fuel ethanol volume or based on a user-defined value that can be demonstrated. Staff also proposes an amendment requiring the hydrocarbon component of E85 to be reported as fossil or biomass-derived RBOB; this will ensure that GHG emissions from the E85 hydrocarbon component are captured under MRR.

Staff proposes additional changes that apply existing calculation requirements for sole position holders at terminals who do not have sealed or financial transaction meters to sole position holders of any fuel, rather than just biodiesel or diesel. To better align MRR reporting requirements in section 95121(d)(8) with the underlying AB 32 Cost of Implementation (COI) Fee Regulation definitions for fuel producer and California diesel, staff proposes adding language to clarify that biodiesel and renewable diesel volumes blended into California diesel do not need to be reported if the resulting product is not marketed as California diesel. To support statewide GHG inventory calculations for transportation fuels, staff proposes requiring suppliers who exclude volumes from GHG emissions reporting under the exemptions provided in section 95121(a)(2) to report these volumes separately by the exemption category (e.g., final destination outside of California, exclusive use in marine applications), in addition to fuel type.

Suppliers of Natural Gas and Natural Gas Liquids

Staff proposes various amendments to require reporting of GHG emissions from novel, low carbon fuels that are not currently reported by suppliers of natural gas or natural gas liquids (NGL). These amendments include adding definitions for biomass-derived LPG and biomass-derived NGLs and modifying existing reporting requirements in section 95122 to also apply to the biomass-derived equivalents of regulated fuels,

including requiring GHG emissions to be calculated for biomass-derived fuels using the same emission factors as their fossil equivalents.

To ensure that all covered emissions from natural gas redelivered to another pipeline operator is accounted for in MRR reporting, staff proposes amending how gas utilities calculate the CO_{2j} parameter of the natural gas emissions equation, which accounts for redeliveries and receipts of gas from other natural gas transmission companies. Specifically, staff proposes that redeliveries to other public utility gas corporations must be included in the CO_{2j} parameter, and consequently subtracted out from the supplier's reported GHG emissions, only when emissions associated with the redelivered natural gas equals or exceeds the Cap-and-Invest threshold of 25,000 MT CO_2e; this threshold already applies to redeliveries to all other types of pipeline operators except for interstate pipeline operators, which aren't subject to GHG emissions reporting under MRR.

To support CARB staff's calculation of covered emissions for intrastate pipelines, staff proposes amendments to require intrastate pipeline operators to report customer delivery data for all deliveries to end-users, not just deliveries that exceed 188,500 MMBTU per year to a single entity. This allows CARB staff to subtract out emissions for all deliveries to covered facilities who have the compliance obligation for combusted natural gas emissions when calculating the intrastate pipeline operator's covered emissions.

Staff proposes minor revisions to section 95122 to align with proposed changes that revise the definitions for "local distribution company (LDC)," "natural gas suppliers," and "intrastate pipeline operator." Staff proposes revising the definition for LDC to exclude intrastate pipeline operators for greater consistency with how LDC is used in existing reporting requirements; this revision is not intended to change any reporting requirements. Revisions to the other two definitions are discussed under the "General" and "Applicability" sections of this chapter, respectively.

To simplify reporting, staff proposes an amendment to allow suppliers of imported LPG to report fuel volumes generically as "LPG" and use the default LPG emission factor to calculate emissions, rather than require LPG volumes and associated emissions to be reported and calculated from their LPG components (e.g., butane, propane) when component composition is known. Staff proposes an amendment to allow importers of LPG, CNG, or LNG to exclude fuel used exclusively in ocean-going vessels from GHG emissions reporting as these emissions would be emitted primarily outside of California. Staff also proposes revisions to align the requirements to report fuel volumes excluded from GHG emissions reporting with existing and proposed language in section 95122 that specifies the fuel supplier types eligible for the exemption (i.e., NGL fractionators and importers of LPG, CNG, or LNG), and the fuel types for which they are required to report GHG emissions (i.e., fossil and biomass-derived NGLs, CNG, or LNG). Staff also proposes requiring excluded volumes to be reported separately by their reason for exclusion, similar to the proposed amendment for transportation fuel suppliers in section 95121, so that the data may be used for GHG Inventory calculations and to support other analyses.

Geologic Sequestration

Operators of facilities with geologic sequestration of carbon dioxide are currently subject to this article, but no data reporting requirements have been established and the broader California framework under SB 905 is still under development. For now, staff proposes to have entities report emissions data from geologic sequestration of CO_2 as required under Subpart RR in the U.S. EPA's Mandatory Greenhouse Gas Reporting Regulation (40 C.F.R. § 98, 2013). Staff may need to propose future amendments to align with the requirements of SB 905 once the rulemaking directed by that statute is completed.

Cement

Staff proposes an amendment to require cement producers to report the annual quantities of baghouse dust and grind aids consumed for blending in cement instead of the more general "cement substitute." Staff also propose to update the definition of "cement" to include non-conventional cement types that use low-carbon materials or processes if they satisfy performance standards for conventional cement types.

SB 596 establishes a target of net-zero GHG emissions for the cement sector in California by 2045 and requires emissions reductions from all cement used in California, including imported cement. To support these mandates, staff proposes new requirements in MRR for cement importers to report GHG emissions from imported cement, along with additional data to support staff analysis of sector GHG emissions. Staff also proposes that cement importer data not be subject to verification because reported emissions are based on best available data and not subject to a Cap-and-Invest Regulation compliance obligation. At this time, requirements are focused on assessing what data is available and providing a framework for reporting emissions. To ensure that proposed amendments to add cement importers to MRR are as accurate and comprehensive as possible, staff may continue to develop proposals throughout this regulatory process.

Imports of Hydrogen and Producers of Hydrogen Utilizing Electricity

The 2022 Scoping Plan Update signals the need for an aggressive reduction of fossil fuel use and a transition to lower carbon technologies. Meeting energy demand in California requires building out significant new low-carbon energy supply capacity, including an expected expansion of lower carbon hydrogen production (CARB, December 2022). The current MRR requires that in-state hydrogen producers exceeding 10,000 MT CO_2e of combustion and process emissions report emissions associated with hydrogen production. These existing provisions apply to traditional fossil hydrogen production technologies, as well as biomass-based production technologies that exceed the 10,000 MT CO_2e threshold. Imported hydrogen and hydrogen produced from electricity by facilities in California are currently not captured under MRR. To ensure the MRR has broader coverage of emissions resulting from the production of hydrogen utilized in California, staff proposes amendments to require operators of facilities that produce hydrogen utilizing electricity and importers of hydrogen to report GHG emissions resulting from the production of the hydrogen, along with additional data to support staff analysis of sector GHG emissions. These amendments include adding a reporting threshold consistent with the existing 10,000 MT CO_2e threshold for

hydrogen production to ensure consistent treatment across production technologies and adding a definition of “importer of hydrogen.” To provide flexibility to reporters in this sector, staff proposes language allowing for reporters to submit requests for the use of alternative methods for measuring and quantifying GHG emissions when specified methods are not viable or not applicable. Staff also proposes language to exempt data collected under this section from verification because hydrogen importers and producers of hydrogen utilizing electricity are not subject to the Cap-and-Invest Regulation.

Verification

Staff proposes changes to streamline verification requirements, including allowing verifier accreditation to be renewed for up to six years, establishing remote site visit eligibility criteria and requirements for certain low-risk reporters, removing unnecessary requirements from the information a verifier must report in the Notice of Verification Services and Verification Plan, allowing low-risk conflict of interest verifications to commence before the Executive Officer has granted approval for verification services, requiring verification site visits once every three years instead of once every compliance period, requiring ten days advance notice to be given the Executive Officer for a site visit instead of 14 days, removing specialized verification requirements related to process emissions sources, removing the requirement to provide information on causes of emissions changes in the verification report if a full verification was not conducted and there was a greater than 25% change in GHG emissions compared to prior data year, and simplifying the accreditation requirements for offset project specific verifiers. Staff also proposes to allow errors in an emissions data report to be corrected by the reporting entity and re-verified by the same verification body if the errors do not impact covered emissions or covered product data, rather than if the errors do not impact any emissions data or covered product data.

Staff proposes amendments to strengthen the integrity and rigor of verification services, including expanding the criteria under which a verification is deemed to have a high potential for a conflict of interest, capping a verification body’s verification services for a single entity to six consecutive verifications in addition to six consecutive years, requiring a verifier accredited as an oil and gas systems specialist to provide verification services to operators of biorefineries, and clarifying that verifiers must conduct material misstatement calculations for thermal and non-thermal production by summing crude oil and associated gas covered product data in units of barrel of oil equivalent. Staff also proposes an amendment to require verifiers to include in their conformance review emissions associated with an eligible state of emergency that are optionally reported by an electricity generation facility for exclusion from the Cap-and-Invest Regulation applicability threshold, if the facility was not a covered entity in the previous data year.

Petroleum and Natural Gas Systems

Staff proposes changes to require natural gas distribution facilities to report transmission pipeline blowdowns and their GHG emissions. This change supports the State's GHG Inventory and aligns MRR reporting requirements with Subpart W requirements for transmission pipeline blowdowns in U.S. EPA's Mandatory GHG Reporting Rule (40 C.F.R. § 98).

Comparable Federal Regulations:

U.S. EPA currently requires mandatory GHG reporting under the Mandatory Reporting of Greenhouse Gases Rule (40 C.F.R. § 98). While U.S. EPA has proposed eliminating various reporting requirements under that rule, U.S. EPA's proposal is not final.[2] The proposed amendments are consistent with existing federal law. The proposed amendments to the reporting regulation were developed to minimize to the greatest extent possible any redundant State and federal reporting, while also ensuring that CARB is collecting the necessary additional information required by California's various GHG programs, including the Cap-and-Invest Regulation, COI Fee Regulation, and the statewide GHG inventory.

An Evaluation of Inconsistency or Incompatibility with Existing State Regulations (Gov. Code, § 11346.5, subd. (a)(3)(D)):

The proposed regulation is consistent and compatible with existing State regulations.

During the process of developing the proposed regulatory action, CARB conducted a search of any similar regulations on this topic and concluded these regulations are neither inconsistent nor incompatible with existing state regulations.

Disclosure Regarding the Proposed Regulation

Fiscal Impact/Local Mandate Determination Regarding the Proposed Action (Gov. Code, § 11346.5, subds. (a)(5)&(6)):

The determinations of the Board's Executive Officer concerning the costs or savings incurred by public agencies and private persons and businesses in reasonable compliance with the proposed regulatory action are presented below.

Under Government Code sections 11346.5, subdivision (a)(5) and 11346.5, subdivision (a)(6), the Executive Officer has determined that the proposed regulatory action would create costs or savings to any State agency, would not create costs or savings in federal funding to the State, would create costs or mandate to any local agency or school district, whether or not reimbursable by the State under Government Code, title 2, division 4, part 7 (commencing with section 17500), or other nondiscretionary cost or savings to State or local agencies.

Cost to any Local Agency or School District Requiring Reimbursement under section 17500 et seq.:

Pursuant to Government Code sections 11346.5, subdivisions (a)(5) and (a)(6), the Executive Officer has determined that this regulatory action will result in a mandate that would create costs and cost-savings to local agencies. However, these costs are not reimbursable pursuant to Section 6 of Article XIII B of the California Constitution and Part 7 (commencing with Section 17500) of Division 4 of the Government Code. These costs are not reimbursable because the proposed amendments neither compel local agencies to provide new governmental functions (i.e., do not require such agencies to provide additional services to the public), nor do they

[2] 90 Fed Reg. 44591 (Sept. 16, 2025).

impose requirements that apply only to local agencies.[3] This proposed regulatory action also does not compel local agencies to increase the actual level or quality of services that they already provide the public.[4] For the foregoing reasons, any costs incurred by local agencies to comply with this regulatory action are not reimbursable. The proposed regulatory action would not create costs to any school district whether or not reimbursable by the state pursuant to Part 7 (commencing with section 17500), division 4, title 2 of the Government Code.

Cost or Savings for State Agencies:

Pursuant to Government Code section 11346.5(a)(6), the Executive Officer has determined that this regulatory action will result in costs and savings for five State agencies. The cost impact to affected state government agencies is a cumulative cost-savings of $8,000 for all agencies over a 6-year time horizon, which is the sum of the total costs of $100 and total cost savings of $7,900. There is expected to be an estimated total cost-increase for two state agencies in the amount of $100 in Fiscal Year 2026/27 and no cost increases in the subsequent five fiscal years.

CARB does not have a fiscal impact as a result of the proposed regulation changes because there is no new CARB workload, staffing, or other resources needed to implement the proposed MRR revisions.

Other Non-Discretionary Costs or Savings on Local Agencies:

The Executive Officer has determined that this regulatory action will result in costs and savings for 61 local agencies. The cost impact to affected local government agencies is a cumulative cost-savings of $70,000 for all agencies over a 6-year time horizon, which is the sum of the total costs of $20,000 and total cost savings of $90,000. The total cost to local government agencies is estimated to be $5,000 in Fiscal Year 2026/27 and $3,000 per year in the subsequent five fiscal years.

Cost or Savings in Federal Funding to the State:

The proposed regulation is not expected to impose any costs or savings in federal funding to the State.

Housing Costs (Gov. Code, § 11346.5, subd. (a)(12)):

The Executive Officer has also made the initial determination that the proposed regulatory action will not have a significant effect on housing costs.

Significant Statewide Adverse Economic Impact Directly Affecting Business, Including Ability to Compete (Gov. Code, §§ 11346.3, subd. (a), 11346.5, subd. (a)(7), 11346.5, subd. (a)(8)):

The Executive Officer has made an initial determination that the proposed regulatory action would not have a significant statewide adverse economic impact directly affecting businesses,

[3] *County of Los Angeles v. State of California* (1987) 43 Cal.3d 46, 56.
[4] *San Diego Unified School Dist. v. Commission on State Mandates* (2004) 33 Cal.4th 859, 877.

including the ability of California businesses to compete with businesses in other states, or on representative private persons.

Results of The Economic Impact Analysis/Assessment (Gov. Code, § 11346.5, subd. (a)(10)):

Non-Major Regulation: Statement of the Results of the Economic Impact Assessment (EIA):

(A) The creation or elimination of jobs within the State of California.

Based on the economic impacts of the proposed amendments as noted above, the Executive Officer has determined that the proposed regulatory action would not affect the creation or elimination of jobs within the State of California because the GHG MRR program is mature, and the proposed amendments are minor.

(B) The creation of new business or the elimination of existing businesses within the State of California.

Based on the economic impacts of the proposed amendments as noted above, the Executive Officer has determined that the proposed regulatory action would not affect the creation of new businesses or elimination of existing businesses within the State of California because the GHG MRR program is mature, and the proposed amendments are minor.

(C) The expansion of businesses currently doing business within the State of California.

Based on the economic impacts of the proposed amendments as noted above, the Executive Officer has determined that the proposed regulatory action would not affect the expansion of businesses currently doing business within the State of California because the GHG MRR program is mature, and the proposed amendments are minor.

(D) The benefits of the regulation to the health and welfare of California residents, worker safety, and the state's environment.

The objective of the proposed regulatory action is to align with and support California's Cap-and-Invest Regulation, including allocation and the calculation of compliance obligations, and ensure that reported GHG emissions and product data are accurate and complete to support California's GHG emissions reduction programs, including the Cap-and-Invest Regulation and statewide GHG emissions inventory.

The estimated benefits of the proposed amendments are unquantified, which include any benefits to the health and welfare of California residents, worker safety, and the state's environment.

Business Report (Gov. Code, §§ 11346.5, subd. (a)(11); 11346.3, subd. (d)):

In accordance with Government Code sections 11346.5, subdivisions (a)(11) and 11346.3, subdivision (d), the Executive Officer finds the reporting requirements of the proposed regulatory action which apply to businesses are necessary for the health, safety, and welfare of the people of the State of California.

Cost Impacts on Representative Private Persons or Businesses (Gov. Code, § 11346.5, subd. (a)(9)):

In developing this regulatory proposal, CARB staff evaluated the potential economic impacts on representative private persons or businesses. CARB is not aware of any cost impacts that a representative private person or business would necessarily incur in reasonable compliance with the proposed action.

CARB staff performed an analysis of the reporters affected by the proposed amendments and determined that they are expected to affect approximately 270 California businesses (15 of which are small businesses). Two hundred and thirty California businesses will have cost increases, such as oil and gas producers, hydrogen production plants, hydrogen importers and producers utilizing electricity, refineries, cement importers, suppliers of natural gas and natural gas liquids, transportation fuel suppliers, and industrial facilities, including electric generation entities. Forty other California businesses will have cost savings, including electric power entities, natural gas suppliers, and industrial facilities, including electric generation entities.

CARB staff estimates that over six years, the net impact to California businesses is a cost of $900,000, which is the sum of cost increases of $1,000,000 and cost savings of $100,000.

The Executive Officer has made an initial determination that the proposed regulatory action would not have a significant statewide economic impact directly affecting representative private persons.

Effect on Small Business (Cal. Code Regs., tit. 1, § 4, subds. (a) and (b)):

The Executive Officer has also determined under California Code of Regulations, title 1, section 4, that the proposed regulatory action would affect small businesses. Based on CARB staff's analysis of existing reporters and data reported under section 95104, subdivision (a) of MRR, 15 total California small businesses will have cost changes due to the proposed regulation updates.

The cost of the proposed amendments are not expected to have a significant material impact on any affected small businesses. For small businesses, the first-year costs are estimated to be $720 per small business. The annual average ongoing costs to comply with the proposed revisions are estimated to be $540 per small business in the remaining five years.

A. Consideration of Alternatives (Gov. Code, § 11346.5, subd. (a)(13)):

Before taking final action on the proposed regulatory action, the Board must determine that no reasonable alternative considered by the Board, or that has otherwise been identified and brought to the attention of the Board, would be more effective in carrying out the purpose for which the action is proposed, would be as effective and less burdensome to affected private persons than the proposed action, or would be more cost-effective to affected private persons and equally effective in implementing the statutory policy or other provisions of law. The proposed amendments are made to the existing reporting regulation, and these proposed amendments do not have a significant adverse fiscal or economic impact. However, staff considered alternatives, including not requiring verification for LPG and transportation fuel

suppliers who would be newly subject under the proposed amendments, gathering data from individual reporters and other sources without adding regulatory requirements, or adopting performance standards. The specific alternatives are described in Section IX of the ISOR. These alternatives were evaluated but dismissed as not being more effective than the proposed amendments in carrying out the purposes of the updates.

Environmental Analysis

CARB, as the lead agency under the California Environmental Quality Act (CEQA), has reviewed the proposed regulatory action and concluded that it is exempt pursuant to section 15061, subdivision (b)(3) of the CEQA Guidelines because it can be seen with certainty that there is no possibility that the proposed action may have a significant adverse impact on the environment. A brief explanation of the basis for reaching this conclusion is included in Section VI of the ISOR.

Special Accommodation Request

Consistent with California Government Code section 7296.2, special accommodation or language needs may be provided for any of the following:

- An interpreter to be available at the hearing;
- Documents made available in an alternate format or another language; and
- A disability-related reasonable accommodation.

To request these special accommodations or language needs, please contact the Clerks' Office at *cotb@arb.ca.gov* or (916) 322-5594 as soon as possible, but no later than ten business days before the scheduled Board hearing. TTY/TDD/Speech to Speech users may dial 711 for the California Relay Service.

Consecuente con la sección 7296.2 del Código de Gobierno de California, una acomodación especial o necesidades lingüísticas pueden ser suministradas para cualquiera de los siguientes:

- Un intérprete que esté disponible en la audiencia;
- Documentos disponibles en un formato alterno u otro idioma; y
- Una acomodación razonable relacionados con una incapacidad.

Para solicitar estas comodidades especiales o necesidades de otro idioma, por favor llame a la oficina del Consejo al *cotb@arb.ca.gov* o (916) 322-5594 lo más pronto posible, pero no menos de 10 días de trabajo antes del día programado para la audiencia del Consejo. TTY/TDD/Personas que necesiten este servicio pueden marcar el 711 para el Servicio de Retransmisión de Mensajes de California.

Agency Contact Persons

Inquiries concerning the substance of the proposed regulatory action may be directed to the agency representative Syd Partridge, Manager, Climate Change Reporting Section, at (916) 750-0361 or Ryan Schauland, Acting Chief, Program Planning and Management Branch, at (279) 842-9017.

Availability of Documents

CARB staff has prepared a Staff Report: Initial Statement of Reasons (ISOR) for the proposed regulatory action, which includes a summary of the economic and environmental impacts of the proposal. The report is entitled: Initial Statement of Reasons for Rulemaking - Proposed Amendments to the Regulation for the Mandatory Reporting of Greenhouse Gas Emissions.

Copies of the ISOR and the full text of the proposed regulatory language in underline and strikeout format to allow for comparison with the existing regulations, may be accessed on CARB's website listed below, on January 20, 2026. Please contact Lindsay Garcia, Regulations Coordinator, at *regulations@arb.ca.gov* or (916) 546-2286 if you need physical copies of the documents. Pursuant to Government Code section 11346.5, subdivision (b), upon request to the aforementioned Regulations Coordinator, physical copies would be obtained from the Public Information Office, California Air Resources Board, 1001 I Street, Visitors and Environmental Services Center, First Floor, Sacramento, California, 95814.

Further, the agency representative to whom non-substantive inquiries concerning the proposed administrative action may be directed is Lindsay Garcia, Regulations Coordinator, at *regulations@arb.ca.gov* or (916) 546-2286. The Board staff has compiled a record for this rulemaking action, which includes all the information upon which the proposal is based. This material is available for inspection upon request to the contact persons.

Hearing Procedures

The public hearing will be conducted in accordance with the California Administrative Procedure Act, Government Code, title 2, division 3, part 1, chapter 3.5 (commencing with section 11340).

Following the public hearing, the Board may take action to approve for adoption the regulatory language as originally proposed, or with non-substantial or grammatical modifications. The Board may also approve for adoption the proposed regulatory language with other modifications if the text as modified is sufficiently related to the originally proposed text that the public was adequately placed on notice and that the regulatory language as modified could result from the proposed regulatory action. If this occurs, the full regulatory text, with the modifications clearly indicated, will be made available to the public, for written comment, at least 15-days before final adoption.

The public may request a copy of the modified regulatory text from CARB's Public Information Office, Air Resources Board, 1001 I Street, Visitors and Environmental Services Center, First Floor, Sacramento, California, 95814.

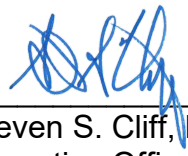
Final Statement of Reasons Availability

Upon its completion, the Final Statement of Reasons (FSOR) will be available and copies may be requested from the agency contact persons in this notice, or may be accessed on CARB's website listed below.

Internet Access

This notice, the ISOR and all subsequent regulatory documents, including the FSOR, when completed, are available on CARB's website for this rulemaking at *https://ww2.arb.ca.gov/rulemaking/2026/mrr2026*

California Air Resources Board



Steven S. Cliff, Ph.D.,
Executive Officer

Date: January 13, 2026

The energy challenge facing California is real. Every Californian needs to take immediate action to reduce energy consumption. For a list of simple ways you can reduce demand and cut your energy costs, see CARB's website (www.arb.ca.gov).