

California Air Resources Board

**Public Hearing to Consider
the Proposed California Corporate
Greenhouse Gas Reporting
and Climate-Related Financial Risk Disclosure
Initial Regulation**

**Final Statement of Reasons for Rulemaking,
Including Summary of Comments
and Agency Response**

**Attachment 1
15-Day Comments**

*Public Hearing Date: February 26, 2026
Agenda Item No.: 26-1-3*

Louise Gray

Nearly impossible to understand what you write and hopefully you are not purposefully making it complicated —- but DUE TO THE HARMFUL AIR QUALITY IN SACRAMENTO HURTING ME, EVEN MY PET, I MUST PLEAD WITH YOU!!!

I moved to SACRAMENTO 2 1/2 years and almost constantly, it is hard to breathe, head congested, etc.

Every time I look at the weather, they claim that the air quality is OK when in fact it is not!!

I've done some independent studies and SACRAMENTO gets an F grade in air quality.

The millions of vehicles EVERY DAY on the freeways here, obviously is harmful, so no the "air quality is not ok"!!!

Even my cat since here, has issues with contaminates in her eyes. Every day!

Cheryl Militello

State of California

Air Resources Board

Notice of Public Availability of Modified

Text

Proposed California Corporate Greenhouse Gas Reporting
and Climate-Related Financial Risk Disclosure Initial
Regulation

Public Hearing Date: February 26, 2026

Public Availability Date: July 27, 2026

Deadline for Public Comment: August 11, 2026

At its February 26, 2026, public hearing, the California Air Resources Board (CARB or Board) approved for adoption the proposed sections 96070-96077, Title 17, California Code of Regulations (the "Regulation"), which establishes a fee program, a first-year reporting deadline for Health and Safety Code section 38532, and key definitions to help entities assess whether they are subject to Health and Safety Code sections 38532 and 38533.

At the public hearing, the Board directed the Executive Officer or their delegate to determine if additional conforming modifications to the Regulation were appropriate and to make any proposed modified regulatory language available for public comment, with any additional supporting documents and information, for a period of at least 15 days as required by Government Code section 11346.8. The Board further directed the Executive Officer or their delegate to consider written comments submitted during the public review period and make any further modifications that are appropriate available for public comment for at least 15 days, and present the regulation to the Board for further consideration if warranted, or take final action to adopt the regulation after addressing all appropriate modifications.

On May 20, 2026, CARB submitted the rulemaking package to the Office of Administrative Law (OAL) for review. On June 23, 2026, CARB withdrew the Initial Regulation and associated rulemaking documents submitted to OAL to allow more time to make limited changes to clarify certain provisions.

The resolution and all other regulatory documents for this rulemaking are available online at the following CARB website: <https://ww2.arb.ca.gov/rulemaking/2025/california-corporate-greenhouse-gas-reporting-and-climate-related-financial-risk>

CARB has developed proposed modifications (15-Day Changes) described below in the "Summary of Proposed Modifications" section of this notice. The Attachments described below show the specific modifications to the regulatory text that CARB proposes to make with these 15-Day Changes. The modifications are shown in two different ways for the public's convenience.

The Attachments are as follows:

1

Attachment A - Amendments to Sections 96071, 96072, 96074, 96075 and 96076, Title 17, California Code of Regulations

- Attachment A-1: Proposed 15-Day Modifications to Proposed Regulation Order (compared to version released for 45-day comments)

- Attachment A-2: ~Alternative format to Attachment A-1~

In the version titled Attachment A-1, the 45-Day Text (the initial proposed regulatory language as posted on December 23, 2025) are shown in "normal type." The deletions and additions to

the 45-Day Text that comprise the 15-day Changes that are being made public and available for comment with this Notice are shown in ~~strikeout~~ to indicate deletions and underline to indicate additions.

In the version titled Attachment A-2, the 15-Day Changes are provided in a tracked-changes format to provide added accessibility. The 45-Day Text is incorporated into this version as plain, clean text because the 45-Day Text is not being made available for public comment by this Notice. The Proposed 15-Day Changes are shown in tracked changes and are available for comment.

In the Final Statement of Reasons, Staff will respond to all timely-submitted comments received during the comment periods. As noted above, Staff will only respond to comments received during this 15-Day comment period that focus on the 15-Day Changes that are the subject of this notice.

Summary of Proposed Modifications

The following summary does not include all modifications to correct typographical or grammatical errors or changes in numbering or formatting, nor does it include all of the non-substantive revisions made to improve clarity.

1. In subsection 96071(b)(4), Staff propose to add "that occur in interstate commerce" to align more closely with the letter from Senator Wiener and Senator Stern, dated January 30, 2024, and published in the Senate Daily Journal, in which the authors explicitly stated their intent to exclude these entities. CARB determined that such an exclusion is appropriate, and CARB received feedback in the record supporting an exclusion for entities whose only activity within California consists of wholesale electricity transactions that occur in interstate commerce, to promote consistency with existing legal frameworks. CARB agrees that it is appropriate to exclude such entities.
2. In subsection 96072(a)(1), Staff propose to substitute the term "business entity" with "entity doing business" to clarify which organizational forms are included in the definition and to remove a circular reference. This clarification provides greater certainty that applicability determinations remain straightforward and enforceable across diverse business structures.
3. In subsection 96072(a)(8), Staff propose to add "that occur in interstate commerce" to align more closely with the letter from Senator Wiener and Senator Stern, dated January 30, 2024, and published in the Senate Daily Journal, in which the authors explicitly stated their intent to exclude wholesale electricity transactions. CARB determined that the exclusion of wholesale sales of electricity in determining a business entity's sales in California is appropriate, and CARB received feedback in the record supporting such exclusion, to promote consistency with existing legal frameworks.

2

4. 5. 6. 7. 8. 9. CARB agrees that it is appropriate to exclude sales aforementioned. In addition, Staff

propose to add further clarity regarding the determination of "doing business in California" by explaining that the term "taxpayer" in the California Revenue and Taxation Code section 23101(b) is substituted with "business entity" for the purposes of this Regulation. This change avoids potential uncertainty as to whether a "business entity" also constitutes a "taxpayer" for purposes of assessing whether that business entity is "doing business in California" under the California Revenue and Taxation Code section 23101(b). The modifications do not expand applicability, as the changes also clarify that "doing business in California" will be evaluated at the individual business entity level.

In subsection 96072(a)(10), Staff propose to include the term "parent company," a term

that is used in Health and Safety Code sections 38532 and 38533, as a synonym for "parent" for purposes of the Regulation, to support clear interpretation of the statutory language. In addition, Staff revised the internal cross-reference from "section 96072(a)(6)" to "section 96072(a)(16)" to address a numbering error.

In subsection 96072(a)(13), Staff propose to add further clarity regarding the determination of "revenue" under Health and Safety Code sections 38532 and 38533 by explaining that intercompany transactions between business entities of the same combined reporting group are excluded for purposes of determining revenue, consistent with section 25106.5-1 of Title 18 of the California Code of Regulations. This clarification responds to stakeholder input and promotes consistent interpretation of existing California corporate tax filing practices to support regulatory consistency and reduce confusion. The modifications do not expand applicability, as the changes also clarify that "revenue" will be evaluated at the individual business entity level.

In subsection 96072(a)(16), Staff propose to revise the definition of "subsidiary" to reference the direct corporate association provisions set forth in section 95833 of Title 17 of the California Code of Regulations, which contain the indicia of control, rather than setting forth all of those indicia of control in the Regulation. Staff are proposing to exclude subsection (a)(4) of section 95833 from this provision, as that subsection relates to indirect corporate associations rather than direct corporate associations. Staff are also proposing to exclude subsection (a)(6) of section 95833 from this provision, as that subsection regulates control for shared contractors and employees among different entities to track market power with respect to market-based mechanisms, which is not viewed as a criteria that should allow for consolidated reporting. This clarifying change is intended to resolve stakeholder confusion regarding indicia used to determine whether entities have a direct corporate association. The revision does not modify which entities are eligible to submit a consolidated report as described in subsection 96076(a). Staff propose to revise the title of Subarticle 2 from "Fees" to "Fees and Reporting" to better reflect the sections under the subarticle.

In subsections 96074(a)-(d), Staff propose to replace the terms "entity", "affected entity", and "entities" with "each reporting entity and covered entity" to maintain consistency with defined terms in Section 96072. This change further clarifies which entities are subject to annual fee assessments and aligns terminology across the Regulation. The modification does not change applicability; it provides terminological consistency.

In subsection 96074(a), Staff propose to revise "fiscal year 2026" to "calendar year 2026" and "each year thereafter" to "each calendar year thereafter" to clarify the initial year in which each reporting entity and covered entity is required to pay the annual fee.

3

The changes in this provision do not affect any substantive requirements, and they provide further clarity in the Regulation. In addition, Staff propose to revise the deadline for issuing a written fee determination notice from "September 10" to "December 10," consistent with the revised November 10 reporting deadline described in subsection 96076(a) and the schedule of assessing fees 30 calendar days after the reporting deadline.

10. In subsections 96074(b)-(c), Staff propose to update references to "60 days" to "60 calendar days." This clarification provides consistent interpretation across compliance timelines, including fee payment deadlines and late-fee triggers without modifying any existing deadlines.

11. In subsection 96074(b), Staff propose to add language to further clarify that fee

payments may be consolidated at the parent company level. This modification does not change the fee payment requirements but rather clarifies how fee payments may be consolidated for a subsidiary as defined in subsection 96072(a)(16) that meets the definition of a reporting entity and a covered entity as defined in subsection 96072(a)(11) and subsection 96072(a)(5), respectively.

12. In subsection 96074(c), Staff propose to revise the term "receipt of the fee determination notice" to "fee determination notice date" to provide consistent interpretation of the deadline for remitting the annual fee, and to better harmonize with a related provision in subsection 96074(b).

13. In subsection 96074(d), Staff propose to modify the recordkeeping requirements by specifying that each reporting entity and covered entity must retain California tax records demonstrating that they meet the revenue and doing business in California thresholds in Health and Safety Code sections 38532 and 38533. This clarification is intended to assist each reporting entity and covered entity in understanding the types of records CARB may request. This change improves clarity and consistency with similar recordkeeping provisions across CARB programs.

14. Staff propose to add a new subsection 96074(e) to provide further clarity on the obligation of the fee remittance, and the mechanism for communicating fee payment methods.

15. In subsections 96075(a) and 96075(c), Staff propose to update references to "each day" to "each calendar day." This clarification provides consistent interpretation of enforcement-related timeframes without modifying any existing deadlines.

16. In subsection 96075(a), Staff propose to exclude the cross-reference to Health and Safety Code section 38580. The cross-reference to this section that originally appeared in the 45-day version of the Regulation was included in error, as the enabling statutes, Health and Safety Code sections 38532 and 38533, each provide that section 38580 does not apply to violations of Health and Safety Code sections 38532 and 38533.

17. Staff propose to revise the title of Section 96076 from "Deadline for Reporting Under Health and Safety Code Section 38532" to "Reporting Under Health and Safety Code Section 38532" to better reflect the subsections within the section.

18. In subsection 96076(a), Staff propose to change "reporting entities" to "each reporting entity" to maintain consistency with the language used in Health and Safety Code

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section 38532. This modification clarifies that requirements apply individually to each reporting entity subject to the Regulation, consistent with statutory intent.

19. In subsection 96076(a), Staff propose to change the reporting deadline from August 10, 2026, to November 10, 2026. This three-month deferral will give reporting entities additional time following the formal adoption of the Regulation. In addition, Staff revised the cross-reference from "section 96076(b)" to "section 96076(c)" in accordance with the addition of the new information. Accordingly, subsection 96076(b) in the 45-day version of the Regulation is now subsection 96076(c).

20. In subsection 96076(a), Staff propose to add language to further clarify that the reporting requirements for the reports due in 2026 shall meet the requirements of Health and Safety Code sections 38532(c)(2)(A)(i)(I) and 38532(c)(2)(A)(ii), and that Scope 3 emissions reporting is not required for the 2026 reporting year. This modification further aligns with the statutory provisions regarding emissions reporting.

21. In subsection 96076(a), Staff propose to add language to further clarify that reports may be consolidated at the parent company level, consistent with Health and Safety Code

section 38532(c)(2)(A)(iii). This modification does not change the reporting requirements but rather clarifies how reports may be consolidated for a subsidiary as defined in subsection 96072(a)(16) that meets the definition of a reporting entity as defined in subsection 96072(a)(11).

22. In subsections 96076(a)-(b), Staff propose to add language to describe how CARB will carry out enforcement for the 2026 reporting year, consistent with the December 5, 2024 Enforcement Notice, to improve transparency for reporting entities submitting their first Scope 1 and Scope 2 emissions reports in 2026. The added text clarifies what types of submissions and content CARB will accept for the 2026 reporting year, and explains how CARB will approach enforcement.

In addition to the modifications described above, additional modifications correcting grammar, punctuation and spelling have been made throughout the proposed changes. These changes are non-substantive.

Agency Contacts

Inquiries concerning the substance of the Proposed Regulation may be directed to Aaron McGregor, Air Resources Supervisor I, Fee & Enforcement Support Section, at (279) 208-7141 or John Chung, Air Pollution Specialist, Fee & Enforcement Support Section, at (279) 208-7656.

Public Comments

Written comments will only be accepted on the modifications identified in this Notice. Comments may be submitted by postal mail or by electronic submittal no later than the due date to the following:

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

Electronic submittal: <https://ww2.arb.ca.gov/lispub/comm/bclist.php>

5

Please note that under the California Public Records Act (Gov. Code § 7921.00 et seq.), your written and verbal 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.

In order to be considered, comments must be directed to CARB in one of the two forms described above and received by CARB no later than the deadline date for public comment listed at the beginning of this notice. Only comments relating to the above-described modifications to the text of the regulations shall be considered.

If you need this document in an alternate format or another language, please contact the Clerks' Office at (916) 322-5594 or by facsimile at (916) 322-3928 no later than five (5) business days from the release date of this notice. TTY/TDD/Speech to Speech users may dial 711 for the California Relay Service.

Si necesita este documento en un formato alternativo u otro idioma, por favor llame a la oficina del Secretario del Consejo de Recursos Atmosféricos al (916) 322-5594 o envíe un fax al (916) 322-3928 no menos de cinco (5) días laborales a partir de la fecha del lanzamiento de este aviso. Para el Servicio Telefónico de California para Personas con Problemas Auditivos, ó de teléfonos TDD pueden marcar al 711.

California Air Resources Board

Courtney Prideaux Smith,
Principal Deputy Executive Officer
Date: July 27, 2026

Attachment(s)

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 (ww2.arb.ca.gov).

Kevin Walsh

We need to restrict greenhouse gas emissions.

Cheryl Militello

State of California

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Electronic submittal: <https://ww2.arb.ca.gov/lispub/comm/bclist.php>

5

Please note that under the California Public Records Act (Gov. Code § 7921.00 et seq.), your written and verbal 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.

In order to be considered, comments must be directed to CARB in one of the two forms described above and received by CARB no later than the deadline date for public comment listed at the beginning of this notice. Only comments relating to the above-described modifications to the text of the regulations shall be considered.

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California Air Resources Board

Courtney Prideaux Smith,
Principal Deputy Executive Officer
Date: July 27, 2026

Attachment(s)

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 (ww2.arb.ca.gov).

The J.M. Smucker Company (Steve Walker)

We ask CARB to consider allowing annual emissions reporting based on the calendar year even if it differs from the reporting entity's fiscal year. This would avoid a duplication of effort for entities that are already reporting their emissions on a calendar year basis, which would result in more timely emissions reporting for some entities. In addition, for entities that report progress since a base year, base year emissions would not need to be revised to reflect the fiscal year, which would be a challenging task for entities with a reporting boundary that has changed significantly since the base year. Furthermore, for entities with reporting boundary changes, we suggest requiring recalculation of the entity's selected base year and calculation of the current reporting year only, rather than requiring recalculation of the years in between the two.

005.1

The J.M. Smucker Co. voluntarily reports Scopes 1, 2, and 3 greenhouse gas emissions annually on a calendar year basis, rather than based on the fiscal year, which ends on April 30. Reporting based on the calendar year has allowed us to report emissions to CDP the following summer and include emissions in our Corporate Impact Report, which is generally made available in the fall. To ensure the completeness and accuracy of our emissions, we follow a robust process that includes internal reviews of the data utilized in the calculations, the involvement of a third-party expert, and third-party assurance. If we were required to report emissions on a fiscal year basis, the information we would provide would be less timely. For example, our 2024 Corporate Impact Report included calendar year 2023 emissions. If we needed to report on fiscal year emissions, due to the time required to complete our process, we would have instead reported on fiscal year 2023 (May 1, 2022-April 30, 2023), data that is eight months older than the calendar year 2023 data.

In 2020, we set emissions reduction goals for Scopes 1, 2, and 3. The base year used to measure our progress is calendar year 2019. Converting calendar year 2019 emissions to reflect fiscal year 2019 would be time-consuming and challenging due to a significant acquisition since 2019 and multiple divestitures, all of which resulted in a change to our organizational boundary.

In closing, permitting emissions reporting on a calendar year basis even if it differs from the entity's fiscal year would avoid a duplication of effort and rework for certain organizations, and should not result in emissions that are significantly different from fiscal year emissions. Providing this flexibility would allow all organizations to choose the timeline that works best within their various reporting cycles and would better support accurate emissions disclosed on a timely basis.



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PHONE: 206.406.3922
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Peter J. Schrappen, CAE
Pacific Region Vice President & Regional Team Lead

August 10, 2026

Mr. John Chung
Air Pollution Specialist
Fee Enforcement and Support Section
California Air Resources Board
1001 I Street
Sacramento, California 95814

RE: Notice of Modified Text, California
Corporate Greenhouse Gas Reporting and
Climate-Related Financial Risk Disclosure
Regulation

Dear Mr. Chung:

The American Waterways Operators is the tugboat, towboat and barge industry's advocate, resource and united voice for safe, sustainable and efficient transportation on America's waterways, oceans and coasts. As the largest segment of the nation's 45,000 vessel domestic maritime fleet, our industry plays a vital part in America's supply chain and national security, moving the nation's commerce on U.S. inland and intracoastal waterways, the Atlantic, Pacific and Gulf Coasts, and the Great Lakes. On behalf of our over 300 members, we appreciate the opportunity to comment on the California Air Resources Board's (CARB) 15-day notice of modified text of its proposed California Corporate Greenhouse Gas (GHG) Reporting and Climate-Related Financial Risk Disclosure regulation.

AWO members are proud to be the safest and most environmentally responsible mode of freight transportation. Our industry is committed to building on this success and actively exceeds regulatory requirements to preserve and protect the environment while facilitating the efficient movement of maritime commerce. For many years, AWO has worked collaboratively with CARB to ensure that commercial maritime operators can feasibly and practicably comply with regulations to minimize the onus on their operations. Our goal has been, and continues to be, ensuring that regulations reflect the operational realities of our members.

Throughout our long-standing engagement, AWO has consistently advocated that any regulation affecting our members be feasible and safe to implement while preserving operational efficiency. In February 2026, CARB unanimously adopted the initial regulation for its Corporate GHG Reporting and Climate-Related Financial Risk Disclosure Programs, with the first reporting deadlines occurring in fall 2026. As that deadline approaches, AWO is

committed to ensuring that the amended regulation provides the clarity and flexibility our members need to comply while supporting the safe and efficient movement of maritime commerce.

Definitions: “Doing Business in California” and “Revenue”

In the modified text, CARB clarified that “doing business in California” and “revenue” will both be “evaluated at the individual business entity level.” These updated definitions indicate that both doing business and revenue thresholds will be determined by the individual entity itself, rather than through a single, consolidated determination at the parent-company level.

006.1

AWO recommends that CARB add language clarifying that the parent company can conduct these determinations on behalf of its subsidiaries and submit the results in a single, consolidated report. This approach would relieve individual subsidiaries of reporting burdensome and duplicative analyses without altering the new standard.

Reporting Deadlines and Guidance

006.2

AWO strongly supports CARB’s decision to defer the first-year reporting deadline for Scope 1 and Scope 2 emissions to November 10, 2026. This three-month deferral recognizes that reporting entities need adequate time to understand and apply the final requirements before their first submission is due.

006.3

However, the initial regulation remains under review at the Office of Administrative Law, meaning that reporting entities will not know the final requirements until that review concludes. Depending on when that review concludes, businesses could be potentially left with only weeks to follow CARB’s guidance and compile the necessary information. Consequently, we recommend that should the review conclude near to the November deadline, CARB move the deadline back by a month to allow reporting entities enough time to adequately respond.

Payment and Collection

006.4

AWO supports the modified text’s provision that fee payments may be consolidated at the parent company level. Allowing consolidated payment is a practical administrative accommodation that eliminates administrative burdens for subsidiaries. It is particularly helpful to our members, many of whom are organized as a parent company comprising numerous vessel-owning and vessel-operating subsidiaries.

Recordkeeping and Reporting

006.5

The modified text also provides that reports may be consolidated at the parent company level. Where a subsidiary qualifies as a reporting entity, and its parent company elects to consolidate, the subsidiary is not required to prepare a separate report. AWO supports this provision for the same reasons described above with respect to consolidated-fee payments. It eliminates duplicative and burdensome administrative tasks that would otherwise fall on the numerous subsidiaries common to our members’ business structures.

006.6

The modified text also establishes alternative reporting options for first-year Scope 1 and Scope 2 emissions. For the report due November 10, 2026, a reporting entity has the option to submit a statement indicating that it is not submitting a report because it did not possess, or was collecting the required information. AWO strongly supports the inclusion of these alternative reporting options as reporting entities cannot retroactively generate information they have never collected.

Thank you again for the opportunity to comment. AWO would be pleased to provide additional information as needed.

Sincerely,

A handwritten signature in black ink, appearing to read "Peter Schrappen". The signature is fluid and cursive, with the first name "Peter" and last name "Schrappen" clearly distinguishable.

Peter Schrappen
Vice President – Pacific Region

August 10, 2026
Aaron McGregor, Air Resources Supervisor
C/O Clerks' Office
California Air Resources Board
1001 I Street
Sacramento, California 95814

Via Electronic Submission <https://ww2.arb.ca.gov/lispub/comm/bclist.php>

Re: Proposed California Corporate Greenhouse Gas Reporting: 15-Day Modifications

Dear Mr. McGregor:

The American Chemistry Council (ACC) appreciates the opportunity to comment on the California Air Resources Board's proposed modifications to the California Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure regulations. ACC represents leading chemical manufacturers and businesses engaged in the chemistry enterprise. ACC members operate facilities and supply chains across the United States and globally, manufacture products essential to a wide range of sectors, and are subject to an increasingly complex landscape of environmental, sustainability, and disclosure requirements.

007.1

ACC and its members recognize the importance of providing investors and other stakeholders with decision-useful information has long supported voluntary disclosure frameworks that promote transparency, consistency, comparability, and practicality, including disclosure approaches grounded in established materiality principles. At the same time, ACC remains concerned that state-level requirements, including California's climate disclosure statutes and implementing regulations, create substantial compliance obligations for companies engaged in interstate commerce and risk contributing to an increasingly fragmented regulatory landscape. ACC continues to believe that broadly applicable disclosure mandates, particularly those affecting entities operating outside the state, should be addressed at the federal level for legal, procedural and substantive reasons.

007.2

ACC also encourages CARB to continue prioritizing interoperability with existing sustainability disclosure frameworks and reporting regimes. Companies should be able to leverage existing audited and assured disclosures to satisfy overlapping reporting obligations wherever possible, reducing duplicative reporting, unnecessary complexity, and compliance costs while maintaining transparency and comparability.

007.3

As discussed in ACC's previous comments, the underlying statutes and regulations raise significant concerns regarding regulatory overreach, extraterritorial impacts, legal uncertainty, and implementation burden. While these changes represent constructive steps toward addressing several of ACC's prior comments, significant concerns remain. Subject to these concerns, ACC provides the following comments on the proposed modifications.

1. Applicability and Scope

007.4

CARB's revisions related to "doing business in California," revenue calculations, and treatment of interbusiness and certain electricity transactions provide limited improvements to one of the most significant areas of concern raised by the rule – regulatory overreach into interstate commerce and related legal, procedural, and substantive impacts.

However, concerns remain regarding the breadth of entities potentially subject to the regulations and the continued application of California-specific disclosure requirements to companies engaged in interstate commerce. ACC remains concerned that entities with limited connections to California may nevertheless become subject to substantial reporting obligations.

To the extent the state proceeds with a program targeting non-California companies with limited business activities in California, ACC respectfully requests that CARB expressly refine the applicability provisions and ensure that the final regulations reduce business uncertainty and limit the rule's impact on federal commerce.

2. Consolidated Reporting and Corporate Structure

The proposed revisions addressing parent companies, subsidiaries, consolidated reporting, and consolidated fee payments offer increased clarity regarding how complex corporate structures may satisfy reporting obligations. However, questions remain regarding the practical application of these provisions across diverse corporate structures and circumstances. Additional clarity would improve consistency, reduce compliance uncertainty, and help avoid unintended reporting burdens. ACC respectfully requests that CARB provide additional guidance regarding the circumstances under which consolidated reporting is permitted and how these provisions should be applied in practice.

3. Emissions Reporting Requirements

The proposed revisions concerning initial reporting obligations, including clarifications relating to Scope 3 emissions reporting and first-year implementation requirements, provide important direction for entities preparing for compliance. However, significant challenges remain regarding emissions data collection, data availability, methodological consistency, and implementation across large and complex organizations. More broadly, CARB's apparent overbroad interpretation of materiality underpinning requirements like scope 3 reporting remain major flaws in the framework of the state program. These challenges are particularly acute where reporting obligations extend beyond data and systems currently maintained by reporting entities. Although CARB has proposed a phased implementation approach, the modified regulations would initially require reporting for Scope 3 categories that may not be material to some reporting entities and may require collection of data that companies do not currently maintain. CARB's responses also indicate that additional Scope 3 categories may be required in future years, significantly increasing compliance complexity, cost, and uncertainty for regulated entities.

ACC respectfully requests that CARB continue prioritizing practical and administrable reporting requirements and provide additional flexibility where necessary to support accurate reporting. This would include limiting the scope of any scope 3 reporting obligations, recognizing that lack of data or the cost of gathering data may be a limiting factor

ACC also requests additional clarity regarding CARB's Scope 2 greenhouse gas speciation requirements. Because the most commonly used publicly available Scope 2 emissions factor sources do not appear to provide gas-specific factors for PFCs, HFCs, and NF₃, CARB should either align reporting requirements with established Scope 2 methodologies or provide flexibility to avoid repetitive explanations and unnecessary reporting burden where such data are not reasonably available.

Additionally, the revised first-year reporting requirement still lacks sufficient clarity. Specifically, consistent with CARB's November 18, 2025 workshop materials, CARB should explicitly clarify that entities that develop their own GHG or sustainability reports that include Scope 1 and 2 emissions data would be permitted to submit the relevant emissions data from these reports, and that limited assurance is not required for first-year submissions.

4. Implementation and Administration

007.10

The proposed revisions relating to reporting deadlines, fee administration, recordkeeping requirements, and related implementation provisions reflect recognition of the substantial effort required to establish new reporting systems and compliance processes. However, the program continues to impose significant administrative burdens and costs on regulated entities, and unreasonable timelines, particularly as companies work to implement compliance systems while regulatory requirements continue to evolve. ACC would welcome the opportunity for further dialogue with CARB staff on opportunities to improve clarity, reduce unnecessary complexity, and facilitate efficient implementation.

5. Timing and Compliance Readiness

007.11

CARB's proposed extension of the initial reporting deadline and related revisions addressing implementation reflect acknowledgement of the practical challenges associated with first-year compliance. Notwithstanding these changes, the implementation timeframe for the rule remains unreasonable, if not unworkable for companies that have established complex data collection, analysis, and reporting systems across a range of data points, metrics, and reporting platforms. Many companies require time and resources to develop governance structures, data systems, and reporting processes necessary to comply with the regulations, while important regulatory details continue to be refined. ACC respectfully requests that CARB extend the implementation date for this rule for at least one year from the revised regulatory rule, while expanding existing implementation accommodations, phased compliance measures, or timing adjustments.

Looking Forward

The 15-day rule represents a constructive step by CARB to acknowledge some of the areas of concern raised by ACC and others with respect to the clarity, workability, and administrability of the final regulations. ACC appreciates the revised rule text and understands the significant challenge facing CARB to develop such a complex reporting requirement. ACC respectfully urges CARB to address the remaining concerns identified above, in ACC's prior submissions, and those of other affected entities. We would welcome the opportunity to share additional information on the practical implications and barriers to implementation raised here and in our primary comments (attached).

Sincerely,

Charles Franklin

Charles Franklin
Senior Director, Energy, Climate and Environment
Regulatory and Scientific Affairs
American Chemistry Council

Neste (Oscar Garcia)

Neste is pleased to submit the attached comment letter. Thank you



August 11, 2026

VIA ELECTRONIC FILING

California Air Resources Board (CARB)
Clerks' Office
1001 I Street
Sacramento, California 95814

Re: Public Comment on 15-Day Proposed California Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure Regulation

Dear Members of the California Air Resources Board:

Neste submits this comment letter regarding the above-referenced Proposed Regulation establishing fees and a first-year reporting deadline for Health and Safety Code section 38532, more commonly known as SB 253. These comments are in addition to the comments submitted by Neste on February 3, 2026 for the Initial Regulation published on December 23, 2025. Neste is the world's largest producer of renewable diesel and SAF. Neste has consistently been a partner in supporting California's ambitious climate goals, and we look forward to working with CARB on this rulemaking.

008.1

Neste would like to thank CARB for listening to our concerns regarding inequities in the compliance obligations proposed in the Initial Regulation. Neste supports that all entities are now required to submit an emissions report in 2026 even if they do not have complete data for the fiscal year. This will ensure that companies like Neste that strive to proactively quantify GHG emissions are not subject to higher fees and potential enforcement as compared to companies that currently do not collect GHG emissions data. Neste hopes the newly proposed

008.2

reporting requirement means that all regulated entities will be subject to equitable 2026 fees, and not just those entities that collected GHG data for 2026 report. We also hope that enforcement is focused on those entities that submit incomplete reports.

008.3

We would also like to thank CARB for giving regulated entities more time to submit this new and rather complex report for 2026. We also appreciate that CARB is not deviating from

008.4

existing reporting regimes as doing so will create additional burden and exposures for regulated entities.

008.5

Neste continues to have many of the concerns expressed in our February 3, 2026 comment letter. Specifically, the lack of guidance for this rather robust reporting requirement and how the "good faith" compliance standard articulated in CARB's December 2024 Enforcement Notice ("Enforcement Notice") and the Proposed Regulation's Initial Statement of Reasons ("ISOR")

008.6

will be applied across the diverse companies subject to this regulation. We encourage CARB to create a mechanism to address company specific questions, especially as assurance requirements go into effect.

August 11, 2026

008.7

Neste would also like to continue to recommend that CARB establish a workgroup composed of reporting entities to ensure the smooth implementation of SB 253 reporting.

Neste appreciates the opportunity to comment on the Proposed Regulation and would welcome the opportunity to discuss these concerns with CARB staff.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Oscar Garcia", with a stylized flourish at the end.

Oscar Garcia
Senior Regulatory Affairs Manager
Neste US, Inc.

International Emissions Trading Association (Adarsh Srinivasan)

On behalf of our 300+ member companies, IETA appreciates this opportunity to provide feedback to CARB on the (15-Day) Proposed California Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure Initial Regulation.

Our full response is attached.

11 August 2026

**IETA Comments on CARB's 15-Day Changes to the California
Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure Initial
Regulation**

For more than 25 years, IETA has been the leading global business voice on robust market solutions to tackle climate change while driving clean finance at scale. Our organization represents a broad and diverse group of 300+ businesses, including those with clean assets, exposure and operations across California and the globe. IETA's expertise is regularly called upon to inform carbon market solutions that deliver measurable climate outcomes while addressing economic competitiveness and affordability concerns.

As in all jurisdictions, IETA supports practical and robust regulation to aid in climate-related transparency that recognizes and rewards rigorous corporate climate action. We recognize the practical concerns that led CARB to withdraw the initial SB 253 regulation submitted to OAL and propose 15-day changes that include delaying the reporting deadline from **10 August** to **10 November**. We encourage CARB to finalize the updated regulation as soon as possible and continue with broader implementation, including a rulemaking on Scope 3 reporting requirements.

IETA believes CARB should continue to focus on competitive decarbonization. Comprehensive emissions data is critical to achieving cost-effective decarbonization, so we applaud California's direction in requiring Scope 1-3 emissions reporting. As CARB has previously noted, GHG reporting laws already cover jurisdictions accounting for 59% of global GDP and 66% of global population. The EU and other jurisdictions are introducing Carbon Border Adjustment Mechanisms (CBAM) which rely on emissions data to determine importers' obligations. Thus, the GHG Reporting Program is increasingly important for California producers to participate in the global economy and for investors to complete their fiduciary duties.

As future rulemakings are conducted, **IETA urges CARB to continue closely tracking evolving international carbon accounting, reporting and disclosure frameworks**. A key recent update is the **announcement** that the GHG Protocol and ISO will combine to publish a single, harmonized corporate

carbon accounting standard, aiming to finalize the consolidated joint corporate standard by **Q4 2028**.¹ This unified standard will consolidate updates already underway for the GHG Protocol's Scope 2, Scope 3, and Actions & Market Instruments workstreams, as well as ISO's 14060-01. As several jurisdictions bring forward similar legislation – all while major voluntary standards undergo updates – we remain concerned about fragmentation of disclosure rules and the challenges of interoperability across jurisdictions.

009.4 Going forward, we request that CARB **provides guidance on market-based instruments** used to meet voluntary climate targets and/or mitigate emissions. We previously pointed to the Task Force for Corporate Action Transparency (**TCAT**) for an example of a framework to disclose market instruments. IETA notes that the GHGP recently published the Actions and Market Instruments (AMI) Phase 1 White Paper.² **IETA's response** to GHGP's AMI Request for Feedback supports the introduction of a multi-statement reporting structure, which would support a market-based GHG inventory.³ IETA requests CARB provide additional details on the interaction between the Reporting Program and GHG Protocol processes and updates to ensure that there is consistent, clarified treatment of market-based GHG action. We believe it would be logical for a company to disclose its investments in voluntary carbon credits and other market-based instruments alongside its GHG emissions inventory with separated attributional and consequential accounting formats, so that stakeholders can view the two in parallel.

With a global membership comprising a collective deep expertise in carbon markets and carbon accounting, IETA welcomes the chance to provide market insights and technical expertise to support CARB as the process continues. IETA appreciates this opportunity to provide feedback to CARB on the 15-day changes to the Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure regulation, and looks forward to future collaboration.

¹ <https://ghgprotocol.org/blog/ghg-protocol-announces-key-standard-development-updates>

² <https://ghgprotocol.org/actions-and-market-instruments-standard>

³ <https://www.ieta.org/response-to-the-ghg-protocols-rfi-on-the-actions-and-market-instruments-ami-phase-1-progress-update-white-paper>

August 11, 2026

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

Re: Proposed California Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure Initial Regulation

Honorable members of the California Air Resources Board,

Thank you for the opportunity to comment on the modifications the California Air Resources Board (CARB) has made to the Proposed California Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure Initial Regulation. The modifications are insufficient as CARB has not removed § 96071(b)(2) exempting entities regulated by the California Department of Insurance (CDI) and other entities in the business of insurance from the proposed regulation. The undersigned organizations strongly urge CARB to remove this exemption before finalizing the regulation.

010.1

The proposal, offered by CARB staff at the July 21 public workshop, to subject insurance companies to the requirements of SB 253 beginning in 2027 is an insufficient remedy to the exemption for insurance companies included in the Initial Regulation. The Initial Regulation is not clearly limited to 2026 and thus by finalizing this regulation, CARB would be exempting insurers from emissions reporting under SB 253 unless and until the exemption is reversed in a future regulation. Moreover, future regulation that may subject insurance companies to the requirements of SB 253 will be in conflict with the Initial Regulation. Rather than take this cumbersome and unlawful approach, CARB should remove the exemption for insurance companies outright in the Initial Regulation.

Exempting insurance companies exceeds CARB's authority as it is contrary to statute and legislative intent.

As we have argued previously, the exemption for insurance companies in the proposed Initial Regulation would exceed CARB's authority as it is contrary to statute and legislative intent (See February 9, 2026 and April 13, 2026 Comment Letters attached hereto and incorporated herein by reference). The California legislature originally considered versions of both SB 253 and SB 261 that did not exempt insurance companies. However, an exemption was ultimately added to SB 261 in recognition that the climate financial risk disclosure required by SB 261 significantly overlapped with the National Association of Insurance Commissioners'

(NAIC) Climate Risk Disclosure Survey administered by CDI. By contrast, SB 253 was signed into law without an exemption for insurance companies. At CARB's February 26 hearing, SB 253 sponsor Senator Scott Wiener testified that the insurance industry was intentionally included in SB 253.¹ CARB lacks the authority to carve out an exemption that does not exist in the statute and that the bill sponsor confirmed is contrary to legislative intent.

CARB has justified the exemption as a measure to avoid “duplicative effort” for reporting entities, claiming that requiring insurers to report their greenhouse gas emissions under this rule would be duplicative with the NAIC's Climate Risk Disclosure Survey. But the NAIC report is not duplicative with the reporting requirements of SB 253. While SB 253 mandates that all covered entities disclose their Scope 1, 2, and 3 emissions, the NAIC survey simply encourages insurers to “disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas emissions.” There is no statute or regulation requiring insurers to report greenhouse gas emissions to CDI, nor does CDI have any authority to enforce fines or penalties against insurers who decline to disclose emissions. In March, Public Citizen published an analysis confirming that insurer reports to CDI do not satisfy the requirements of SB 253, finding 75 percent of the largest property & casualty insurers in California disclose their Scope 1 and 2 emissions but only 10 percent of the largest insurers make meaningful emissions disclosures to CDI inclusive of Scope 1, 2, and 3 emissions.²

Furthermore, even if the emissions disclosures insurers made to CDI were comprehensive, these disclosures would not justify exempting insurers from submitting emissions disclosures to CARB. SB 253 does not authorize CARB to exempt insurers or any other sector from disclosing to CARB. Instead, the statute permits a reporting entity already reporting emissions to another national or international entity to submit those emissions disclosures to CARB as well, so long as those disclosures meet the requirements of SB 253.

The insurance exemption included in the Initial Regulation is not limited to 2026 and thus would be in conflict with future regulations requiring emissions disclosure from insurance companies.

CARB staff have since acknowledged the gap between insurer emissions reporting to CDI and the requirements of SB 253. CARB materials from the July 21 SB 253 public workshop include the following: “Staff found that CDI reporting may not satisfy the requirements of SB

¹ White & Case, [California climate disclosure laws: CARB approves greenhouse gas reporting and climate financial risk disclosure regulation](#) (Mar. 4, 2026).

² Public Citizen, [Contrary to their claims, California regulators have little insight into insurer emissions](#) (Mar. 25, 2026).

253 in future years (starting with 2027), as it does not include Scope 3 or assurance requirements.”³ In response to this gap, CARB staff proposed that

Beginning in 2027, ...insurance entities may submit the same report to satisfy both CDI and SB 253 requirements, provided it meets reporting requirements under CARB’s regulation implementing SB 253. If a CDI report does not address all CARB requirements, reporting entities must supplement their report with the remaining required information.⁴

The problem with the solution CARB staff propose is that the Initial Regulation is not clearly limited to 2026 and thus by finalizing this regulation, CARB would be exempting insurers from emissions reporting under SB 253 unless and until the exemption is reversed in a future regulation. This is a legally dubious and unnecessarily cumbersome approach, given the Initial Regulation has yet to be finalized. Furthermore, workshop materials are not a guarantee that future regulation will be undertaken to remove the insurance exemption or do so effectively. The proposed solution also fails to address the core issues at hand—that the insurance exemption in the Initial Regulation is unlawful as it exceeds CARB’s authority. The only plausible way to implement CARB staff’s proposal would be to expressly limit the exemption by modifying the Initial Regulation to 1) provide that it applies only to insurers who make SB253-compliant Scope 1 and 2 emissions disclosures to CDI in 2026 and 2) by clarifying that the exemption is only in effect for 2026 reporting, and will not be in effect for all future years. Without this change, which is not in the current proposed language, the Initial Regulation plainly exempts insurers from the fee structure and reporting program into the future, and subsequent regulations that do cover insurers would be in perpetual conflict.

We urge CARB to remove the exemption for entities regulated by CDI and other entities in the business of insurance from the regulation and to finalize the regulation thereafter.

Sincerely,

Americans for Financial Reform Education Fund
Consumer Watchdog
Dave Jones, CA Insurance Commissioner, Emeritus
Public Citizen
Sierra Club California

³ California Air Resources Board, [*SB 253 Public Workshop: California Corporate Greenhouse Gas Reporting Program*](#) (July 21, 2026)

⁴ Id. at Slide 36.

cc: Kenneth J. Pogue, Director
California Office of Administrative Law
300 Capitol Mall, Suite 1250
Sacramento, CA 95814-4339



February 9, 2026

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

Honorable members of the California Air Resources Board,

Thank you for this opportunity to comment on the proposed rule to establish fees, timelines, and definitions for implementing the California Climate Corporate Data Accountability¹ and Climate-Related Financial Risk² laws. We represent 40 national, state, and local public interest organizations with significant cumulative membership in California. We appreciate the Board's efforts and progress to date to implement these important laws quickly and transparently, and for the opportunity to comment. We urge the Board to remove the proposed exemption from emissions reporting for insurance companies and finalize the rule expeditiously.

The proposal establishes the fee structure for businesses subject to the laws, definitions needed to implement the rules, reporting deadlines, and available enforcement measures. We generally support these aspects of the proposal. The proposal also includes a list of types of entities exempted from the two reporting programs, including state and federal government entities; tax exempt nonprofits and foundations; companies whose only business in California is the presence of teleworking employees; companies whose only business in the state is wholesale electricity transactions; and insurance companies. The proposal effectively justifies all exemptions except for the last, insurance companies, which is not supported by statutory text or the record of legislative intent.

Exempting government and nonprofit entities is reasonable, as the disclosure laws explicitly focus on "corporate" actors with large revenues that "do business in California" and therefore make reportable revenue as defined in California law. The carve out for companies whose only business in the state is the presence of teleworking employees is likewise not controversial, as these companies generally lack a sufficient economic nexus to be considered as "doing business" in the state. We also understand that Senator Weiner wrote a letter clarifying legislative intent to exempt companies whose business in the state is limited to interfacing with California Independent State Operator (CAISO) in the wholesale electricity market.³

However, we urge the Board to reconsider its unjustified exemption from SB 253 reporting for insurance companies doing business in the state. These are clearly corporate entities that make reportable revenue in the state and transact directly with California consumers. While SB 261

¹ [California Senate Bill \(SB\) 253](#). Wiener, Stats. 2023, ch. 382; codified in Health and Safety Code Section 38532, as amended.

² [California SB 261](#). Stern, Stats. 2023, ch.383; codified in Health and Safety Code section 38533, as amended.

³ California Legislature. [Senate Daily Journal 3058](#). 2023-24 Regular Session. January 30, 2024.

explicitly exempts insurance companies, SB 253 does not. Extending the exemption would be inconsistent with the statute, diminish the benefits of the program, and create a special carve out for an industry that is tightly linked to the state's climate-related challenges.

An exemption for insurance companies is inconsistent with statute.

The Board has proposed exempting insurance companies from SB 253 reporting “for continuity,”⁴ but doing so flatly contradicts the statute. The California legislature originally considered versions of both disclosure bills that did not exempt insurance companies,⁵ but ultimately the financial risk disclosure law was adjusted in recognition that it significantly overlapped with the financial risk disclosure standard adopted by the National Association of Insurance Commissioners, while the emissions bill was signed into law without an exemption for insurance companies. The Board lacks authority to carve out an exemption that does not exist in the statute and that the legislature considered and rejected. Moreover, if the Board fabricates an exemption for insurers, other sectors are likely to seek exemptions as well. We note also that the two disclosure programs already differ in scope with respect to the number and size of firms required to report due to the different corporate revenue thresholds in the two laws. Other differences in scope are permissible as well—and indeed are required by the differences that the legislature deliberately created between the statutes.

Insurance companies' greenhouse gas (GHG) emissions disclosures are important to California stakeholders.

California is experiencing a property insurance crisis driven in large part by climate change, exacerbated by the insurance industry's support for fossil fuels and harmful responses to the rising frequency, intensity, and cost of climate-related disasters. More frequent and destructive climate disasters have led insurers to raise rates, cut coverage, or abandon certain areas altogether (see, for example, State Farm's retreat right before the 2025 Los Angeles wildfires).⁶ At the same time, nearly *half* of homeowners' insurance claims nationwide were closed without any payment in 2024⁷ while premiums rose eight percent⁸—nearly three times the 2.9 percent inflation rate.

⁴ CARB. [“Public Hearing to Consider the Proposed California Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure Initial Regulation. Staff Report: Initial Statement of Reasons.”](#) December 9, 2025.

⁵ [California SB 449: “Climate-Related Financial Risk.”](#) Stern. 2021-2022 Regular Session. February 16, 2021, as amended April 22, 2021; [California SB 260: Climate Corporate Accountability Act.](#) Wiener. 2021-2022 Regular Session. January 26, 2021, as amended August 15, 2022.

⁶ Jean Eaglesham and Susan Pulliam, [“State Farm Was All In on California—Until It Pulled the Plug Before the Fires.”](#) *Wall Street Journal*. February 6, 2025.

⁷ Weiss Ratings, [“14 Large U.S. Insurers Closed Nearly Half of Homeowner Claims with No Payment in 2024.”](#) June 11, 2025.

⁸ [“Natural Disasters Blamed as Home Insurance Projected to Rise 8% in 2025.”](#) *Rethinking65*. May 19, 2025.

Even as insurers complain of growing climate-related losses, the industry's underwriting loss ratios remain low,⁹ and overall profits set record highs.¹⁰ In 2025, property insurers made profits of nearly \$60 billion on underwriting alone across the country,¹¹ and that figure excludes investment profits. Executive compensation is increasing thanks in large part to so-called performance-linked pay packages that incentivize claim denials and other anti-consumer practices.¹²

Insurers are also among the leading institutional investors in fossil fuels,¹³ investing approximately \$580 billion in coal, oil, and gas¹⁴ in 2019 alone. The burning of fossil fuels is the primary cause of climate change,¹⁵ which means insurers' investments are contributing to the extreme weather events that are driving up costs for consumers. Simply put, it is in the public interest for California stakeholders to have more information about insurance companies' impact on the climate and their progress towards their stated climate goals.

Exempting insurance companies from SB 253 reporting would leave a documented emissions gap unaddressed.

While large insurance companies are disclosing climate-related financial risk reports to the California Department of Insurance,¹⁶ there is a persistent gap in GHG emissions reporting.¹⁷ The insurance industry has argued that GHG emissions generally do not represent a risk to insurers' financial health and thus should not be included in financial risk reporting.¹⁸ This argument lacks merit, but in any event SB 253 addresses this gap because it requires disclosure of the full scope of GHG emissions reporting for corporate actors doing business in the state instead of relying on self-reporting that is limited to emissions that individual firms deem "risky" or "material."

Thank you for advancing this important effort to ensure corporate transparency and accountability on climate risks, impacts, and action.

Sincerely,

⁹ The property insurance industry's net loss ratio was 71.2 percent in 2024, compared to an average around 80 percent from 1980-2000. See: National Association of Insurance Commissioners. [U.S. Property and Casualty and Title Insurance Industries – 2024 Full Year Results](#); Wang, Shaun S. et al. "U.S. property-casualty: Underwriting cycle modeling and risk benchmarks." *Casualty Actuarial Society*. Vol. 5, Iss. 2. 2012.

¹⁰ See e.g., Jean Eaglesham, "[Travelers Notches Record Profits: Insurer's Stock Rises](#)," *Wall Street Journal*. January 22, 2025; Saqib Rahim, "[Insurers earn record sums in disaster-free third quarter](#)," E&E News. November 21, 2025; American Association for Justice. "[The Insurance Industry is Quietly Making Record Profits](#)," April 1, 2025; Stancil, Kenny. Revolving Door Project. "[Don't let home insurers fool you. They're more profitable than ever](#)," July 14, 2025.

¹¹ Jean Eaglesham, "[The Uproar Over Affordability Is Coming for Insurers](#)," *Wall Street Journal*. January 22, 2026.

¹² Dan Wagner and Kenny Stancil. Public Citizen. "[Home Insurance Executives Are Raking It In—At Your Expense](#)," 2025.

¹³ Investing in Climate Chaos. Urgewald. "[Fossil Fuel Investment Report](#)," August 9, 2024.

¹⁴ Hailey Ross, "[Climate risks for insurers: Why the industry needs to act now to address climate risk on both sides of the balance sheet](#)," *S&P Global*. August 27, 2021.

¹⁵ United Nations. "[Causes and Effects of Climate Change](#)," Accessed January 29, 2026.

¹⁶ California Department of Insurance. [NAIC Climate Risk Disclosure Survey Results Database](#). Accessed 2026.

¹⁷ Ceres. "[The Measurement Gap: A Deep Dive into Climate Risk Reporting in the U.S. Insurance Sector](#)," August 12, 2025.

¹⁸ American Property Casualty Insurance Association. [Comment to the Securities and Exchange Commission](#). June 17, 2022.

Public Citizen
Americans for Financial Reform Education Fund

350 Bay Area Action
350 Conejo / San Fernando Valley
350 Contra Costa Action
350 Humboldt
350 Sacramento
350 Silicon Valley
Affordable Homeownership Foundation, Inc.
As You Sow
Bay Area-System Change not Climate Change
California Environmental Voters
Center for Insurance Research
Center for International Environmental Law
Centre for Citizens Conserving Environment & Management (CECIC)
Climate Cabinet Action
Climate Defenders
Coalition for Clean Air
Courage California
Divest Oregon: Reinvest in a Fossil Free Future
Earth Ethics, Inc.
Freeport Haven Project
Friends of the Earth U.S.
Green America
Habitat Recovery Project
League of Conservation Voters
Little Tokyo Service Center
Los Angeles Climate Reality Project
Mossville Environmental Action Now (MEAN)
National Community Reinvestment Coalition (NCRC)
Rise Economy
SanDiego350
Santa Cruz Climate Action Network
Sierra Club California
Stand.earth
The Greenlining Institute
Third Act SoCal
Union of Concerned Scientists
West Berkeley Alliance for Clean Air and Safe Jobs
Youth v. Oil

Individual signatories (Danett Abbott-Wicker, Ji Montgomery, Manning Nelson Rollerson Jr 3,
Samuel Molina, Suzanne Baker)

April 13, 2026

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

Honorable members of the California Air Resources Board (CARB),

Thank you for this opportunity to comment on the implementation of the California Climate Corporate Data Accountability Act (SB 253).¹ This letter is responsive to the Board's requests for feedback in the March 2026 Climate Disclosure Workshop related to (a) February 2026 Board Hearing Outcomes and (b) Scope 3 Reporting Options. The undersigned organizations urge the Board to take formal action to remove the exemption for insurance companies approved on February 26, 2026 in its adoption of the California Greenhouse Gas Reporting and Climate Financial Risk Disclosure Initial Regulation, at the next Board meeting. We also encourage the Board to pursue a broad applicability approach to Scope 3 reporting (regulatory option 1), requiring all reporting entities to report on all Scope 3 categories starting in 2027. In establishing requirements for Scope 3 reporting, if the Board allows "de minimis" exemptions, it should develop clear thresholds, definitions, and decision frameworks that disallow companies from omitting certain activity emissions based on assertions that they lack "influence" over those emissions, or that those emissions are not "financially material," which are narrower standards than SB253 requires.

February 2026 Board Hearing Outcomes: CARB should remove the exemption for insurance companies that was insufficiently justified by the Board and contrary to statute.

As numerous public interest organizations—as well as the bill's author and the former insurance commissioner of California—have argued previously, the Board's decision to exempt insurance companies doing business in the state from emissions reporting requirements under SB 253 is unjustified and unlawful.² The decision contradicts the statute and legislative intent, exceeds the Board's authority, and will leave a significant gap in emissions data from an industry both contributing to and exposed to significant climate-related impacts in the state. The proposed exemption was originally justified in the written proposal from CARB as a measure to promote "continuity" with the Climate-Related Financial Risk Act (SB 261). However, at the finalization hearing in February, CARB instead justified the exemption as a measure to avoid "duplicative

¹ [California Senate Bill \(SB\) 253](#). Wiener, Stats. 2023, ch. 382; codified in Health and Safety Code Section 38532, as amended.

² Public Citizen *et al.* [Comment on CARB's Proposal to Exempt Insurance Companies from Carbon Disclosure](#). February 9, 2026; Camille von Kaenel. "[California advances emissions disclosure rules for large companies](#)." *E&E News*. February 27, 2026.

effort” for reporting entities before finalizing the proposal that same day. This later justification is inadequate for two reasons. First, subjecting insurers to the requirements of SB 253 would not be duplicative and second, even if the requirement was duplicative, the statute does not authorize a reporting exemption.

Subjecting insurers to the requirements of SB 253 would not be duplicative as insurance companies do not currently make standardized or comprehensive emissions disclosures to the California Department of Insurance (CDI) or any other state entity. There are significant gaps in the emissions data CDI currently collects as part of the National Association of Insurance Commissioners (NAIC) Climate Risk Disclosure Survey. Though it collects climate risk information from insurers related to insurers’ assessment and management of climate-related risks, CDI’s existing reporting requirements only encourage insurers to disclose Scope 1, Scope 2, and “if appropriate,” Scope 3 greenhouse gas emissions. There is no statute or regulation administered by CDI which requires it to collect and which requires insurers to report emissions and CDI has no authority to enforce against non-disclosure of emissions by insurers.

An analysis of the 2024 Climate Risk Disclosure Surveys submitted by the largest 20 property and casualty (P&C) insurers operating in California—covering over 70 percent of the P&C market in the state—reveals CDI does not have emissions data from insurers that would satisfy the requirements of SB 253.³ Of these 20 insurers, 15 reported their Scope 1 & 2 emissions to CDI. Ten of these insurers reported some—in many cases negligible—Scope 3 emissions. Only two of these insurers reported Scope 3 emissions inclusive of emissions from their investment portfolios, and none reported Scope 3 emissions inclusive of their underwriting portfolios. Five did not disclose any emissions in their reporting to CDI or did not submit a Climate Risk Disclosure Survey response at all.

Currently, CDI has very little insight into the emissions contributions of the insurance companies they supervise. Only 10 percent of the largest P&C insurers in California are reporting meaningful Scope 3 emissions. Given that Scope 3 emissions, including emissions from insurer underwriting and investment, comprise over 95 percent of insurer emissions, insurer emissions reporting without comprehensive Scope 3 disclosure is largely meaningless.⁴ The disclosure currently provided to CDI is not duplicative of the emissions disclosure insurers are required to provide under SB 253.

Furthermore, even if the emissions disclosures insurers made to CDI were comprehensive, these disclosures would not justify exempting insurers from submitting emissions disclosure to CARB. SB 253 does not authorize CARB to exempt insurers or any other sector from disclosing to CARB. Instead, the statute permits a reporting entity already reporting

³ Elyse Schupak. Public Citizen. [“Contrary to their claims, California regulators have little insight into insurer emissions.”](#) March 25, 2026.

⁴ KPMG International. [“ESG in insurance: Insured emissions.”](#) 2023.

emissions to another national or international entity to submit those emissions disclosures to CARB as well, so long as those disclosures meet the requirements of SB 253. If insurer responses to the NAIC Climate Risk Disclosure survey administered by CDI included emissions disclosures for Scope 1, 2 and 3 and otherwise met the requirements of SB 253, then it would be permitted for insurers to submit those disclosures to CARB. The statute does not, however, authorize CARB to exempt insurers from disclosing emissions to CARB.

In addition, CARB did not provide an opportunity for public comment on the justification that the requirements under SB 253 would be “duplicative” for insurers before finalizing the exemption. For this reason, and for the legal and factual shortcomings of the justification, CARB should propose removing the exemption from the regulation at its next Board meeting.

March 2026 Workshop Proposal: CARB should choose regulatory option 1 (broad applicability) for Scope 3 reporting. If CARB maintains allowance for “de minimis” exemptions, it must establish clear thresholds, definitions, and decision frameworks to produce complete and consistent full-scope greenhouse gas inventories in line with the explicit text of SB253 and “in conformance with the Greenhouse Gas Protocol standards and guidance.”⁵

At the March 2026 Climate Disclosure Workshop, CARB proposed granting companies “the flexibility to not report categories they consider ‘de minimis’ as long as they provide appropriate explanation.”⁶ To enable that outcome, CARB described three potential factors that companies could use to make a “de minimis” determination for a Scope 3 category: 1) “volume of emissions associated with the category,” 2) the “influence an entity has over those emissions,” and 3) whether the category is considered “typically material” for the sector.⁷

If CARB allows for “de minimis” exemptions, “volume of emissions associated with the category” is the only factor CARB should permit companies to use when justifying a “de minimis” determination, or at least it should be a necessary prerequisite to such a determination. Allowing the second proposed factor (“influence over emissions”) to justify “de minimis” determinations and omissions would be inconsistent with the plain text of the law, and the third proposed factor, as described, (“typical materiality” for the sector) would need to be further constrained and redefined to conform with the law.

SB253 specifically defines Scope 3 emissions as those “from sources that the reporting entity *does not own or directly control* [emphasis added] and may include...use of sold

⁵ [California Senate Bill \(SB\) 253](#). Wiener, Stats. 2023, ch. 382; codified in Health and Safety Code Section 38532, as amended, at Section 2(c)(2)(A)(ii).

⁶ CARB. “[Audiovisual recording of SB 253 Public Workshop: California Corporate Greenhouse Gas Reporting Program](#).” Remarks at 27:34. March 23, 2026.

⁷ *Ibid.* at 27:55.

products.”⁸ SB253 also recognizes that emissions that occur anywhere in a company’s value chain are important to California stakeholders, finding that companies “increase the state’s climate risk through emissions activities that include, but are not limited to, company operations, supply chain activities, employee and consumer transportation, goods production and movement, construction, land use, and natural resources extraction.”⁹

High emissions companies and sectors have long argued that value chain emissions—in whole or in part—are out of their “control” or “influence.” For example, the American Petroleum Institute (API) wrote to the Securities and Exchange Commission in 2022 that “GHG emissions from other companies’ operations are not within the control of the issuer,” in the course of arguing the SEC should “not require Scope 3 reporting.”¹⁰ If a new or expanded carbon tax is enacted at the gas pump, it would obviously impact a gasoline supplier financially even if the emissions actually are emitted by their customers—or their customers’ customers—just as new methane leakage rules for pipelines would financially impact a natural gas power plant buying fuel from a regulated supplier. Further, if a company’s ability to influence certain emissions within their value chain is more limited, those emissions may represent the hardest-to-mitigate risk and be the *most* relevant to users of the data if they exist in significant volumes. Whether or not an issuer feels they have “control” or “influence” over emissions within their supply chain, they can still represent a risk to the firm. SB253 plainly states these value chain emissions “increase the *state’s* [emphasis added] climate risk”¹¹ and considers them proper targets for this reporting regime.

Additionally, the GHG Protocol is unequivocal: “While a company has control over its direct emissions, it has influence over its indirect emissions. A complete GHG inventory therefore includes scope 1, scope 2, and scope 3.”¹² The only example provided by GHG Protocol for a Scope 3 activity omission based in part on “influence” is when the company finds that “based on initial estimates, some scope 3 activities are expected to be insignificant in size (compared to the company’s other sources of emissions) and that for these activities, the ability to collect data and influence GHG reductions is limited. In such cases, companies may exclude scope 3 activities from the report, provided that any exclusion is disclosed and justified.”¹³ In other words, GHG Protocol is not saying that a lack of “influence” over a Scope 3 category or activity alone justifies omission, but rather that the level of “influence” can be considered if the volume of emissions from the activity is “insignificant” in the company’s overall inventory. This

⁸ [California Senate Bill \(SB\) 253](#). Wiener, Stats. 2023, ch. 382; codified in Health and Safety Code Section 38532, as amended, at Section 2(b)(5).

⁹ *Ibid.* at Section 1(g).

¹⁰ American Petroleum Institute. “[Comment to the Securities and Exchange Commission on the Proposed Rule ‘The Enhancement and Standardization of Climate-Related Disclosures for Investors’](#).” At page 14. June 17, 2022.

¹¹ [California Senate Bill \(SB\) 253](#). Wiener, Stats. 2023, ch. 382; codified in Health and Safety Code Section 38532, as amended, at Section 1(g).

¹² Greenhouse Gas Protocol. World Resources Institute and WBCSD. “[Corporate Value Chain \(Scope 3\) Accounting and Reporting Standard](#).” At page 27. 2011.

¹³ *Ibid.* at page 27.

is reinforced in Section 7.1 which establishes that Scope 3 activity prioritization for data collection efforts should be based on volume first (emissions, spend, or revenue-based), and allows, “[i]n addition,” for other activities to be prioritized based in part on “influence.”¹⁴ **To avoid creating a loophole that allows companies to omit emissions activities based on a self-asserted lack of “influence” over them, CARB should entirely delete the “influence” factor from the “de minimis” framework.**

GHG Protocol goes on: “In particular, companies should not exclude any activity that is expected to contribute significantly to the company’s total scope 3 emissions.”¹⁵ For full-scope greenhouse gas inventories to be not misleading for users, they must be meaningfully complete, and that requires a very high proportion of Scope 3 emissions to be accounted for and reported. Given too much discretion and flexibility, different companies might use different thresholds when determining volumes of emissions that are “de minimis.” Here again, API’s comments to the SEC are instructive of the industry’s thinking: “determination of whether Scope 3 emissions are material...based upon the relation of Scope 3 emissions to a registrant’s overall GHG footprint takes away from individual issuers that are much better positioned to make such a decision.”¹⁶ In essence, API argues against using thresholds based on volume relative to the overall emissions inventory, and instead supports allowing companies to make their own judgments even for large-volume categories of emissions.

Users might draw inaccurate conclusions from greenhouse gas inventories when comparing firms with relatively high Scope 1 and 2 emissions, compared to those with relatively high Scope 3 emissions, if Scope 3 emissions inventories are not meaningfully complete. **To avoid misleading users and undermining the usability and reliability of the entire database, CARB should set clear quantitative thresholds that allow a category of Scope 3 emissions to be considered “de minimis,” for example, if the Scope 3 activity or category represents less than 0.5 percent of the overall volume of the Scope 3 inventory.**

With respect to the third proposed “de minimis” factor (“typical materiality” for the sector), if CARB does not omit it entirely, it should set a definition of materiality that aligns with text and intent of SB253, and allow it to be factored in only in cases where the emissions category or activity already falls under the volumetric “de minimis” threshold.

SB253 requires Scope 3 reporting “in conformance with the GHG Protocol standards and guidance,”¹⁷ which states: “GHG accounting and reporting of a scope 3 inventory shall be based

¹⁴ *Ibid.* at page 66.

¹⁵ *Ibid.* at page 60.

¹⁶ American Petroleum Institute. “[Comment to the Securities and Exchange Commission on the Proposed Rule ‘The Enhancement and Standardization of Climate-Related Disclosures for Investors’](#).” At page 14. June 17, 2022.

¹⁷ [California Senate Bill \(SB\) 253](#). Wiener, Stats. 2023, ch. 382; codified in Health and Safety Code Section 38532, as amended, at Section 2(c)(2)(A)(ii).

on the following principles: relevance, completeness, consistency, transparency, and accuracy,” where “relevance” requires that reporting entities “[e]nsure the GHG inventory appropriately reflects the GHG emissions of the company and serves the decision-making needs of users – both internal and external to the company.”¹⁸ In determining “relevance” or “materiality” in this context, SB253 identifies the “users” of this data as “California investors, consumers, and other stakeholders” who “deserve transparency from companies regarding their greenhouse gas (GHG) emissions to inform their decisionmaking,” and who “have a right to know about the sources of carbon pollution, as measured by comprehensive GHG emissions data of those companies benefiting from doing business in the state.”¹⁹

Under SB253, emissions categories are “relevant” not only if they are “financially material,” but if they help inform the decisionmaking of California investors, consumers, and stakeholders, so any “de minimis” omissions based in part on a lack of “relevance” would need to be justified on the grounds that California investors, consumers, and other stakeholders would find the category lacks “relevance” in their decisionmaking. **CARB should clarify that any “de minimis” omission of a Scope 3 category or activity—based in part on a purported lack of “relevance”—must include a compelling justification grounded explicitly in the statutory text of SB253, characterized by a lack of relevance from the perspective of California stakeholders broadly, not based narrowly on the perspective of the reporting entity or its shareholders.**

Finally, it is critical that finance sector companies report the full range emissions from their financial activities, which include emissions from investments, capital markets activities, and insurance underwriting. The Partnership for Carbon Account Financials (PCAF) is a widely used international accounting standard that satisfies GHG Protocol’s Scope 3-Category 15 requirements.²⁰ **CARB should clarify that reporting entities should use the PCAF standards to satisfy their Scope 3-Category 15 requirement under SB253.**

We appreciate this opportunity to comment and urge CARB to remove the exemption for insurance companies and propose a Scope 3 emissions standard that will deliver complete, transparent, and useful corporate emissions data for California investors, consumers, and other stakeholders. Please reach out to Alex Martin (alex@ourfinancialsecurity.org) and Elyse Schupak (eschupak@citizen.org) if you have any questions.

¹⁸ Greenhouse Gas Protocol. World Resources Institute and WBCSD. “[Corporate Value Chain \(Scope 3\) Accounting and Reporting Standard](#).” At page 23. 2011.

¹⁹ [California Senate Bill \(SB\) 253](#). Wiener, Stats. 2023, ch. 382; codified in Health and Safety Code Section 38532, as amended, at Section 1.

²⁰ [Partnership for Carbon Accounting Financials website](#). 2026.

Sincerely,

Americans for Financial Reform Education Fund
Consumer Watchdog
Dave Jones, CA Insurance Commissioner, Emeritus
Public Citizen
Sierra Club California

California Retailers Association (Sarah Pollo Moo)

August 11, 2026

Lauren Sanchez
Chairwoman
California Air Resources Board
1001 I St.
Sacramento, CA 95814

Submitted electronically

RE: CRA Comments on C Modified Text and Availability of Additional Documents and/or Information for the Proposed California Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure Initial Regulation (15-Day Notice).

The California Retailers Association (CRA) appreciates the opportunity to continue to provide comments on the rulemaking for California's Corporate Greenhouse Gas (GHG) Reporting Program (The Program) following the California Air Resources Board's (CARB) virtual public workshop held on March 23, 2026 to support the development of The Program authorized by Senate Bill (SB) 253 (Wiener, Stats. 2023; codified in Health & Safety Code (HSC) § 38532), as amended by SB 219 (Wiener, Stats. 2024, Chapter 766; codified in HSC §§ 38532 and 38533).

CRA is the only statewide trade association representing all segments of the retail industry including general merchandise, department stores, mass merchandisers, on-line marketplaces, restaurants, convenience stores, supermarkets and grocery stores, chain drug and specialty retail such as auto, vision, jewelry, hardware and home stores. The California Retailers Association works on behalf of California's retail industry, a driving force of California's economy, with over 400,000 retail establishments, an annual gross domestic product of \$330 billion and one fourth of California's total employment.

011.1

The retail industry is committed to the goals of SB 253 as amended by SB 219 and has made investments in sustainability practices and appreciates the opportunity to participate in the rulemaking process.

Below are CRA's comments and concerns that remain following our latest letter submitted to the Board June 1, 2026.

We look forward to ongoing dialogue and are happy to make our subject matter experts available to answer specific questions or provide additional information that may be useful as CARB moves forward with finalizing California's Corporate Climate Reporting regulations.

011.2

Concerns Around Timing of Response to CARB's March 23 Workshop: California Corporate Greenhouse Gas Reporting Program and Overall Public Comment Process

CRA is concerned about confusion that has resulted around CARB's public comment process on SB 253. CARB's April 13 deadline for public comments on the March Workshop provided public

stakeholders just three weeks to prepare and submit comments on the wide range of topics and related proposals, requests, and questions, many of which are highly technical and data-intensive, presented at the March Workshop. These include the approach for setting organizational boundaries for greenhouse gas ("GHG") emissions reporting, adjustments to Scope 1 and 2 GHG emissions reporting (including mandatory use of CARB-specific Scope 1 and 2 reporting templates), regulatory options for Scope 3 GHG emissions reporting, GHG accounting methods, assurance engagements, and companies' estimated costs for compliance as compared to CARB's estimates included in its presentation slides.

Based on the scope of the topics, proposals, requests, and questions, three weeks did not provide sufficient time for companies to conduct the information gathering and analysis necessary to prepare thoughtful and constructive responses to CARB. There are significant variations in practice across organizations on GHG emissions accounting, disclosure, and assurance.

We note that CARB updated its website on April 6 to state that "informal comments will be received until June 1." However, it was unclear what was meant by "informal comments," whether and how such comments will be considered, or whether they will be incorporated into the rulemaking process. In the absence of clear confirmation, stakeholders remained concerned that input submitted after April 13 may not be fully considered prior to the initiation of formal rulemaking.

We want to keep this concern, which points to an overall concern we have on the public comment process surrounding SB 253, in our feedback to CARB and have included a letter from the Society of Corporate Governance in our attachments that details these concerns.

Additional Cost Specific Concerns to the SB 253 Regulation

Regarding anticipated costs for GHG emissions reporting:

Scope 1 & 2 Reporting & Assurance Costs:

Based on past costs and current estimates from the Big 4 accounting firms, the California Retailers Association would anticipate individual costs to be approximately \$185,000 each year for assurance over scope 1 and 2. This excludes internal resource needs and other fees associated with reporting.

Scope 3 Reporting & Assurance Costs:

The retail industry's initial costs of individual companies is \$210,000-\$220,000 for reporting preparation in year 1 and information is not yet known for the additional assurance costs that will be incurred for scope 3. This also excludes internal resource needs and other fees.

Will most of the costs associated with reporting be incurred in state or through offices in other jurisdictions (e.g. headquarters in other states, countries)?

Costs associated with reporting are expected to be incurred through a retail company's world headquarters (US) state.

GHG Accounting Feedback for CARB

ORGANIZATIONAL BOUNDARIES

Are there other approaches to organizational boundary setting that CARB should consider?

No, the California Retailers Association supports Operational Control in line with current approach and other regulatory requirements, including the Australia Sustainability Reporting Standards.

How should entities explain their choice of organizational boundary?

Entities should be free to choose their organizational boundary based on the nature of their business and in alignment with other regulatory requirements. CARB should ensure that any requirements on organizational boundaries are harmonized with requirements across other International Financial Reporting Standards-aligned jurisdictions such as Australia to avoid undue administrative burden.

ACCOUNTING METHODS

What accounting methods does your organization currently use for Scope 1, 2, and 3 GHG estimation?

Retailers currently use a hybrid approach, comprised mostly of activity-based and supplier-based. Retail companies could use spend-based in the future if they disclose certain Scope 3 categories related to energy procurement but don't currently do so.

Should CARB consider allowing other accounting methods? If so, which ones and why?

No, CARB should not consider allowing other accounting methods to avoid double counting.

EMISSION FACTORS

What criteria should emission factors meet to be used in this program?

Below are emission factors (EFs) used by the retail industry, but CRA encourages CARB to allow companies to use other credible EFs developed by industry or sector-specific organizations where needed:

- Clean Cargo - currently used for ocean-based emissions
- International Energy Agency or IEA - used more broadly across categories
- Department for Environment, Food and Rural Affairs (DEFRA) - accounts for United Kingdom grid emissions but often used for business travel
- Higg Materials Sustainability Index (MSI) - used for materials
- Eco Impact Compass (Compass Carbon) - used for packaging

Scope 3 Reporting Options

OPTION 1: BROAD APPLICABILITY

Should reporting entities be able to report as de minimis certain categories due to lack of relevance/materiality and/or feasibility?

Yes

What specific thresholds, definitions, or decision frameworks should CARB use to determine when a Scope 3 category is considered de minimis to be reported?

Decisions and rationale on which categories to report on should be based on guidance from the GHG Protocol and should reflect relevant categories (not necessary material categories).

How should CARB weigh reporting flexibility against alignment with current mandatory and voluntary practices and other international standards?

CARB should consider alignment and harmonization with other regulatory requirements, which Option 1 is most aligned with.

OPTION 2: SECTORAL PHASE-IN

Are these sectors the appropriate starting point for a phased approach to Scope 3 reporting? What factors should CARB consider in confirming or adjusting this prioritization?

Retailers would require further clarity on timing and applicability of the sectoral phase-ins in Option 2 but are not supportive as this approach would require retail companies to report on all categories regardless of relevance. If there was an option to employ a de minimis provision for Option 2, retailers would be open to supporting.

OPTION 3: CATEGORY PHASE-IN

Are these the appropriate categories to prioritize for initial reporting based on data availability and relevance across sectors?

Retailers do not support Option 3 as it doesn't provide the ability to give investors specific insights to companies based on the relevance of Scope 3 categories.

If CARB's Climate Disclosure Team has questions or needs additional information on the issues raised in this letter, please do not hesitate to contact me directly either at 916/443-1975 or Sarah@calretailers.com

Sincerely,

Sarah Pollo Moo
Vice President, Operations and Sustainability Compliance
California Retailers Association

CC: CARB Climate Disclosure Team at climatedisclosure@arb.ca.gov

Attachments: All Previous CRA Correspondence Sent to CARB for This Rulemaking



August 11, 2026

Lauren Sanchez
Chairwoman
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Submitted electronically

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Scope 3 Reporting & Assurance Costs:

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Will most of the costs associated with reporting be incurred in state or through offices in other jurisdictions (e.g. headquarters in other states, countries)?

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GHG Accounting Feedback for CARB

ORGANIZATIONAL BOUNDARIES

Are there other approaches to organizational boundary setting that CARB should consider?

No, the California Retailers Association supports Operational Control in line with current approach and other regulatory requirements, including the Australia Sustainability Reporting Standards.

How should entities explain their choice of organizational boundary?

Entities should be free to choose their organizational boundary based on the nature of their business and in alignment with other regulatory requirements. CARB should ensure that any requirements on organizational boundaries are harmonized with requirements across other International Financial Reporting Standards-aligned jurisdictions such as Australia to avoid undue administrative burden.

ACCOUNTING METHODS

What accounting methods does your organization currently use for Scope 1, 2, and 3 GHG estimation?

Retailers currently use a hybrid approach, comprised mostly of activity-based and supplier-based. Retail companies could use spend-based in the future if they disclose certain Scope 3 categories related to energy procurement but don't currently do so.

Should CARB consider allowing other accounting methods? If so, which ones and why?

No, CARB should not consider allowing other accounting methods to avoid double counting.

EMISSION FACTORS

What criteria should emission factors meet to be used in this program?

Below are emission factors (EFs) used by the retail industry, but CRA encourages CARB to allow companies to use other credible EFs developed by industry or sector-specific organizations where needed:

- Clean Cargo - currently used for ocean-based emissions
- International Energy Agency or IEA - used more broadly across categories
- Department for Environment, Food and Rural Affairs (DEFRA) - accounts for United Kingdom grid emissions but often used for business travel
- Higg Materials Sustainability Index (MSI) - used for materials
- Eco Impact Compass (Compass Carbon) - used for packaging

Scope 3 Reporting Options

OPTION 1: BROAD APPLICABILITY

Should reporting entities be able to report as de minimis certain categories due to lack of relevance/materiality and/or feasibility?

Yes

What specific thresholds, definitions, or decision frameworks should CARB use to determine when a Scope 3 category is considered de minimis to be reported?

Decisions and rationale on which categories to report on should be based on guidance from the GHG Protocol and should reflect relevant categories (not necessary material categories).

How should CARB weigh reporting flexibility against alignment with current mandatory and voluntary practices and other international standards?

CARB should consider alignment and harmonization with other regulatory requirements, which Option 1 is most aligned with.

OPTION 2: SECTORAL PHASE-IN

**Are these sectors the appropriate starting point for a phased approach to Scope 3 reporting?
What factors should CARB consider in confirming or adjusting this prioritization?**

Retailers would require further clarity on timing and applicability of the sectoral phase-ins in Option 2 but are not supportive as this approach would require retail companies to report on all categories regardless of relevance. If there was an option to employ a de minimis provision for Option 2, retailers would be open to supporting.

OPTION 3: CATEGORY PHASE-IN

Are these the appropriate categories to prioritize for initial reporting based on data availability and relevance across sectors?

Retailers do not support Option 3 as it doesn't provide the ability to give investors specific insights to companies based on the relevance of Scope 3 categories.

If CARB's Climate Disclosure Team has questions or needs additional information on the issues raised in this letter, please do not hesitate to contact me directly either at 916/443-1975 or

Sarah@calretailers.com

Sincerely,



Sarah Pollo Moo
Vice President, Operations and Sustainability Compliance
California Retailers Association

CC: CARB Climate Disclosure Team at climatedisclosure@arb.ca.gov

Attachments: All Previous CRA Correspondence Sent to CARB for This Rulemaking



June 1, 2026

Lauren Sanchez
Chairwoman
California Air Resources Board
1001 I St.
Sacramento, CA 95814

Submitted electronically

RE: CRA Comments on California Corporate Greenhouse Gas Reporting Program Rulemaking Including Cost Concerns for June 1, 2026 Comments Deadline (follow up from CRA Comments Submitted to CARB April 13, 2026)

The California Retailers Association (CRA) appreciates the opportunity to continue to provide comments on the rulemaking for California's Corporate Greenhouse Gas (GHG) Reporting Program (The Program) following the California Air Resources Board's (CARB) virtual public workshop held on March 23, 2026 to support the development of The Program authorized by Senate Bill (SB) 253 (Wiener, Stats. 2023; codified in Health & Safety Code (HSC) § 38532), as amended by SB 219 (Wiener, Stats. 2024, Chapter 766; codified in HSC §§ 38532 and 38533).

CRA is the only statewide trade association representing all segments of the retail industry including general merchandise, department stores, mass merchandisers, on-line marketplaces, restaurants, convenience stores, supermarkets and grocery stores, chain drug and specialty retail such as auto, vision, jewelry, hardware and home stores. The California Retailers Association works on behalf of California's retail industry, a driving force of California's economy, with over 400,000 retail establishments, an annual gross domestic product of \$330 billion and one fourth of California's total employment.

The retail industry is committed to the goals of SB 253 as amended by SB 219 and has made investments in sustainability practices and appreciates the opportunity to participate in the rulemaking process.

Below are CRA's comments and concerns that remain following CARB's March 23 workshop, which included an update from CARB staff on additional information for the August 10, 2026, Scope 1 and Scope 2 emissions reporting deadline; the next stage in regulatory development; overview of the development of the greenhouse gas reporting requirements for 2027-2030 under HSC § 38532; preliminary staff options for Scope 3 emissions reporting requirements for 2027-2030; solicitation of alternative approaches; and an overview of staff's approach to the economic analysis.

These comments also follow comments CRA submitted to CARB April 13, 2026.

We look forward to ongoing dialogue and are happy to make our subject matter experts available to answer specific questions or provide additional information that may be useful as CARB moves forward with finalizing California's Corporate Climate Reporting regulations.

Additional Cost Specific Concerns to the SB 253 Regulation

Regarding anticipated costs for GHG emissions reporting:

Scope 1 & 2 Reporting & Assurance Costs:

Based on past costs and current estimates from the Big 4 accounting firms, the California Retailers Association would anticipate individual costs to be approximately \$185,000 each year for assurance over scope 1 and 2. This excludes internal resource needs and other fees associated with reporting.

Scope 3 Reporting & Assurance Costs:

The retail industry's initial costs of individual companies is \$210,000-\$220,000 for reporting preparation in year 1 and information is not yet known for the additional assurance costs that will be incurred for scope 3. This also excludes internal resource needs and other fees.

Will most of the costs associated with reporting be incurred in state or through offices in other jurisdictions (e.g. headquarters in other states, countries)?

Costs associated with reporting are expected to be incurred through a retail company's world headquarters (US) state.

GHG Accounting Feedback for CARB

ORGANIZATIONAL BOUNDARIES

Are there other approaches to organizational boundary setting that CARB should consider?

No, the California Retailers Association supports Operational Control in line with current approach and other regulatory requirements, including the Australia Sustainability Reporting Standards.

How should entities explain their choice of organizational boundary?

Entities should be free to choose their organizational boundary based on the nature of their business and in alignment with other regulatory requirements. CARB should ensure that any requirements on organizational boundaries are harmonized with requirements across other International Financial Reporting Standards-aligned jurisdictions such as Australia to avoid undue administrative burden.

ACCOUNTING METHODS

What accounting methods does your organization currently use for Scope 1, 2, and 3 GHG estimation?

Retailers currently use a hybrid approach, comprised mostly of activity-based and supplier-based. Retail companies could use spend-based in the future if they disclose certain Scope 3 categories related to energy procurement but don't currently do so.

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Below are emission factors (EFs) used by the retail industry, but CRA encourages CARB to allow companies to use other credible EFs developed by industry or sector-specific organizations where needed:

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Scope 3 Reporting Options

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Decisions and rationale on which categories to report on should be based on guidance from the GHG Protocol and should reflect relevant categories (not necessary material categories).

How should CARB weigh reporting flexibility against alignment with current mandatory and voluntary practices and other international standards?

CARB should consider alignment and harmonization with other regulatory requirements, which Option 1 is most aligned with.

OPTION 2: SECTORAL PHASE-IN

Are these sectors the appropriate starting point for a phased approach to Scope 3 reporting?

What factors should CARB consider in confirming or adjusting this prioritization?

Retailers would require further clarity on timing and applicability of the sectoral phase-ins in Option 2 but are not supportive as this approach would require retail companies to report on all categories

regardless of relevance. If there was an option to employ a de minimis provision for Option 2, retailers would be open to supporting.

OPTION 3: CATEGORY PHASE-IN

Are these the appropriate categories to prioritize for initial reporting based on data availability and relevance across sectors?

Retailers do not support Option 3 as it doesn't provide the ability to give investors specific insights to companies based on the relevance of Scope 3 categories.

If CARB's Climate Disclosure Team has questions or needs additional information on the issues raised in this letter, please do not hesitate to contact me directly either at 916/443-1975 or

Sarah@calretailers.com

Sincerely,



Sarah Pollo Moo
Vice President, Operations and Sustainability Compliance
California Retailers Association

CC: CARB Climate Disclosure Team at climatedisclosure@arb.ca.gov

Attachments: All Previous CRA Correspondence Sent to CARB for This Rulemaking



April 13, 2026

Lauren Sanchez
Chairwoman
California Air Resources Board
1001 I St.
Sacramento, CA 95814

Submitted electronically

RE: CRA Comments on California Corporate Greenhouse Gas Reporting Program Rulemaking Including Cost Concerns

The California Retailers Association (CRA) appreciates the opportunity to continue to provide comments on the rulemaking for California's Corporate Greenhouse Gas (GHG) Reporting Program (The Program) following the California Air Resources Board's (CARB) virtual public workshop held on March 23, 2026 to support the development of The Program authorized by Senate Bill (SB) 253 (Wiener, Stats. 2023; codified in Health & Safety Code (HSC) § 38532), as amended by SB 219 (Wiener, Stats. 2024, Chapter 766; codified in HSC §§ 38532 and 38533).

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The retail industry is committed to the goals of SB 253 as amended by SB 219 and has made investments in sustainability practices and appreciates the opportunity to participate in the rulemaking process.

Below are CRA's comments and concerns that remain following CARB's March 23 workshop, which included an update from CARB staff on additional information for the August 10, 2026, Scope 1 and Scope 2 emissions reporting deadline; the next stage in regulatory development; overview of the development of the greenhouse gas reporting requirements for 2027-2030 under HSC § 38532; preliminary staff options for Scope 3 emissions reporting requirements for 2027-2030; solicitation of alternative approaches; and an overview of staff's approach to the economic analysis.

We look forward to ongoing dialogue and are happy to make our subject matter experts available to answer specific questions or provide additional information that may be useful as CARB moves forward with finalizing California's Corporate Climate Reporting regulations.

Cost Specific Concerns to the SB 253 Regulation

The California Retailers Association believes CARB is underestimating the costs associated with SB 253 compliance. CRA estimates that SB 253 will cost a minimum of \$500,000 per retail company in external assurance costs excluding internal implementation costs, and any incremental costs associated with a potential transition to reasonable assurance for Scope 1 and 2 emissions. Costs will increase further if reporting requirements are not aligned with established international frameworks, including the GHG Protocol and the international Sustainability Board standards (IFRS S1 and S2).

Additional New Comments and Concerns with the SB 253 Regulation

Companies that fall under the SB 253 regulation need to be able to elect their boundary for emissions reporting and explain why they chose it. Specific boundaries should not be mandated.

Pushing Scope 3 reporting out another year would benefit companies with complex data systems and emissions who are struggling to align their Scope 3 reporting with the current reporting year. For context, Scope 3 reporting requires extensive review of financials, supplier data and other internal data that is only available at the end of the fiscal year, so completing it in a few months is an arduous and infeasible exercise. Alternatively, companies could be allowed to report on the previous year for the first year of reporting, to allow extra time to build the capabilities for Scope 3 reporting on such a short time frame.

Scope 3 – CARB’s three options for who reports and what gets reported in year one:

- 1.) Everyone reports all categories (except de minimis).
- 2.) How should CARB consider prioritizing sectors? Sectoral phase-in with transportation, technology, energy, cement production, manufacturing entities proposed to report.
- 3) Category phase-in. Specifically require Companies to report Categories 6, 1,3,7,5 in 2027, with others to follow over time.

Scope 3 GHG methods – spend-based, activity-based, supplier specific, hybrid

Which methods do Companies currently use? And should any additional methods be allowed?

Many inventories are a blend between spend and activity, characterizing a hybrid approach based on where data is readily available. For the purpose of any regulatory reporting, the California Retailers Association urges CARB to allow for flexibility and not mandate any method, especially activity-based.

Emission factors. [This link](#) gives details of various Scope 3 emission factors allowable via different databases. The specifics on what we are referencing are also provided below:

CARB observed at the workshop that emission factors are a key input across all the foregoing reporting methods. CARB identified a suite of publicly available emission factors data sets for potential use, including [EPA's Emissions & Generation Resource Integrated Database \(eGRID\)](#), the [IPCC Emissions Factor Database \(EFDB\)](#), [EPA's Emissions Factors Hub](#) and the [US Environmentally-Extended Input-Output \(USEEIO\) models](#). CARB is seeking input on the criteria emission factors should meet to qualify for use in SB 253 reporting, how reporters should document their choice of emission factor (including proprietary models) and how reporters should handle and disclose year-over-year changes in emission factors.

Should CARB consider whether any other sets of factors can be applicable including disclosing what was chosen? How should companies disclose when emission factors change over future years?

CARB should not dictate which emissions factors can be used. This is a heavily technical and evolving area, with new data methods being utilized as better science emerges. Emissions factors are specific to particular products, materials, and geography, so companies use a wide range – they could use different sets of emissions factors for the same materials, depending on whether they source domestically or abroad, and depending on who has the best data. This should not and cannot be limited by CARB. However, if CARB is planning to limit emissions factors to those in law, it should be a VERY long list. CEDA emissions factors are particularly common and should be included, as should WRI Cool Foods, HowGood Latis, Higg MSI, and Ecoinvent.

Remaining Concerns and Requested Changes to the SB 253 Regulation

I. Gross Receipts Should Exclude Intercompany Transactions

§ 96072. (13) “Revenue” has the same meaning as “gross receipts” under section 25120(f)(2) of the California Revenue and Taxation Code. *Gross receipts should exclude any intercompany transactions as defined under Cal. Code Regs. 25106.5-1(b)(1).*

When intercompany sales are excluded, the scoping results will match the tax filing for taxpayers filing a California combined return (i.e. the entity and revenue total used for scoping would be the same as the revenue included in a company’s tax filing), which is required pursuant to California tax law. If intercompany sales are included, there is a misalignment between which subsidiaries are doing business for California tax purposes.

For example, an entity may come into scope based on intercompany sales that is not listed in a company’s tax filing or has a different revenue total on our tax filing where those sales are eliminated. If intercompany sales are included, CARB would not be able to verify reporting entity lists with the Franchise Tax Board records. Additionally, since partnerships are subject to the fee, any revenue flowing from the partnership to the partner/owners should be excluded to avoid double counting the revenue at entities that are subject to the fee.

II. Calculation of Fees

§ 96073. The current fee structure does not achieve the stated goal of the law because it assesses the fee based on corporate structure (i.e., allocates a fee to each entity or subsidiary that meets the criteria for

reporting), not at the level of the organization where financial/investment and pollution abatement decisions are made (i.e., parent level for companies that report at the parent level).

III. Use of Definitions

The California Retailers Association recommends aligning key definitions in the regulation with widely accepted international reporting standards, for example:

- Using the GHG Protocol definitions for Scope 1 and Scope 2 emissions
- Defining “subsidiary” in line with International Financial Reporting Standards (IFRS) or Generally Accepted Accounting Principles (US GAAP), rather than relying on the concept of “influence”

CRA’s view is that closer alignment with global frameworks would reduce the risk of differing interpretations and support better comparability across companies.

If CARB’s Climate Disclosure Team has questions or needs additional information on the issues raised in this letter, please do not hesitate to contact me directly either at 916/443-1975 or

Sarah@calretailers.com

Sincerely,



Sarah Pollo Moo
Director, Public Affairs
California Retailers Association

CC: CARB Climate Disclosure Team at climatedisclosure@arb.ca.gov

Attachments: Previous Correspondence Sent to CARB for This Rulemaking



Outlook

Re: Climate Disclosure comments from CalRetailers

From Sarah Pollo <Sarah@calretailers.com>**Date** Thu 9/11/2025 10:16 AM**To** climatedisclosure@arb.ca.gov <climatedisclosure@arb.ca.gov>

We have additional comments we would like to submit for SB 253 and 261 following up on those we emailed over yesterday. Thank you.

The due date requested is really tight for a few reasons:

- Retailers have a particular challenge given most fiscal years end in January vs. December.
- For more background, retailers typically receive final (January) utility bills in Mar/April. Retailers have to do iterative calculations which takes weeks to months, then submit them for verification.
- Verification alone takes 6-8 weeks. (many retailers are just finalizing verification now for their CDP report, which is due September 17th).
- Ultimately, retailers can do some estimating of missing data to meet the time frame, but then there is less accuracy. Since retailers are tracking towards emissions reductions, retailers would prefer to have more accuracy.

In summary: Retailers' preference is for California to align with the CDP voluntary climate disclosure timeline, which allows more time for accurate calculations and verification. An earlier disclosure date could be a challenge for retailers to get the data from their 3rd parties in time.

From: Sarah Pollo**Sent:** Wednesday, September 10, 2025 2:43 PM**To:** climatedisclosure@arb.ca.gov <climatedisclosure@arb.ca.gov>**Subject:** Climate Disclosure comments from CalRetailers

Good Afternoon, CARB Climate Disclosure Team. Below are a list of comments the California Retailers Association is submitting to CARB regarding SBs 253 and 261 as amended by SB 219. Please confirm receipt and we thank you, in advance, for your response.

Comment/Question #1: The California Retailers Association seeks clarity from CARB on whether or not data is for Fiscal Year or Calendar Year, recognizing that companies have different year ends. CARB needs to keep the time of compiling data as equitable as possible for all companies.

Comment/Question #2: In its recent webinar, CARB sought comment on a proposed June 30, 2026 deadline for Scope 1 and 2 emissions reporting. Many of our retailers' fiscal year doesn't end until the end of February each year, so a June 30 deadline is infeasible. The California Retailers Association proposes either (1) using the previous fiscal year for the reporting requirement (for example by saying that the June 30, 2026 deadline applies to the fiscal year that ended between January 1, 2025 and December 31, 2025) or (2) having a rolling deadline of 6 months after a company's fiscal year end for their reporting deadline instead of a hard deadline of June 30, 2026.

Comment/Question #3: For Scope 3 emissions, is CARB expecting all categories to be reported or only those that a company considers material? If CARB hasn't acknowledged that only

material categories need to be reported, the California Retailers Association recommends that CARB clarify that only material Scope 3 categories be required to be reported.

Sarah Pollo Moo
Director, Communications & Public Affairs
The California Retailers Association
916-410-7506



February 9, 2026

Lauren Sanchez
Chair
California Air Resources Board
1001 I St.
Sacramento, CA 95814

Submitted electronically

RE: CRA Response to Proposed California Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure Initial Regulation (Notice), Staff Report (Initial Statement of Reasons), and Proposed Regulatory Text

The California Retailers Association (CRA) appreciates the opportunity to continue to provide comments on the rulemaking for Senate Bills 253 and 261, as Amended by SB 219, California's Corporate Greenhouse Gas (GHG) Reporting and Climate Related Financial Risk Disclosure Programs.

CRA is the only statewide trade association representing all segments of the retail industry including general merchandise, department stores, mass merchandisers, on-line marketplaces, restaurants, convenience stores, supermarkets and grocery stores, chain drug and specialty retail such as auto, vision, jewelry, hardware and home stores. The California Retailers Association works on behalf of California's retail industry, a driving force of California's economy, with over 400,000 retail establishments, an annual gross domestic product of \$330 billion and one fourth of California's total employment.

The retail industry is committed to the goals of SBs 253 and 261 as amended by SB 219 and has made investments in sustainability practices and appreciates the opportunity to participate in the rulemaking process for California's Corporate Climate Reporting Regulations.

Below are CRA's comments and concerns that remain following CARB's Proposed California Corporate GHG Reporting and Climate-Related Financial Risk Disclosure Initial Regulation, Staff Report and proposed regulatory text, which were sent to the California Office of Administrative Law (OAL) on December 9, 2025 and following OAL's subsequent publishing of the Notice on December 26, 2025, which initiated the current 45-day public comment period that these comments apply to.

We look forward to ongoing dialogue and are happy to make our subject matter experts available to answer specific questions or provide additional information that may be useful as CARB moves forward with finalizing California's Corporate Climate Reporting regulations.

New and Remaining Concerns and Requested Changes to the Regulations

I. Gross Receipts Should Exclude Intercompany Transactions

§ 96072. (13) “Revenue” has the same meaning as “gross receipts” under section 25120(f)(2) of the California Revenue and Taxation Code. Gross receipts should exclude any intercompany transactions as defined under Cal. Code Regs. 25106.5-1(b)(1).

When intercompany sales are excluded, the scoping results will match the tax filing for taxpayers filing a California combined return (i.e. the entity and revenue total used for scoping would be the same as the revenue included in a company’s tax filing), which is required pursuant to California tax law. If intercompany sales are included, there is a misalignment between which subsidiaries are doing business for California tax purposes.

For example, an entity may come into scope based on intercompany sales that is not listed in a company’s tax filing or has a different revenue total on our tax filing where those sales are eliminated. If intercompany sales are included, CARB would not be able to verify reporting entity lists with the Franchise Tax Board records. Additionally, since partnerships are subject to the fee, any revenue flowing from the partnership to the partner/owners should be excluded to avoid double counting the revenue at entities that are subject to the fee.

II. Calculation of Fees

§ 96073. The current fee structure does not achieve the stated goal of the law because it assesses the fee based on corporate structure (i.e., allocates a fee to each entity or subsidiary that meets the criteria for reporting), not at the level of the organization where financial/investment and pollution abatement decisions are made (i.e., parent level for companies that report at the parent level).

III. Use of Definitions

The California Retailers Association recommends aligning key definitions in the regulation with widely accepted international reporting standards, for example:

- Using the GHG Protocol definitions for Scope 1 and Scope 2 emissions
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CRA’s view is that closer alignment with global frameworks would reduce the risk of differing interpretations and support better comparability across companies.

If CARB’s Climate Disclosure Team has questions or needs additional information on the issues raised in this letter, please do not hesitate to contact me directly either at 916/443-1975 or

Sarah@calretailers.com

Sincerely,

A handwritten signature in dark ink, appearing to read "Sarah Pollo Moo", with a long horizontal flourish extending to the right.

Sarah Pollo Moo
Director, Public Affairs
California Retailers Association

CC: cotb@arb.ca.gov

Attachments: Previous Correspondence Sent to CARB for This Rulemaking



October 26, 2025

Submitted Electronically via CARB's Public Docket and via Climatedisclosure@arb.ca.gov.

**Re: California Corporate Climate Regulations (Senate Bills 253 and 261 as Amended by SB 219)
Draft Reporting Template for Scope 1 and Scope 2 GHG emissions and Other Comments**

To CARB Climate Disclosure Team:

The California Retailers Association (CRA) appreciates the opportunity to continue to provide comments on the rulemaking for Senate Bills 253 and 261, as Amended by SB 219, California's Corporate Greenhouse Gas (GHG) Reporting and Climate Related Financial Risk Disclosure Programs.

CRA is the only statewide trade association representing all segments of the retail industry including general merchandise, department stores, mass merchandisers, on-line marketplaces, restaurants, convenience stores, supermarkets and grocery stores, chain drug and specialty retail such as auto, vision, jewelry, hardware and home stores. The California Retailers Association works on behalf of California's retail industry, a driving force of California's economy, with over 400,000 retail establishments, an annual gross domestic product of \$330 billion and one fourth of California's total employment.

The retail industry is committed to the goals of SBs 253 and 261 as amended by SB 219 and has made investments in sustainability practices and appreciates the opportunity to participate in the rulemaking process for California's Corporate Climate Reporting Regulations.

Below, CRA summarizes our members' questions, comments and concerns that remain during the rulemaking process as well as previous comments we submitted to CARB that we have not received responses to. We also included CRA's original responses to CARB's set of questions released earlier this year.

We look forward to ongoing dialogue and are happy to make our subject matter experts available to answer specific questions or provide additional information that may be useful as CARB moves forward with finalizing California's Corporate Climate Reporting regulations.

Remaining Concerns, Questions and Comments on the Draft Corporate Climate Reporting Regulations

I. SB 253 Draft Template

The California Retailers Association requests confirmation from CARB, related to the draft template for SB 253 compliance CARB published on October 10, that if a company uses a more up-to-date GWP factor than what the template is keyed to (AR6 instead of AR4), would the company still be considered in compliance? We understand that the template is both draft and, for now, optional, but we do want to make sure companies are not being penalized for using more updated GWP factors. The CARB template

is using an outdated version of a standard and many, if not most, companies that fall under SB 253 are using the newer version.

II. “Climate-Related Financial Risk”

The California Retailers Association requests clarity from CARB on the following section regarding SB 261 and “Climate-Related Financial Risk” (see italics below). Following comments submitted on this issue, CARB’s August 21, 2025 workshop and review of [CARB’s FAQs/resources](#), we still have remaining concerns and unanswered questions on the issue of “Climate-Related Financial Risk”.

The California Retailers Association is concerned that “Climate-Related Financial Risk” will ask organizations to submit hard numbers on climate disclosures. Many companies do not want to disclose exact numbers due to the costly and overly burdensome operational lift and confidentiality standards.

(2) “Climate-related financial risk” means material risk of harm to immediate and long-term financial outcomes due to physical and transition risks, including, but not limited to, risks to corporate operations, provision of goods and services, supply chains, employee health and safety, capital and financial investments, institutional investments, financial standing of loan recipients and borrowers, shareholder value, consumer demand, and financial markets and economic health.

III. Disclosure Submission

The California Retailers Association requests that CARB provide clarity on the disclosure submission timeline. Will disclosure submission be based on a fiscal calendar year or a rolling 12-month timeline? Many companies have a lot of internal confusion on this issue with where the rulemaking sits. We formally submitted this request for clarity in the rulemaking via email (Climatedisclosure@arb.ca.gov) on September 10, 2025, and are, again, submitting it in this formal letter.

The California Retailers Association seeks clarity from CARB on whether data is for Fiscal Year or Calendar Year, recognizing that companies have different year ends. CARB needs to keep the time of compiling data as equitable as possible for all companies.

IV. Reporting Deadline (Scopes 1 and 2)

a. January 1, 2026, Deadline

Many companies have challenges with CARB setting a reporting deadline of January 1, 2026, for the 2025 calendar year data in SB 261. It will be difficult for companies to finalize 2025 data and report it on January 1st, especially since that is a federal holiday. The California Retailers Association understands CARB has stated “good faith efforts” rather than penalties in the first year of implementation, but we request CARB go further and move the deadline to a date in March 2026, so companies have time to compile full, accurate data with the spirit of ensuring successful compliance.

Additional reasons for compliance difficulty with a January 1, 2026, due date are listed below and were provided to CARB via email (Climatedisclosure@arb.ca.gov) on September 11, 2025.

- Retailers have a particular challenge given most fiscal years end in January vs. December.

- For more background, retailers typically receive final (January) utility bills in March/April. Retailers must do iterative calculations which takes weeks to months, then submit them for verification.
- Verification alone takes 6-8 weeks.
- Ultimately, retailers can do some estimating of missing data to meet the time frame, but then there is less accuracy. Since retailers are tracking towards emissions reductions, retailers would prefer to have more accuracy, and our member companies want to successfully comply with California's Corporate Climate Reporting Laws.

In summary: Retailers' preference is for California to align with the CDP voluntary climate disclosure timeline, which allows more time for accurate calculations and verification. An earlier disclosure date could be a challenge for retailers to get the data from their third parties in time.

b. June 30, 2026, Deadline

In CARBs August 21, 2025, public workshop, CARB sought comment on a proposed June 30, 2026, deadline for Scope 1 and 2 emissions reporting. Many retailers' fiscal year doesn't end until the end of February each year, so a June 30 deadline is not feasible. The California Retailers Association proposes either (1) using the previous fiscal year for the reporting requirement (for example by saying that the June 30, 2026, deadline applies to the fiscal year that ended between January 1, 2025 and December 31, 2025) or (2) having a rolling deadline of six months after a company's fiscal year end for their reporting deadline instead of a hard deadline of June 30, 2026. *The California Retailers Association submitted this comment to CARB via email on September 10, 2025.*

V. Scope 3 Reporting

For Scope 3 emissions, the California Retailers Association is requesting clarity from CARB on whether the Board is expecting all categories to be reported or only those that a company considers material? If CARB hasn't acknowledged that only material categories need to be reported, CRA recommends that CARB clarify that only material Scope 3 categories be required to be reported. *The California Retailers Association also submitted this comment to CARB via email on September 10, 2025.*

If CARB's Climate Disclosure Team has questions or needs additional information on the issues raised in this letter, please do not hesitate to contact me directly either at 916/443-1975 or

Sarah@calretailers.com

Sincerely,



Sarah Pollo Moo Director, Public Affairs
California Retailers Association

Included with this letter:

- California Retailers Association's official responses to CARB's Information Solicitation to Inform Implementation of California Climate-Disclosure Legislation: Senate Bills 253 and 261, as amended by SB 219 released in December 2024

California Retailers Association responses are highlighted in yellow underneath the questions we provided answers for CARB.

**Information Solicitation to Inform Implementation of
California Climate-Disclosure Legislation:
Senate Bills 253 and 261, as amended by SB 219**

General: Applicability

1. SB 253 and 261 both require an entity that “does business in California” to provide specified information to CARB. This terminology is not defined in the statutes.
 - a. Should CARB adopt the interpretation of “doing business in California” found in the Revenue and Tax Code section 23101?

The California Retailers Association Response: No, as this does not specify a revenue threshold.

- b. Should federal and state government entities that generate revenue be included in the definition of a “business entity” that “does business in California?”
 - c. Should SB 253 and 261 cover entities that are owned in part or wholly owned by a foreign government?
 - d. Should entities that sell energy, or other goods and services, into California through a separate market, like the energy imbalance market or extended day ahead market, be covered?
2. What are your recommendations on a cost-effective manner to identify all businesses covered by the laws (i.e., that exceed the annual revenue thresholds in the statutes and do business in California)?
 - a. For private companies, what databases or datasets should CARB rely on to identify reporting entities? What is the frequency by which these data are updated and how is it verified?
 - b. In what way(s) should CARB track parent/subsidiary relationships to assure companies doing business in California that report under a parent are clearly identified and included in any reporting requirements?

General: Standards in Regulation

3. CARB is tasked with implementing both SB 253 and 261 in ways that would rely on protocols or standards published by external and potentially non-governmental entities.
 - a. How do we ensure that CARB's regulations address California-specific needs and are also kept current and stay in alignment with standards incorporated into the statute as these external standards and protocols evolve?

The California Retailers Association Response: Align with the Task Force on Climate-related Financial Disclosures (TCFD) and ISSB reporting and standardize reporting in alignment with either framework. Additionally, we recommend CARB follow the most updated GHG Protocol standards. If this references external standards and protocols such as the GHG Protocol, the assurance requirements set out by CARB will ensure that company reporting is in alignment with the evolving guidance.

The GHG Protocol was designed in 1998 and is the standard framework for measuring and reporting greenhouse gas emissions, making it the most common method for corporate carbon accounting and reporting globally. Additionally, the Task Force on Climate-Related Financial Disclosure (TCFD) provides guidelines for companies seeking to assess and mitigate their exposure to climate-related risks. Since incorporation of the TCFD into the International Sustainability Standards Board, it provides a structural approach to a complex, highly technical process that involves four themes: governance, strategy, risk management and metrics and targets.

Both standards have a transparent governance process to take feedback, allow for updates and publish a basis for conclusions. CRA recommends that CARB adopt both standards to ease compliance for reporting companies.

- b. How could CARB ensure reporting under the laws minimizes a duplication of effort for entities that are required to report GHG emissions or financial risk under other mandatory programs and under SB 253 or 261 reporting requirements?

The California Retailers Association (CRA) Response: We stress the importance of alignment with existing mandatory regulations and programs. For example, SEC regulation and European Union CSRD, which is the directive on corporate sustainability reporting that empowers the European Union Commission to adopt delegated and implementing acts to specify how competent authorities and market participants shall comply with the obligations laid down in the directive. In particular, CRA stresses the importance of aligning Scope 3 emission reporting and assurance:

- As currently written, CA requires limited assurance in 2030 whereas SEC regulation requires reasonable assurance in 2034.
- As currently written and understood, CA requires disclosure and verification on all categories of Scope 3, but later references the use the GHG Protocol to comply, which refers to disclosing relevant categories of

Scope 3 emissions. Clarity will be necessary in the final draft of CARB's regulations.

The use of "relevant" categories is similar in CSRD, which requires disclosure of significant categories of Scope 3.

Additionally, CRA recommends CARB outsource to a third party like CDP for reporting emissions so companies aren't disclosing the same information in multiple places. Similarly, since SB 261 is TCFD-aligned, CARB can access the TCFD disclosure in a company's annual ESG report to satisfy this requirement. We recommend CARB accept the CDP Climate reporting in accordance with TCFD guidance.

- c. To the extent the standards and protocols incorporated into the statute provide flexibility in reporting methods, should reporting entities be required to pick a specific reporting method and consistently use it year-to-year?

The California Retailers Association (CRA) Response: Given the multitude of frameworks and protocols in the statute, CRA recommends CARB provide companies with the flexibility to adjust their reporting methods year over year with a constantly changing and evolving reporting environment. There are times when retailers change methods as data collection improves. If retailers change methods, similar to standard accounting procedures, companies should be able to explain the reasoning behind the change.

Flexibility with the option for companies to utilize common reporting disclosures as the basis for compliance (i.e., CDP questionnaire) would be ideal. Additionally, companies are always looking for opportunities to standardize across jurisdictions to ease the patchwork of regulations that are being adopted at the state-level across the country. CRA recommends CARB utilize common reporting disclosures to allow for consistency and efficiencies.

General: Data Reporting

4. To inform CARB's regulatory processes, are there any public datasets that identify the costs for voluntary reporting already being submitted by companies? What factors affect the cost or anticipated cost for entities to comply with either legislation? What data should CARB rely on when assessing the fiscal impacts of either regulation?

The California Retailers Association (CRA) Response: Anticipated costs are impacted by the usage of carbon accounting/ESG data platforms, associated set up/management fees, and related headcount requirements. Additional costs include consultant labor to obtain and analyze relevant data and develop reports.

For companies that have not completed a GHG inventory and set targets, this reporting will be significantly more expensive initially. Costs depend on business size, where a company does business, whether a company has in-house staff to conduct the assessment and subsequent reporting, the variety of a company's product categories, and more. For example, a company that sells consumer goods must evaluate the environmental/GHG impact of the use and disposal of those goods.

The number of approved assurance providers will also impact costs (e.g., if only the big 4 are allowed, costs will go up).

Requiring reasonable vs limited assurance will drive costs. Reasonable assurance will be more expensive and burdensome from both an audit and resources perspective. CRA is concerned about labor costs if enough time is not allowed following the end of the fiscal year for reporting – at least 180 days is recommended.

CRA recommends CARB conduct a survey or study to determine what the costs are today for companies to do climate disclosures - consultants, submission fees, audit fees, tech platforms, etc.

5. Should the state require reporting directly to CARB or contract out to an "emissions" and/or "climate" reporting organization?

The California Retailers Association (CRA) Response: Many entities already report emissions through CDP. This tool could be leveraged and reporting companies could select an option to share emissions to CARB through the CDP portal. CARB could outsource to another third party like CDP for reporting, so companies aren't disclosing the same information in multiple places.

Alternatively, if CARB maintains a disclosure website for SBs 253 and 261, companies that include Scope 1-3 emissions and TCFD disclosure in their annual ESG report should be given the option to provide a link to the report on the CARB disclosure website to satisfy reporting requirements for both SBs 253 and 261.

CRA recommends CARB allow for CDP Climate reporting to “count” in lieu of direct reporting and therefore reduce additional workload for companies that are already voluntarily reporting. We urge the Board to explore the option to use the CDP platform for all emissions reporting so reporting is consolidated under one resource.

CRA would also recommends CARB allow companies to utilize Workiva or CDP (where a data feed transferred over more "seamlessly"); conversely, CRA would also prefer that it is not aligned to CSRD reporting, as many companies are not currently beholden to those disclosure regulations.

Retailer companies want to use the platforms they already use (e.g. S&G report, website, etc).

6. If contracting out for reporting services, are there non-profits or private companies that already provide these services?

The California Retailers Association (CRA) Response: CARB should outsource to a third party like CDP for reporting, so companies aren’t disclosing the same information in multiple places. CDP <https://www.cdp.net/en>

Any standardization would need to happen by industry. CRA requests that Scope 3 does not require assurance and reiterates that retail companies should be able to use their existing platforms (e.g. S&G report, etc).

SB 253: Climate Corporate Data Accountability Act

7. Entities must measure and report their emissions of greenhouse gases in conformance with the GHG Protocol,¹ which allows for flexibility in some areas (i.e. boundary setting, apportioning emissions in multiple ownerships, GHGs subject to reporting, reporting by sector vs business unit, or others). Are there specific aspects of scopes 1, 2, or 3 reporting that CARB should consider standardizing?

The California Retailers Association (CRA) Response: Boundaries, market vs. location-based scope 2 emissions, and different scope 3 categories should be taken into consideration. CRA recommends CARB consider whether the reporting should include US operations only or global operations. For companies that have a global footprint, it will prove challenging to separate the two.

We recommend CARB allow companies to follow pre-established guidance and existing framework outlined in the GHG Protocol or other established accounting standards, which allow for flexibility, but are credible and widely accepted and used and to avoid introducing separate standards.

If various states set state specific “standards” this will become a very complex reporting landscape. The existing frameworks allow for consistency across all reporting requirements.

Fiscal year is preferred. Retailers also need enough time (180 days) after the fiscal year ends to ensure

companies can report.

8. SB 253 requires that reporting entities obtain “assurance providers.” An assurance provider is required to be third-party, independent, and have significant experience in measuring, analyzing, reporting, or attesting in accordance with professional standards and applicable legal and regulatory requirements.
 - a. For entities required to report under SB 253, what options exist for third-party verification or assurance for scope 3 emissions?

The California Retailers Association (CRA) Response: CRA recommends Assurance, which allows the ISO standard - standard for emissions - or other established accounting standards like ISAE. Many assurance vendors exist and are experts in GHG emissions assurance, which differs from financial assurance. CRA urges CARB to not use SB 253 to mandate that companies use a Big 4 accounting firm for emissions assurance. Additional options for standard verification/assurance providers are: Keramid Standard, KPMG and Apex.

- b. For purposes of implementing SB 253, what standards should be used to define limited assurance and reasonable level of assurance? Should the existing definition for “reasonable assurance²” in MRR be utilized, and if not why?

The California Retailers Association (CRA) Response: The existing definitions of reasonable vs. limited assurance should remain as those are the standards that companies have already been using to inform their assurance reports.

Assurance allows ISO standard, which is standard for emissions, or other established accounting standards. CRA recommends CARB establish definitions for limited and reasonable assurance, which have been in place for emissions verification for many years. There is no need to create something new.

The ability to use commonly-accepted assurance standards is preferred (i.e., AICPA standards, ISO standards, international standards, etc). The International Auditing and Assurance Standards Board (IAASB) is the comprehensive standard for both reasonable and limited assurance engagements on non-financial information.

Some assurance providers only use certain standards so clarity on acceptable standards, as well as provider qualifications is needed.

Additional clarity about the reporting requirements is needed for retailers to estimate costs (e.g., a mandate to use a big 4 accounting firm would increase company costs of compliance).

It is better to keep at limited assurance. Jumping to “reasonable assurance” will be more expensive and resource-intensive for companies.

9. How should voluntary emissions reporting inform CARB's approach to implementing SB 253 requirements? For those parties currently reporting scopes 1 and 2 emissions on a voluntary basis:
- c. What frequency (annual or other) and time period (1 year or more) are currently used for reporting?

The California Retailers Association (CRA) Response: Annual reporting on one fiscal year of data is the frequency and time period currently being used for reporting.

The timing for reporting should be relative to a company's fiscal year close in order to allow time for companies to calculate and assure data. October would be recommended since it aligns with CDP disclosure, which many companies are already reporting to. Major annual reporting requirements are 180 days or more for retail companies.

- d. When are data available from the prior year to support reporting?

The California Retailers Association (CRA) Response: Historically, emissions data becomes available at the end of February or early March (throughout Q1 and sometimes even into Q2) and is not finalized until early Summer. This then requires verification. Therefore, data is not ready to be reported typically until six months following the fiscal year end. This can range from late July to late August or in October to align with CDP Climate disclosure timeline.

- e. What software systems are commonly used for voluntary reporting?

The California Retailers Association (CRA) Response: Software systems commonly used for voluntary reporting emissions data in an annual ESG Report include: Watershed, Persefoni, Net Zero Cloud, Carbon Trail, Schneider Electric, Workiva, CDP Climate, S&P Global's CSA, and other voluntary ESG surveys. Some companies still do calculations in Excel. GHG calculations are performed in these software systems and reported through the CDP Climate disclosure platform.

SB 261: Climate Related Financial Risk Disclosure

10. For SB 261, if the data needed to develop each biennial report are the prior year's data, what is the appropriate timeframe within a reporting year to ensure data are available, reporting is complete, and the necessary assurance review is completed?

The California Retailers Association (CRA) Response: The timeframe should be at least six months following a company's fiscal year end and align with timing for SB 253 and CDP deadlines. Synchronizing timing for these bills will minimize the reporting burden on companies.

¹ <https://ghgprotocol.org/>

² "Reasonable Assurance" under MRR means a "high degree of confidence that submitted data and statements are valid.

11. Should CARB require a standardized reporting year (i.e., 2027, 2029, 2031, etc.), or allow for reporting any time in a two-year period (2026-2027, 2028-2029, etc.)?
12. SB 261 requires entities to prepare a climate-related financial risk report biennially. What, if any, disclosures should be required by an entity that qualifies as a reporting entity (because it exceeds the revenue threshold) for the first time during the two years before a reporting year?

The California Retailers Association (CRA) Response: CRA recommends CARB begin with Scope 1 & 2 emissions for year one and provide a two-year cycle grace period for other climate related financial risks and metrics such as scenario analysis and quantification of material risks.

13. Many entities that are potentially subject to reporting requirements under SB 261 are already providing other types of climate financial risk disclosures.
 - f. What other types of existing climate financial risk disclosures are entities already preparing?

The California Retailers Association (CRA) Response: Existing climate financial disclosures companies are already preparing include: ISSB, ESG Reports, 10K reports, Proxy statements, CDP Climate and Corporate Responsibility Reporting following Task Force on Climate-Related Financial Disclosures (TCFD) guidelines.

- g. For covered entities that already report climate related financial risk, what approaches do entities use?

The California Retailers Association (CRA) Response: Companies are using the following approaches: Climate risk/scenario analysis; Enterprise Risk Management; EU Taxonomy. CRA recommends that CARB allow companies to align the definition of materiality / substantive impact with existing company frameworks, such as enterprise risk management or other financial reporting frameworks across the organization. This approach aligns with CSRD.

- h. In what areas, if any, is current reporting typically different than the guidance provided by the Final Report of Recommendations of the Task Force on Climate-related Financial Disclosures?

The California Retailers Association (CRA) Response: Aligned with TCFD.

- i. If not consistent with the Final Report of Recommendations of the Task Force on Climate-related Financial Disclosures, are there other laws, regulations, or listing requirements issued by any regulated exchange, national government, or other governmental entity that is guiding the development of these reports?

The California Retailers Association (CRA) Response: CSRD; ISSB/IFRS S2. TCFD is folding into the IFRS Foundation standard: <https://www.ifrs.org/issued-standards/ifrs-sustainability-standards-navigator/>

Respondents may also provide any additional information they feel is important to inform staff's work to

Additional, over-arching comments and concerns by the California Retailers Association (CRA) include:

Top priorities in rulemaking for CRA are:

1. Maintain reporting based on Fiscal Year
2. Provide sufficient timing to report (minimum 180 days). Businesses need enough time (180 days) after the fiscal year ends to ensure they can gather data, complete calculations, and obtain assurance
3. "Reasonable assurance" level creates biggest cost burden.
4. Compliance Costs: Overly complex requirements could lead to the need for implementing costly new systems and processes. Retailers would need to invest in new software, hire additional staff, or seek external consultants to ensure compliance.
5. Scope 3 Emissions: Although not immediately required, future reporting of Scope 3 emissions (indirect emissions from the entire value chain) is a significant concern. Retailers will need to engage with suppliers and other partners to gather this data, which can be complex and time-consuming. We will need clearly defined thresholds to exempt small and medium sized businesses.
6. Defining Materiality: Retailers need strong indicators of what is material and what is not, as well as acceptable methods for screening Scope 3 emissions. This will help ensure that the reporting is both accurate and relevant, and that it meets regulatory expectations.
7. Subsidiary of Parent Company Reporting Obligations: The inclusion of non-California subsidiaries in the parent company's emissions reporting significantly increases the data collection and reporting burden, creates operational discrepancies, requires additional resources, leads to regulatory overlap, and exposes companies to reputational risks due to potential misinterpretation of consolidated data. Additionally, these subsidiaries may be immaterial to the overall emissions profile, making their inclusion unnecessary and burdensome.

Companies currently disclose Scope 1 and 2 GHG emissions, and two categories of Scope 3 GHG emissions in its annual voluntary sustainability report and all Scopes and applicable categories of emissions through CDP. Companies evaluate whether their current disclosures would comply with all specific information and data required under the California laws, acknowledging that much of the information and data they disclose does conform in principle with the California laws' requirements.

Sustainability consultants assist companies with their GHG emissions data gathering and calculations, and obtain limited assurance over their disclosed emissions from third-party assurance providers. Costs associated with these services are contemplated within companies' disclosure to CDP and not

necessarily related to additional disclosures that would be required by the California climate-related disclosure laws.

Nonetheless, costs associated with additional external service providers, such as those for financial-related guidance and support, as well as assurance, may be incurred and are unascertainable at present time.

In addition to these general statements and concerns regarding SBs 253 and 261, CRA has questions about CARB's expectations for compliance with the requirements of the California climate-disclosure laws, in particular those included in SB 261:

- Does CARB expect the "biennial report" to cover a two-year period?
- Would a report issued "at least every two years" with annual information and data, which aligns with typical reporting commitments by a large-cap company, satisfy the "biennial report" obligation?
- Will disclosures under SB 261 need to be standardized across respondents?
- If CARB expects a standard format for SB 261 reports, will the Board issue a template for completion by responding entities?
- If a company responds to the annual CDP questionnaire, which itself is aligned with the TCFD recommendations and the ISSB IFRS S2 climate standard, could that company publish a copy of its CDP response on its own website to satisfy the requirements of SB 261?

Further, CRA has questions about CARB's expectations for compliance with the requirements of the GHG emissions disclosures and specific formatting for regulations to be promulgated under SB 253:

- Given CARB's focus on minimizing the duplication of efforts for entities that are required (or elect) to disclose emissions (and financial risk) under other programs, could compliance be satisfied through the sharing of existing disclosures, such as those submitted to CDP?
- Is CARB considering allowing for qualitative explanation to accompany emissions data?
- If CARB requires disclosers to follow a specific methodology or protocol, and that methodology or protocol is not one currently used by a company, will CARB grant a "grace period" for disclosures to allow for companies to change their approach on capturing and reporting relevant GHG emissions data?

April 13, 2026

Lauren Sanchez
Chair
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Submitted Electronically via CARB Internet Comment Form and Email: climatedisclosure@arb.ca.gov

Re: Timing of Response to CARB's March 23 Workshop: California Corporate Greenhouse Gas Reporting Program

Dear Chair Sanchez:

The undersigned organizations write regarding the California Air Resources Board's ("CARB") request for feedback on topics raised during its March 23, 2026, public workshop (the "March Workshop") concerning the development of regulations to implement Senate Bill 253 (as amended and codified in Health & Safety Code § 38532, "SB 253").

On April 3, 2026, the Society for Corporate Governance (the "Society"), joined by the Bank Policy Institute ("BPI"), submitted a letter to CARB expressing concern regarding the April 13 deadline for public comments on the March Workshop and requesting confirmation that CARB will meaningfully consider substantive input submitted after the deadline if it is not significantly extended. We support and join that request and submit this letter to reflect the shared views of the undersigned organizations. A copy of that letter is attached for reference.

The undersigned organizations represent a broad cross-section of companies and stakeholders that are actively engaged in greenhouse gas accounting, disclosure, and assurance practices, including entities with demonstrated leadership in emissions accounting and public disclosure.¹ Across our respective memberships, there is a shared view that CARB's three-week comment period does not provide sufficient time to gather and prepare robust input on the important, complex, and highly technical topics presented at the March Workshop.

As reflected in the Society and BPI letter, the issues raised—including Scope 1, Scope 2, and Scope 3 reporting approaches, accounting methodologies, assurance frameworks, and cost considerations—are not only complex but also central to CARB's ability to implement SB 253 in a manner that is interoperable and not unnecessarily burdensome, consistent with statutory requirements.

Accordingly, for reasons including the above and those set forth in the Society and BPI letter, we respectfully request CARB's express written confirmation that it will review and meaningfully consider stakeholder input submitted on or before June 1, prior to initiating the formal rulemaking process referenced during the March Workshop.

We note that CARB updated its website on April 6 to state that "informal comments will be received until June 1." However, it is unclear what is meant by "informal comments," whether and how such comments will be considered, or whether they will be incorporated into the rulemaking process. In the absence of clear confirmation, stakeholders remain concerned that input submitted after April 13 may not be fully considered prior to the initiation of formal rulemaking.

¹ "In developing the regulations required pursuant to [SB 253], [CARB] shall consult with [...] [r]eporting entities that have demonstrated leadership in full-scope greenhouse gas emissions accounting and public disclosure and greenhouse gas emissions reductions." See CA Health & Safety Code § 38532(c)(5).

We appreciate CARB's ongoing engagement with stakeholders and would welcome the opportunity to further discuss these issues.

Respectfully submitted,

Society for Corporate Governance
Bank Policy Institute
California Bankers Association
California Retailers Association
California Water Association
Securities Industry and Financial Markets Association



April 3, 2026

Lauren Sanchez
Chair
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Submitted Electronically via CARB Internet Comment Form and Email: climatedisclosure@arb.ca.gov

Re: Timing of Response to CARB's Proposed Rulemaking to Implement the California Corporate Greenhouse Gas Reporting Program

Dear Chair Sanchez:

The Society for Corporate Governance ("Society") submits this letter in response to the California Air Resources Board's ("CARB") request for feedback on topics raised during its March 23, 2026, public workshop (the "March Workshop") regarding the development of regulations to implement Senate Bill 253 (as amended and codified in Health & Safety Code § 38532, "SB 253"). This letter expresses our concern regarding CARB's April 13 deadline for public comments on the March Workshop and requests confirmation that CARB will meaningfully consider substantive input submitted after the deadline if it is not significantly extended.

CARB has provided public stakeholders just three weeks to prepare and submit comments on the wide range of topics and related proposals, requests, and questions, many of which are highly technical and data-intensive, presented at the March Workshop.¹ These include the approach for setting organizational boundaries for greenhouse gas ("GHG") emissions reporting, adjustments to Scope 1 and 2 GHG emissions reporting (including mandatory use of CARB-specific Scope 1 and 2 reporting templates),² regulatory options for Scope 3 GHG emissions reporting, GHG accounting methods, assurance engagements, and companies' estimated costs for compliance as compared to CARB's estimates included in its presentation slides. Based on the scope of the topics, proposals, requests, and questions, three weeks does not provide sufficient time for companies to conduct the information gathering and analysis necessary to prepare thoughtful and constructive responses to CARB.

As outlined in the Society's prior letters to CARB,³ there are significant variations in practice across organizations on GHG emissions accounting, disclosure, and assurance. The Society intends to provide

¹ See CARB's March Workshop [Slides](#) at p. 40.

² The Society has previously expressed concerns about the mandatory use of reporting templates due to, among other factors, deviations from the Greenhouse Gas Protocol and confidentiality and privacy concerns. See Society [Comment Letter](#) in Response to Draft Reporting Template for Scope 1 and Scope 2 GHG Emissions and [Appendix A](#) (November 2025).

³ The Society has engaged with CARB's proposals in prior submissions, including:

- Society [Comment Letter](#): Proposed California Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure Initial Regulation (February 2026).
- Society [Comment Letter](#) in Response to Draft Reporting Template for Scope 1 and Scope 2 GHG Emissions and [Appendix A](#) (November 2025).
- Society [Letter](#) to CARB in Response to Request for Comments Following August 21, 2025 Public Workshop (September 2025).
- Society [Letter](#) to CARB: Feedback on August 21, 2025 Public Workshop (August 2025).
- Society [Recommendations](#) for CARB's Consideration for August 21, 2025, Public Workshop, "[Doing Business in California](#)" [Decision Trees](#) and [Enforcement Relief Table](#) (August 2025).
- Society [Comment Letter](#): Information Solicitation to Inform Implementation of California Climate-Disclosure Legislation: Senate Bills 253 and 261, as amended by Senate Bill 219 (March 2025).

substantive feedback regarding CARB's proposals on these topics based on the experience of its members, including members whose companies have demonstrated leadership in emissions accounting and public disclosure.⁴ However, as a practical matter, the Society will not be able to solicit and assess feedback from its members on CARB's proposals, questions, and request for cost estimates by April 13, 2026.

CARB's proposals, questions, and requests for cost estimates are not just complicated, they are also critically important to CARB's ability to meet its statutory mandates. CARB's regulatory approach with respect to each of the topics covered in the March Workshop will have significant implications for the compliance complexity, cost, and capacity of reporting entities and their assurance providers. Under SB 253, CARB needs to carefully consider, among other things, the interoperability of SB 253 reporting with reporting practices developed in alignment with other frameworks or standards, including the Greenhouse Gas Protocol.⁵ As required under SB 253, CARB must ensure that its emissions reporting requirements "minimize[] duplication of effort", and promote interoperability by allowing reporting entities to submit reports prepared to meet other national and international reporting requirements.⁶ CARB's approach should leverage established frameworks and practices where appropriate.

Therefore, to (1) meet its mandate under SB 253, (2) account for the practical realities of reporting companies and their assurance providers, and (3) reduce the unnecessary regulatory burden on entities consistent with California's Administrative Procedure Act,⁷ it is essential for CARB to receive comprehensive and well-informed data from reporting entities on their GHG accounting, disclosure, and assurance practices, and to meaningfully consider that feedback in CARB's rulemaking.

Accordingly, with respect to the proposals, questions, and requests presented at the March Workshop, the Society and the Bank Policy Institute ("BPI") respectfully request CARB's prompt written confirmation that it will review and meaningfully consider any substantive response submitted by the Society and/or BPI on or before Monday, June 1, 2026, prior to initiating formal rulemaking.⁸

As always, we welcome the opportunity to further discuss our request with CARB.

⁴ "In developing the regulations required pursuant to [SB 253], [CARB] shall consult with [...] [r]eporting entities that have demonstrated leadership in full-scope greenhouse gas emissions accounting and public disclosure and greenhouse gas emissions reductions. See CA Health & Safety Code § 38532(c)(5).

⁵ See CA Health & Safety Code § 38532(c)(2)(A)(ii).

⁶ See CA Health & Safety Code § 38532(c)(2)(D)(i).

⁷ See CA Government Code § 11340.1(a).

⁸ "Formal rulemaking" has the same meaning as the term used in CARB's March Workshop [Slides](#) at p. 9. We note that the Society provided substantive comments on, and met with CARB staff regarding, the proposed Climate Data and Financial Risk Reporting Regulation ("Initial Regulation"), including on the approach and timing of reporting under SB 253, proposed fee structure and timing, and other topics. The Initial Regulation was adopted largely as proposed, without addressing the Society's comments and recommendations. As a result, we are concerned that any comments we provide following the initiation of CARB's formal rulemaking process will not be taken into account in CARB's final regulations.

Respectfully submitted,



Randi Val Morrison
General Counsel & Chief Knowledge Officer
Society for Corporate Governance



Paul F. Washington
President & Chief Executive Officer
Society for Corporate Governance

We join the Society in expressing our concern regarding CARB's April 13 deadline for public comments and in requesting confirmation that CARB will meaningfully consider substantive input submitted after the deadline if it is not significantly extended as set forth above.

Respectfully Submitted,

/s/ Sam Riley

Sam Riley
Head of International Regulatory Policy, Senior Vice President and Senior Associate GC
Bank Policy Institute



The Bank Policy Institute (BPI) is a nonpartisan public policy, research and advocacy group, representing the nation's leading banks and their customers. Our members include universal banks, regional banks and the major foreign banks doing business in the United States. Collectively, they employ nearly 2 million Americans, make nearly half of the nation's small business loans and are an engine for financial innovation and economic growth.

August 4, 2026

Ms. Sydney Vergis
Assistant Division Chief – Industrial Strategies Division
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Re.: SB 253 – Comments on SB 253 Corporate Greenhouse Gas Reporting Workshop

Dear Ms. Vergis,

BMW Group appreciates the opportunity to provide feedback following CARB's latest workshop on implementation of SB 253, the Climate Corporate Data Accountability Act. BMW Group supports transparent, comparable greenhouse gas ("GHG") emissions disclosure and encourages CARB to implement the program in a manner that is practical, globally aligned, and avoids duplicative reporting obligations.

012.1 For global manufacturers already subject to international climate reporting regimes, the most effective SB 253 framework will be one that recognizes existing governance, calculation, and assurance processes under the GHG Protocol, ESRS, IFRS S2, and comparable standards.

BMW Group respectfully recommends that CARB align SB 253 implementation with the GHG Protocol, ESRS, IFRS S2, and other equivalent frameworks. California-specific methodologies should be avoided unless required by statute, as they would increase burden, reduce comparability, and require duplicative reporting systems.

CARB should also allow companies to rely on emissions data, methodologies, consolidation approaches, and assurance processes developed under equivalent global regimes where those processes satisfy the substantive requirements of SB 253. Recognizing existing reporting systems will help ensure that California's program produces consistent, comparable information without requiring companies to rebuild established global controls for a California-only process.

BMW Group recommends that the use of primary data remains voluntary, recognizing that such data can be difficult to obtain, particularly across complex global supply chains and third-party data sources. CARB should allow companies to rely on reasonable estimates, secondary data, and established calculation methodologies where primary data is unavailable or impracticable to collect.

BMW Group requests clarification regarding the treatment of data exclusions described on slide 19 of CARB's workshop presentation, which states:

“Reporting entities may exclude GHG emissions sources, activities, Scope 3 categories, or other information where the omission, misstatement, or obscuring could not be reasonably expected to influence the decisions, assessments, or understanding of users of the disclosure regarding the reporting entity’s GHG emissions inventory, climate-related risks, opportunities, or impacts.”

BMW Group understands this language to reflect a materiality-based approach to data exclusions. CARB should clarify whether this approach allows reporting entities to determine which of the five recommended Scope 3 categories they will report based on whether each category is material to the entity’s emissions inventory, climate-related risks, opportunities, or impacts.

BMW Group further recommends a practical approach to methodological disclosures. CARB should not require quantitative uncertainty metrics or overly granular source-level disclosures. Companies should be permitted to describe methodologies, data sources, and key assumptions at an appropriate level of aggregation consistent with established reporting frameworks.

For Scope 3 emissions, CARB should maintain a phased, materiality-based approach. Companies should be allowed to prioritize material categories and exclude immaterial categories or sources based on reasonable, entity-specific thresholds, with appropriate disclosure of the basis for exclusion.

CARB should permit aggregate CO₂e reporting and should not require reporting by individual greenhouse gas or source type. Requiring source-type reporting would diverge from established global reporting practices and add unnecessary complexity without improving the decision-usefulness of the disclosure.

CARB should also align treatment of biogenic emissions, methodology changes, and prior-year recalculations with ESRS and the GHG Protocol, including materiality-based recalculation thresholds. Maintaining consistency with these frameworks will improve comparability and reduce the risk of conflicting reporting obligations. Under ESRS 2.0, beginning in 2027, separate reporting of biogenic emissions for Scope 2 and Scope 3 will no longer be required.

012.2 Finally, BMW Group appreciates CARB’s extension of the 2026 Scope 1 and Scope 2 reporting deadline to November 10 and recommends maintaining that date in future years. CARB should also recognize group-level assurance where it covers the relevant emissions data under accepted assurance standards.

012.3 BMW Group respectfully urges CARB to implement SB 253 through a flexible, globally interoperable framework that delivers transparent and decision-useful emissions information while minimizing unnecessary administrative burden. BMW Group appreciates CARB’s continued engagement and welcomes the opportunity to work with staff as the program is finalized.

Respectfully,



Linda White
Director Government & External Affairs

BMW of North America

BMW Group in the U.S.

BMW Group began operations in the U.S. over 50 years ago. In addition to the sales, marketing, and distribution of BMW, MINI, Rolls-Royce, and BMW Motorrad vehicles, BMW Group's business in the U.S. spans 30 locations in 12 states including BMW Group Financial Services, BMW Manufacturing, Designworks, BMW Technology Office USA, and BMW i Ventures. The company's U.S. plant in South Carolina is the largest single BMW production facility in the world and the global center of competence for BMW Sports Activity Vehicles. The BMW Group sales organization is represented by a nationwide network of 355 BMW retailers, 147 BMW motorcycle retailers, 104 MINI passenger car dealers, and 38 Rolls-Royce Motor Car dealers. Taken together, BMW Group's business activities in the U.S. provide and support over 120,000 jobs and contribute more than \$43.3 billion to the U.S. economy annually. For more information about BMW Group's business and products in the U.S., please visit: [PressClub USA](#).

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August 11, 2026

Clerk's Office
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Re: Comments on Proposed 15-Day Changes to Proposed California Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure Initial Regulation

Dear California Air Resources Board,

Sequent Energy Management, LLC ("Sequent"), a subsidiary of The Williams Companies, appreciates the opportunity to provide comments on the proposed 15-day changes to regulations proposed by the California Air Resources Board ("CARB") on December 9, 2025, to implement Senate Bill 253 (Climate Corporate Data Accountability Act) and Senate Bill 261 (Climate-Related Financial Risk Disclosure Program), as amended by Senate Bill 219 (the "Initial Regulation").

Sequent is a marketer of natural gas that serves customers across the United States, including customers in California. Our business model is centered on the wholesale marketing of energy commodities, and our operations are conducted entirely outside California's borders. Importantly, Sequent has no physical presence in the state, as it does not own or operate infrastructure or physical assets within the state, nor does it have any personnel in California. Sequent transacts only at wholesale market delivery points associated with interstate commerce (i.e. citygate hubs) and not with end users in the state.

Sequent previously submitted comments to CARB on the proposed Initial Regulation on February 9, 2026 (see attached), which Sequent incorporates into this comment in their entirety. In those February 2026 comments, Sequent identified four key modifications to the proposed Initial Regulation that would ensure the rules do not overly burden interstate commerce and do not treat similarly situated energy companies whose only transactions are in interstate commerce differently:

- 013.1 1) Provide parity for natural gas marketers without a physical presence in California by expanding the existing exemption for entities whose only business in California is wholesale electricity transactions to entities whose only business in California is wholesale natural gas transactions;
- 013.2 2) Establish a de minimis exemption based on the portion of a company's total revenue generated in California;

- 013.3 3) Base applicability of disclosure requirements on an operational nexus rather than on the California tax code, which was not designed for an environmental disclosure program, and
- 013.4 4) Revise the definition of “doing business in California” to incorporate a two-year look-back for purposes of the sales threshold and to exclude wholesale sales of natural gas from those sales.

CARB’s final regulation did not incorporate any of Sequent’s requested changes. Now, in its proposed 15-day changes to the Initial Regulation adopted by the Board on February 26, 2026, CARB has proposed revisions that directly involve the provisions Sequent previously commented on; namely, the exemption for entities whose only business in California is wholesale electricity transactions (§ 96071(b)(4)) and the definition of “doing business in California” (§ 96072(a)(8)). CARB has proposed to add the phrase “that occur in interstate commerce” to the phrase “wholesale sales of electricity” in each of these definitions to more closely align those references with the wording used by legislative sponsors Senators Weiner and Stern in their letter to the Senate Daily Journal following passage of SB 253 and SB 261.

013.5 CARB’s proposed changes to these two provisions do not expand them to wholesale natural gas marketers, as Sequent urged in its February 2026 comments. For all the reasons already articulated in those comments as incorporated herein, Sequent again urges CARB to recognize that entities whose only activity in California is the wholesale marketing of natural gas are no different than entities whose only activity in California is the wholesale marketing of electricity. In fact, their level of involvement in the California economy is identical and for this reason, they should be treated identically for purposes of the Initial Regulation. Furthermore, given that wholesale sales of natural gas into California directly support the generation of electricity by providing fuel for electric generating units, CARB’s failure to exempt wholesale marketing of natural gas sales ultimately burdens the cost of the fuel that is necessary for electric generation supporting Californians.

013.6 Sequent supports CARB’s efforts to provide greater clarity in its Initial Regulation by the proposed revisions contained in its 15-day changes, but encourages CARB to reconsider its decision not to offer the same exemption from applicability and from “doing business in California” to wholesale sales of natural gas in interstate commerce as it does for wholesale sales of electricity in interstate commerce.

Sequent appreciates the opportunity to participate in the rulemaking process and would be happy to provide CARB with additional information to support these comments.

Sincerely,

Sequent Energy Management, LLC

February 9, 2025

California Air Resources Board
1001 I Street
Sacramento, CA 95814

Re: Comments on Proposed Regulations for California Climate Disclosures Reporting under SB 253 and SB 261

Dear California Air Resources Board,

Sequent Energy Management, LLC (“Sequent”), a subsidiary of The Williams Companies, appreciates the opportunity to provide comments on the regulations proposed by the California Air Resources Board (“CARB”) on December 9, 2025, to implement Senate Bill 253 (Climate Corporate Data Accountability Act) and Senate Bill 261 (Climate-Related Financial Risk Disclosure Program), as amended by Senate Bill 219.

Sequent is a marketer of natural gas that serves customers across the United States, including customers in California. Our business model is centered on the wholesale marketing of energy commodities, and our operations are conducted entirely outside California’s borders. Importantly, Sequent has no physical presence in the state as it does not own or operate infrastructure or physical assets within the state, nor does it have any personnel in California. It transacts only at wholesale market delivery points associated with interstate commerce (i.e. citygate hubs) and not with end users in the state.

Since the passage of SB 253 and SB 261, Sequent has tracked CARB’s regulatory activity related to implementing reporting programs for these disclosure requirements and participated in the pre-rulemaking comments and attended the webinars. Sequent is concerned that CARB is not accounting for companies like Sequent that have only minimal connections to the state. Accordingly, Sequent submits the following comments urging CARB to ensure its regulations focus only on entities with a genuine California operational nexus, while minimizing unintended burdens on non-resident wholesale market participants.

1. CARB Must Provide Parity for Non-Resident Natural Gas Marketers Without a Physical Presence in California by Adopting an Exemption for Wholesale Natural Gas Transactions.

As currently proposed, CARB’s draft regulations exempt business entities whose only activity within California consists of wholesale electricity transactions. CARB should expand this exemption to include wholesale natural gas transactions. California’s climate disclosure laws—SB 253 and SB 261—were enacted to enhance transparency around corporate greenhouse gas emissions and climate-related financial risks. The stated intent is to provide California

consumers, investors, and regulators with consistent, reliable data to assess the environmental impact and economic resilience of companies operating within the state. These laws are designed to target entities with a meaningful presence in California whose activities directly contribute to the state's emissions profile or financial exposure to climate risks. However, this legislative purpose does not support application of disclosure requirements to companies like Sequent, who do not sell directly to individual customers and have no physical assets, infrastructure, or personnel in the state. The only contact that natural gas marketers such as Sequent have with California is indirectly through the sale of bulk quantities of gas in interstate commerce at market delivery or entry points for further distribution. The two main natural gas market delivery points in California are PG&E Citygate (serving Northern and Central California) and SoCal Citygate (serving Southern California).

The proposed regulations already contemplate and particularly account for the fact that the wholesale energy market does not have a sufficient nexus with California to justify disclosure requirements by exempting wholesale electricity transactions. Article 6, Subarticle 1, Section 96071. Applicability, Subparagraph b, includes an exemption for any "business entity whose only activity within California consists of wholesale electricity transactions." The proposed regulations also specifically exclude wholesale sales of electricity from a company's sales for purposes of the definition of "doing business in California."

In CARB's "Staff Report: Initial Statement of Reasons," CARB explains that the exemption for wholesale electricity transactions was included based on Senator Scott Wiener's January 30, 2024 letter published in the Senate Daily Journal regarding the legislative intent to exclude such transactions.¹ Senator Wiener's letter states that wholesale electricity transactions "that occur through the Western Energy Imbalance Market and will occur through the Extended Day Ahead Market, operated by the California Independent System Operator" were not intended to "constitute 'doing business in California.'" While Senator Wiener's letter did not address wholesale energy transactions involving natural gas, the same economic and jurisdictional logic applicable to wholesale electricity transactions applies equally to wholesale natural gas transactions at California's citygate delivery points. These citygate delivery points function identically to the electricity delivery points referenced in Senator Wiener's letter.

The California Independent System Operator ("CAISO") manages a centralized, wholesale exchange where entities transact at the grid (not with end consumers). The Western Energy Imbalance Market ("WEIM") is a real-time market operated by CAISO. It resolves the minute-to-minute mismatch between scheduled and actual electricity supply/demand across a wide footprint. Participants in the WEIM transact only in wholesale electricity. The Extended Day Ahead Market ("EDAM") is a day-ahead market extending CAISO's footprint. Participants submit bids and schedules for the next day and economically commit generation on a

¹ Staff Report, pg. 6 (citing California Legislature. (2024, January 30.) Senate daily journal, one hundred forty-second legislative day, 2023–24 regular session (p. 3057). Available at <https://leginfo.legislature.ca.gov/faces/pubSenDailyJrn2.xhtml?type=doc&sessionyear=20232024&pagenum=3057&sessionnum=0&fileid=996>).

region-wide basis before real-time operations. For both WEIM and EDAM, no in-state physical presence or facility is required to participate.

Wholesale natural gas transactions at California citygates (e.g., PG&E Citygate, SoCal Citygate) are entirely analogous. Citygates are interstate pipeline delivery points that, like the CAISO markets, function as regional wholesale hubs; prices at these delivery points reflect the costs of transportation from upstream hubs, and marketers, like Sequent, deliver gas at these delivery points into California's pipeline distribution systems without owning or operating infrastructure in the state. Furthermore, the wholesale electricity and natural gas markets are inextricably tied to one another. Natural-gas-fired electric generation participates directly in CAISO's WEIM and EDAM. When these markets commit a gas-fired generator in the day-ahead schedule or dispatch it in real time, that generator must secure corresponding natural gas supply and transportation. This creates a direct operational link between CAISO's electricity market commitments and the natural gas that is delivered at interstate pipeline citygates. U.S. interstate natural gas pipeline operations rely on nominations, balancing, storage, compression dispatch, and linepack management, all of which are sensitive to hourly and daily swings in power-generation demand.

Therefore, WEIM's real-time dispatch and EDAM's day-ahead unit-commitment processes drive upstream gas nominations, intra-day balancing, and citygate flows. The natural gas market's hub-and-citygate structure where gas is delivered from interstate pipelines into local networks functions as the fuel-supply analogue to CAISO's market dispatch: both are wholesale, interstate transactions that support power-sector operations with no in-state physical presence.

Wholesale gas marketers such as Sequent, just like entities whose only business in California consists of wholesale electricity transactions, operate entirely outside California's borders and do not engage in activities that generate emissions or economic activity within the state beyond a financial transaction. Including such entities within the scope of these laws and proposed regulations would dilute the focus of the regulations and impose burdens on companies whose connection to California is not only minimal, but purely transactional. Furthermore, including wholesale natural gas transactions within the scope of the law while exempting wholesale electricity transactions would burden one segment of the wholesale energy market while benefitting another. CARB should therefore ensure parity between wholesale electricity transactions and wholesale natural gas citygate transactions by including wholesale natural gas transactions within the existing proposed exemption for wholesale electricity transactions to remain consistent with the Legislature's stated intent.

2. CARB Should Establish a De Minimis Exemption Based on the Portion of a Company's Total Revenue Generated in California.

To ensure proportionality, CARB should establish an exemption for companies with minimal financial contacts with California. In its September 2025 pre-rulemaking comments, Sequent urged CARB to consider a de minimis threshold of 5%, meaning a minimum of 5% of a company's total revenue must be generated within California, below which entities would be

exempt from reporting requirements. To put this in perspective, Sequent's California-related revenue represented less than 0.07% of its total gross revenue in 2024 (and an even smaller percentage in 2025). And yet, Sequent's de minimis financial relationship with California could subject it to an undue burden of complying with these climate disclosure regulations. This is contradictory to the intent of the laws and contrary to CARB's stated intent for excluding other minimal relationships with the state. Establishing a de minimis threshold would allow CARB to focus its regulatory efforts on entities with meaningful in-state operations or business relationships while avoiding undue burdens on out-of-state businesses with minimal California activity, minimizing risk of regulatory overreach and associated litigation.

Sequent again urges California to adopt a de minimis threshold when defining "revenue." When discussing the definition of revenue in the Staff Report, CARB focused on a definition to "identify[] companies that may potentially have large operations and associated carbon footprints." Further, CARB has already recognized that there are de minimis contacts with California that should be exempt from disclosures; CARB excluded thresholds for real property and tangible personal property and compensation in the state tax code when defining "doing business in California" because including those thresholds "would bring companies into the regulation's scope with marginal operations in California that are beyond the intent of the legislation." These statements acknowledge that California is sensitive to the impact on businesses that have a de minimis relationship with the state. Yet, the proposed regulation fails to include a de minimis financial exemption. This oversight must be corrected.

3. A Tax Nexus is not the Correct Proxy for an Environmental Regulatory Program.

CARB's December 2025 proposed regulations align the applicability definitions with California tax-code concepts. While Sequent appreciates CARB's effort to provide clarity, relying on tax-filing constructs that were designed for fiscal purposes risks sweeping in entities that have no physical, operational, or emissions-related nexus to the State. Using the tax filing constructs that CARB has proposed, Sequent would trigger disclosure requirements because its wholesale transactions of natural gas to the citygates exceeds the "sales" thresholds set forth in California Revenue and Taxation Code section 231010(b)(2). Yet, Sequent is not 'at home' in California, has no facilities, assets, or personnel in California, sells only at wholesale market delivery points, and derives a de minimis share of its total revenue from California. Regulating entities like Sequent that operate exclusively outside of California, based solely on incidental wholesale transactions completed in interstate commerce, risks creating extraterritorial effects that are excessive in relation to the local benefits, raising dormant commerce clause and personal jurisdiction concerns.

California's Revenue & Taxation Code definition of "doing business" was developed to allocate tax liability, not to identify which entities have a meaningful environmental or operational nexus with the state. This tax nexus is poorly calibrated with the purpose of California's climate disclosure laws and is legally fragile under due-process minimum contacts principles. Both the climate disclosure laws and CARB's proposed regulations improperly seek

to regulate behavior that occurs beyond the state's borders by relying on two variables: a revenue threshold determined by total revenue (within and without of California's borders) and a tax filing nexus rather than an operational nexus to the state. Essentially, absent a de minimis exemption or exemption for wholesale natural gas transactions, and based upon CARB's minimal tax nexus definition of "doing business in California," CARB's regulations would force Sequent to make climate disclosures and file climate related financial reports, not an insignificant burden, based almost entirely on commercial activity that occurs outside of the state of California. In sum, this regulation places an undue burden on Sequent's commercial activity occurring outside of California's boundaries. This is a precarious legal position for CARB. Program applicability and enforcement should rely on in-state operational nexus, not on tax principles or other standards unrelated to an operational or environmental nexus.

Sequent respectfully requests CARB not to finalize the tax code definition of "doing business in California." Instead, CARB should craft its own definition, tailored by its role as an environmental regulator and for a program that is focused on environmental disclosures. A CARB-developed definition would provide the agency the ability to adapt the regulation to the unique and likely evolving needs of the climate disclosure program instead of being bound by lists or thresholds developed by other government agencies that are focused on fiscal, revenue, and tax-related priorities. Further, if the tax code or definition changes, that could significantly disrupt how CARB conducts this program. In short, for environmental disclosure programs, applicability must hinge on an entity's in-state operational footprint and environmental relevance, not on tax-apportionment mechanics unrelated to climate risk or jurisdictional fairness.

4. The Definition of "Doing Business in California" Should Include a Two-Year "Look Back" Period and Exclude Wholesale Sales of Natural Gas.

In the proposed rule, CARB added flexibility to the definition of "Covered entity" and "Reporting entity," key applicability-related terms for the climate disclosure laws and regulations. The proposed regulations allow for entities to evaluate the two most recent fiscal years when considering the revenue thresholds that determine applicability. Specifically, CARB states that entities "must meet the revenue threshold for two consecutive years," providing flexibility for entities that can have potentially large revenue changes that can occur from selling property or corporate assets. Sequent supports the two year "look back" period for the applicability thresholds but urges CARB to extend this to the definition of "Doing business in California."

CARB is planning to adopt part of the definition of "Doing business in California" from the California Revenue and Tax Code Section 23101(b)(2), which includes a minimum sales threshold of \$735,019.² Just as CARB has provided flexibility for calculating revenue, CARB

² Sequent understands this to be the 2024 inflation adjusted sales threshold for Section 23101(b)(2), as shared by CARB in the Climate Disclosure regulation workshops.

should extend that same flexibility to calculating sales since sales generated in California, like revenues in general, can also experience large changes from year to year. Just as it has proposed for calculating revenue, CARB should also include a provision that entities must exceed the minimum sales threshold for two consecutive years in order to qualify for “doing business in California.”

Additionally, the proposed definition of “doing business in California” provides that “wholesale sales of electricity do not count for purposes of determining an entity’s sales in California.” For the reasons set forth in Section 1 above, this definition should be revised to extend that exclusion to wholesale sales of natural gas.

5. Clear, Unambiguous Regulations are Essential.

To ensure legal clarity and enforceability, CARB must establish precise and transparent rules, particularly since CARB has indicated its desire to promote consistency across California’s climate-disclosure programs. Clear rules will not only support consistent and meaningful disclosures but also ensure that enforcement actions are grounded in objective, legally defensible criteria. To the extent CARB ultimately provides materiality, documentation, or assurance guidance for SB 253, we urge that such guidance be aligned with established investor-grade standards and with existing annual financial reporting cycles to avoid duplicative workstreams. This comment is offered solely to support efficient implementation of SB 253 and does not address any requirements currently stayed under SB 261.

Conclusion

Sequent supports transparency and disclosures of material risks and information. However, CARB’s proposed regulations must include a reasonable definition of “doing business in California,” along with specific exemptions as outlined above, to avoid unintended reporting burdens on entities that do not operate or have a physical activity within California’s jurisdiction. We appreciate CARB’s efforts to engage stakeholders and the opportunity to participate in the rulemaking process.

Sincerely,

Sequent Energy Management, LLC

Western States Petroleum Association (Sophie Ellinghouse)

Please see attached.



Sophie Ellinghouse

Vice President, General Counsel & Corporate Secretary

August 11, 2026

Clerks' Office
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Uploaded to [CARB comment portal](#)
and submitted by email to:
climatedisclosure@arb.ca.gov

Re: WSPA Comments on Proposed Modifications to the California Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure Initial Regulation

The Western States Petroleum Association (WSPA) appreciates the opportunity to comment on the California Air Resources Board's (CARB) Modified Text and Availability of Additional Documents and/or Information for the Proposed California Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure Initial Regulation released on July 27, 2026 (15-Day Changes).¹ WSPA is a non-profit trade association that represents companies that safely explore for, produce, refine, transport and market petroleum, petroleum products, natural gas, and other energy supplies in California, Washington, Oregon, Nevada, and Arizona.

WSPA reminds CARB that the U.S. Chamber of Commerce and other organizations have filed a federal lawsuit seeking to have California's Corporate Data Accountability Act (SB 253) and Climate-Related Financial Risk Act (SB 261) declared unconstitutional.² WSPA agrees with the petitioners that these laws should be invalidated and their enforcement enjoined. As of November 18, 2025, enforcement of SB 261 has already been enjoined pending appeal, and during oral argument on January 9, 2026, the United States Court of Appeals for the Ninth Circuit expressed concerns regarding the legality of certain aspects of *both* laws. Accordingly, CARB should defer any further actions to implement these laws pending final resolution of ongoing legal challenges, given the significant remaining uncertainty regarding the legality of such actions.

In the meantime, WSPA submits the following comments regarding the proposed 15-Day Changes.³

1. CARB should preserve flexibility for reporting entities to address data availability challenges.

WSPA appreciates CARB's proposal to extend the initial SB 253 reporting deadline from August 10, 2026, to November 10, 2026. WSPA supports this extension as it appropriately recognizes that reporting entities may require additional time and clarity before submitting their first Scope 1 and Scope 2 greenhouse gas (GHG) emissions report. WSPA urges CARB to apply the same practical flexibility when determining which fiscal year's data must be submitted for the initial report. However, the proposed modifications in the 15-Day Changes retain the mandatory February 1 cutoff date, under which entities whose fiscal year ends on or before February 1, 2026, would report data from their fiscal year ending in 2026, while entities whose fiscal year ends after that date would report their 2025 data.

¹ CARB, California Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure Initial Regulation; available at: <https://ww2.arb.ca.gov/rulemaking/2025/california-corporate-greenhouse-gas-reporting-and-climate-related-financial-risk>. Accessed August 2026.

² See *Chamber of Commerce of the United States of America v. Randolph*, No. 2:24-cv-00801 (C.D. Cal.).

³ Nothing in this submission should be considered an admission of lawfulness on the part of WSPA or its members. WSPA and its members reserve the right to challenge the underlying statutes or implementing regulations as unconstitutional or otherwise unlawful.

WSPA urges CARB not to adopt this mandatory cutoff date to preserve the necessary flexibility for reporting entities. As WSPA has previously explained,⁴ a mandatory cutoff date fails to account for data availability challenges faced by many complex organizations. Data from the prior fiscal year is generally not available for external reporting until the third or fourth quarter of the following year. Imposing a rigid cutoff date would undermine the rationale for CARB's deadline extension by failing to preserve the necessary flexibility for many complex organizations.⁵

2. CARB should permit entities to submit emissions data from their own reports.

014.4 In the 15-Day Changes, CARB proposes modifications to the 2026 reporting requirements in Section 96076. However, the proposed requirements remain unclear regarding the reporting format for Scope 1 and Scope 2 emissions. As a result, WSPA urges CARB to explicitly clarify in the regulatory text that reporting entities that prepare their own GHG inventories or sustainability reports containing Scope 1 and Scope 2 emissions data may submit the relevant emissions data from those reports in lieu of using the standard template. This approach would provide the necessary clarity while affording reporting entities the flexibility to align their submissions with existing internal processes, third-party verification practices, and other regulatory or investor reporting obligations – all while maintaining data transparency and compliance with SB 253. Critically, this approach should not require submission of a reporting entity's entire company-developed report, but only the specific, relevant verified emissions data.⁶

3. CARB should clarify that the selection of an organizational boundary remains within the reporting entity's discretion.

014.5 WSPA emphasizes the importance of allowing reporting entities the flexibility to select the organizational boundary approach that best fits their circumstances (e.g., operational control) and aligns with their existing reporting practices. WSPA maintains its position⁷ that CARB should retain flexibility for entities to select one of the three boundary approaches defined by the GHG Protocol: equity share, financial control, or operational control.⁸ Allowing this flexibility would ensure consistency with established regulatory frameworks and industry best practices (e.g., the U.S. Environmental Protection Agency's GHG Reporting Program and sustainability reporting guidance for the oil and gas industry released by Ipieca, the American Petroleum Institute, and the International Association of Oil and Gas Producers), while enhancing the usefulness of reported information by recognizing diverse corporate structures. Accordingly, WSPA urges CARB to explicitly clarify in the regulatory text that the selection and any accompanying justification of an organizational boundary remains at the reporting entity's discretion.

⁴ See "WSPA Comments on the Proposed California Corporate Greenhouse Gas Reporting Program and Climate-Related Financial Risk Disclosure Program Initial Regulation," filed February 9, 2026 available at: https://scs-public.s3-us-gov-west-1.amazonaws.com/env_production/oid377/did200184/pid_213090/assets/merged/j60bihs2waa_document.pdf?v=12722.

⁵ CARB, SB 253/261/219 Public Workshop: Update on California Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure Programs, November 18, 2025; available at: <https://ww2.arb.ca.gov/sites/default/files/classic/SB%20253%20261%20Nov%20Workshop%20slides%20%28Updated%29.pdf>. Accessed July 2026.

⁶ See CARB "SB 253/261/219 Public Workshop: Update on California Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure Programs" November 18, 2025, CARB staff presentation, at Slide 12, "Yes. If a company develops its own annual report that includes information on Scope 1 and 2 emissions, that company may submit that report to CARB for 2026 reporting.," available at: <https://ww2.arb.ca.gov/sites/default/files/classic/SB%20253%20261%20Nov%20Workshop%20slides%20%28Updated%29.pdf>.

⁷ See e.g., WSPA Comments on Draft Reporting Template for Scopes 1 and 2 GHG Emissions, October 27, 2025, available at: https://ww2.arb.ca.gov/system/files/webform/public_comments/53876/wspa-sb-253-draft-reporting-template-comments-with-citations-10-27-2025.pdf; WSPA Comments on the Proposed California Corporate Greenhouse Gas Reporting Program and Climate-Related Financial Risk Disclosure Program Initial Regulation, available at: https://scs-public.s3-us-gov-west-1.amazonaws.com/env_production/oid377/did200184/pid_213090/assets/merged/j60bihs2waa_document.pdf?v=40333.

⁸ See U.S. EPA, Scopes 1 and 2 Emissions Inventorying and Guidance; available at: <https://www.epa.gov/climateleadership/determine-organizational-boundaries>. Accessed August 2026.

Additionally, WSPA requests that CARB remove the following sentence from the proposed definition of “subsidiary” in Section 96072(16):

- 014.6 *“A subsidiary may operate as a separate legal entity but is under the control of the parent entity due to this direct corporate association which can influence the subsidiary’s operations, management, or financial decisions.”*

Removal of this sentence would eliminate unnecessary ambiguity and potential conflicts with existing frameworks for organizational boundaries.

4. CARB should clarify that a parent company can submit consolidated Scope 1 and Scope 2 reports.

WSPA recommends that CARB revise Section 96076(a) to explicitly clarify that a parent company may report consolidated Scope 1 and Scope 2 reports at the parent-company level, even if a portion of those consolidated emissions are attributable to subsidiaries not within the regulation’s scope. SB 253 is clear that emissions reporting should be structured to minimize duplication of effort. Such clarification would help mitigate undue reporting burdens for regulated entities. Accordingly, WSPA proposes the following revisions to Section 96076(a):

- 014.7 **“§96076. Reporting Under Health and Safety Code Section 38532**
(a) ~~Reporting entities~~ Each reporting entity shall report their Scope 1 and Scope 2 emissions for the applicable preceding fiscal year as determined in section 96076(b), on or before ~~August~~ November 10, 2026. ~~Except as specified in subsection (b), each reporting entity’s Scope 1 and Scope 2 emissions report shall meet the requirements of Health and Safety Code sections 38532(c)(2)(A)(i)(I) and 38532(c)(2)(A)(ii). Scope 3 emissions reporting is not required for 2026 reporting. Reporting of Scope 1 and Scope 2 emissions may be consolidated at the parent company level. If a subsidiary of a parent company qualifies as a reporting entity as defined in section 96072(a)(11) and the parent company chooses to report consolidated Scope 1 and Scope 2 emissions at the parent company level reports,~~ the subsidiary is not required to prepare a separate report.

5. CARB should limit recordkeeping burdens on entities meeting an appropriate threshold of “doing business in California.”

As stated in its prior comment letter, WSPA believes that the initial regulation’s proposed data retention provision includes a self-certification requirement that is inconsistent with CARB’s stated rationale of using publicly available and verifiable information to determine applicability.⁹ Specifically, the proposed data retention provision requires entities subject to the regulation to maintain records demonstrating that they “meet the revenue and doing business in California thresholds.” The 15-Day Changes propose to retain this requirement, clarifying that the records to be maintained are California tax records. WSPA maintains its position that reporting entities should not bear the additional burden of justifying their inclusion beyond what is necessary for compliance.

In addition, the proposal states that entities must provide these tax records to CARB upon request, without clarifying the circumstances under which such requests may be made. If CARB maintains the proposed data retention requirements, then, at a minimum, CARB should clearly define the circumstances under which records may be requested. WSPA also continues to urge CARB to develop clear guidance on how it will collect, manage, and use data provided by entities. Such guidance would help clarify data requirements, prevent the submission of extraneous information and reduce unnecessary administrative costs for both CARB and reporting entities.

⁹ See “WSPA Comments on the Proposed California Corporate Greenhouse Gas Reporting Program and Climate-Related Financial Risk Disclosure Program Initial Regulation,” filed February 9, 2026, available at: https://scs-public.s3-us-gov-west-1.amazonaws.com/env_production/oid377/did200184/pid_213090/assets/merged/j60bihs2waa_document.pdf?v=12722.

014.10 Relatedly, the 15-Day Changes propose to modify the definition of “doing business in California” to clarify that the definition is evaluated at the individual business entity level. While WSPA supports this change, WSPA believes CARB should clarify in the regulatory text that the *sales* or *revenue* of subsidiaries are not intended to be aggregated when reports are consolidated at the parent company level. One recommended approach for entities that file consolidated tax returns at the parent level but are not commercially domiciled in California and have no California sales in excess of the amount specified in Revenue and Taxation Code (RTC) Section 23101(b)(2) – yet have California-allocated income attributable to their subsidiaries’ operations – is to add a sentence to the end of the proposed regulatory text for Section 96072(a)(8) as follows:

“To determine a business entity’s sales in California under Revenue and Taxation Code Section 23101(b)(2), the sales of a subsidiary are not attributed to its parent notwithstanding any unitary tax return filed by them.”

Likewise, CARB should add the following sentence to the end of Section 96072(a)(13):

014.11 “To determine a business entity’s total annual revenue under Revenue and Taxation Code Section 25120(f)(2), the revenue of a subsidiary is not attributed to its parent, notwithstanding any unitary tax return filed by them.”

014.12 Additionally, the regulatory text continues to risk imposing disproportionate compliance requirements by implicating global operational data for companies that may have only a fraction of their business operations and income in California. Therefore, for domestic entities that meet the global revenue threshold but are neither organized nor commercially domiciled in California, WSPA recommends that an entity be considered within the scope of the regulation only if it: (1) meets the sales threshold in RTC Section 23101(b)(2); (2) reports more than \$200 million in California-allocated or California-apportioned business income, adjusted annually for inflation; and (3) is registered to do business in California with the Secretary of State pursuant to General Corporation Law Section 191.

6. CARB should confirm that it will not enforce limited assurance requirements for initial reports and support flexibility and efficiency in the verification process.

014.13 WSPA continues to request that CARB modify the regulatory text to explicitly waive all assurance requirements for the first SB 253 report due in 2026, even for entities that have previously obtained third-party verification for Scope 1 and Scope 2 emissions under a different voluntary or regulatory reporting framework. While CARB has provided guidance on enforcement discretion in its frequently asked questions (FAQ) document¹⁰ and a workshop presentation,¹¹ the current regulatory text does not reflect this waiver. To avoid confusion and regulatory uncertainty, CARB should explicitly state in the regulatory text that limited assurance is not required for the 2026 submission of Scope 1 and Scope 2 GHG emissions, regardless of whether that entity has already obtained assurance on its collected data.

014.14 Additionally, CARB should maintain flexibility for reporting entities to use applicable GHG emissions reporting standards to accommodate diverse organizational structures and global compliance obligations. For example, CARB should clearly authorize the use of current versions of existing protocols like the International Organization for Standardization (ISO) 14060 family (e.g., ISO 14064-3:2019 standard) and International Standard on Sustainability Assurance (ISSA) 5000 for assurance purposes.¹²

¹⁰ See CARB “California Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure Programs: Frequently Asked Questions About Regulatory Development and Initial Reports,” November 17, 2025, available at: https://ww2.arb.ca.gov/sites/default/files/classic/FAQs%20Regarding%20California%20Climate%20Disclosure%20Requirements_Nov.pdf.

¹¹ See CARB “SB 253/261/219 Public Workshop: Update on California Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure Programs,” November 18, 2025, at Slide 12, “Is data assurance required for 2026 reporting? For 2026 reporting, limited assurance is not required for data submission,” available at: <https://ww2.arb.ca.gov/sites/default/files/classic/SB%20253%20261%20Nov%20Workshop%20slides%20%28Updated%29.pdf>.

¹² See CARB “SB 253 Public Workshop: California Corporate Greenhouse Gas Reporting Program,” July 21, 2026, at Slide 33; available at: https://ww2.arb.ca.gov/sites/default/files/2026-07/SB_253_Presentation_July_2026.pdf.

Such protocols are widely used in the United States and provide an internationally recognized framework for Scope 1 and Scope 2 GHG emissions verification. To support process efficiency and avoid unnecessary administrative burden, CARB should not require application of the Mandatory Reporting Regulation verification process, as doing so would impose an excessive administrative and capital burden on a program that lacks the financial underpinnings of a Cap-and-Invest program.

014.15 While SB 253 does not create a private cause of action, compliance with CARB's regulation will likely increase liability risks under other legal theories. These risks include unfounded claims of greenwashing, consumer fraud, and/or human rights claims stemming from mandated disclosure in areas where data is often based on assumptions and is difficult to meaningfully quantify. As such, WSPA strongly urges CARB to include language limiting liability for reported information under any statute or other cause of action.

7. CARB should remove all provisions related to SB 261.

014.16 On November 18, 2025, the U.S. Court of Appeals for the Ninth Circuit granted an injunction pending appeal against the enforcement of SB 261.¹³ In response, CARB issued an Enforcement Advisory on December 1, 2025, stating that it will not enforce SB 261 reporting requirements.¹⁴ Nevertheless, the proposed 15-Day Changes still include SB 261-related provisions, including definitions and fee requirements. Retaining these provisions creates unnecessary confusion and appears facially inconsistent with the court's order enjoining CARB from "applying or taking any action to enforce" SB 261. Accordingly, WSPA urges CARB to remove all SB 261-related provisions from the proposed regulatory text.

8. CARB should remove legal defense fees from the definition of "required revenue."

014.17 Section 96072(a)(12) of the proposed initial regulation defines "required revenue" as "the total amount of funds necessary to recover the costs of implementation or expenditures under the programs established by Health and Safety Code §§ 38532 or 38533, respectively, for each fiscal year, based on the number of personnel positions, including salaries and benefits, contracting costs, and all other costs, **including legal defense of this article**, as approved in the California Budget Act for that fiscal year." (emphasis added).

The regulatory text incorporates the definition of "required revenue" for a given fiscal year into the formula for determining fee rates for SB 253 and SB 261. The inclusion of legal defense fees in this definition may constitute an improper barrier to the exercise of First Amendment rights to petition the government, which includes the right to file lawsuits challenging unconstitutional laws. It may also raise due process concerns by imposing an unconstitutional penalty for accessing the court system. Accordingly, WSPA urges CARB to remove legal defense fees from the proposed definition of "required revenue."

Thank you for CARB's ongoing engagement with stakeholders, and for considering our comments.

Sincerely,



Sophie Ellinghouse
Vice President, General Counsel & Corporate Secretary

¹³ *U.S. Chamber of Commerce v. Sanchez*, Case No. 25-5327 (9th Cir.).

¹⁴ See CARB, Enforcement Advisory Climate-Related Financial Risk Reporting (SB 261), December 1, 2025; available at: <https://ww2.arb.ca.gov/sites/default/files/2025-12/Dec%201%20SB%20261%20Enforcement%20Advisory.pdf>.

United States District Court
Central District of California

CHAMBER OF COMMERCE OF THE
UNITED STATES OF AMERICA et al.,

Plaintiffs,

v.

CALIFORNIA AIR RESOURCES
BOARD et al.,

Defendants.

Case № 2:24-cv-00801-ODW (PVCx)

**ORDER GRANTING
DEFENDANTS' MOTION TO DENY
OR DEFER PLAINTIFFS' MOTION
FOR SUMMARY JUDGMENT AND
DENYING PLAINTIFFS' MOTION
FOR SUMMARY JUDGMENT [48]
[57]**

I. INTRODUCTION

Plaintiffs Chamber of Commerce of the United States of America, California Chamber of Commerce, American Farm Bureau Federation, Los Angeles County Business Federation, Central Valley Business Federation, and Western Growers Association bring this action challenging California Senate Bills (“SB” or “SBs”) 253 and 261 against Defendants Chair of the California Air Resources Board (“CARB”) Liane M. Randolph, Executive Officer of CARB Steven S. Cliff, and California Attorney General Robert A. Bonta (the “State”) for violation of the First Amendment, the Supremacy Clause, and the United States Constitution’s limitations on extraterritorial regulation. (*See* First Am. Compl. (“FAC”) ¶¶ 92–112, ECF No. 28.) Plaintiffs move for summary judgment on their First Amendment claim. (Mem.

1 P. & A. ISO Mot. Summ. J. (“MSJ” or “Motion for Summary Judgment”), ECF
2 No. 48-1). The State moves to deny or defer Plaintiffs’ Motion for Summary
3 Judgment under Federal Rule of Civil Procedure (“Rule”) 56(d). (Mot. Deny Defer
4 MSJ (“Rule 56(d) Mot.” or “Rule 56(d) Motion”), ECF No. 57-1.)¹

5 For the reasons discussed below, the Court **GRANTS** the State’s Rule 56(d)
6 Motion and **DENIES** Plaintiffs’ Motion for Summary Judgment.²

7 **II. BACKGROUND**

8 On October 7, 2023, Governor Gavin Newsom signed SBs 253 and 261 into
9 law. (MSJ 2.) SBs 253’s and 261’s obligations are expected to take effect in 2026.
10 Cal. Health & Safety Code §§ 38532(c)(1)(A), (F)(ii)–(iii), 38533(b)(1)(A). A brief
11 description of each law follows.

12 **A. Senate Bill 253**

13 SB 253 directs that by January 1, 2025, CARB “shall develop and adopt
14 regulations” for “reporting entities”—businesses with total annual revenues over
15 \$1 billion “that do[] business in California.” *Id.* §§ 38532(b)(2), (c)(1).³ One of the
16 legislation’s sponsors estimates that SB 253 would apply to approximately 5,300
17 United States businesses. (Pls. Separate Statement Uncontroverted Facts (“PF”) 27–
18 28, ECF No. 48-2.)

19 SB 253 requires CARB to develop regulations that require reporting entities to
20 annually disclose its Scope 1, Scope 2, and Scope 3 emissions. Cal. Health & Safety
21 Code § 38532(c)(1).

22 ¹ The State also moves to dismiss Plaintiffs’ Supremacy Clause and extraterritorial regulation claims.
23 (Mot. Dismiss, ECF No. 38.) The Court will address that motion in a separate order.

24 ² Having carefully considered the papers filed in connection with the Motion for Summary Judgment
25 and Rule 56(d) Motion, the Court deemed the matter appropriate for decision without oral argument.
26 Fed. R. Civ. P. 78; C.D. Cal. L.R. 7-15.

27 ³ On October 16, 2024, Defendants informed the Court that, on September 27, 2024, Governor
28 Newsom signed amendments to SBs 253 and 261 into law. (Not. Amends. SBs 253 & 261, ECF
No. 72.) The amendments would, among other things, delay CARB’s requirement to adopt SB
253’s implementing regulations until July 1, 2025. (*Id.* at 1). Because the amendments do not take
effect until January 1, 2025, and the amendments do not alter the Court’s analysis in this Order, the
Court describes SBs 253 and 261 as in effect as of the date of this Order.

- 1 • Scope 1 emissions are “all direct greenhouse gas emissions that stem
2 from sources that a reporting entity owns or directly controls, regardless
3 of location, including, but not limited to, fuel combustion activities.” *Id.*
4 § 38532(b)(3).
- 5 • Scope 2 emissions are “indirect greenhouse gas emissions from
6 consumed electricity, steam, heating, or cooling purchased or acquired by
7 a reporting entity, regardless of location.” *Id.* § 38532(b)(4).
- 8 • Scope 3 emissions are “indirect upstream and downstream greenhouse
9 gas emissions, other than scope 2 emissions, from sources that the
10 reporting entity does not own or directly control and may include, but are
11 not limited to, purchased goods and services, business travel, employee
12 commutes, and processing and use of sold products.” *Id.* § 38532(b)(5).

13 SB 253 does not mandate entities to report avoided emissions, or so-called
14 “Scope 4 emissions.” (PF 59.) These are “avoided emissions or greenhouse-gas
15 reductions from actions taken to compensate for or offset emissions.” (Decl. Bradley
16 J. Hamburger Ex. 17 (“Greenhouse Gas Protocol”) 6, ECF Nos. 48-3, 48-20; *see*
17 PF 31, 59.)

18 SB 253 requires CARB to ensure that its regulations mandate entities to
19 measure and report Scope 3 emissions “in conformance with the Greenhouse Gas
20 protocol standards and guidance.” Cal. Health & Safety Code § 38532(c)(1)(A)(ii).
21 The law further directs CARB to develop and adopt regulations to “minimize[]
22 duplication of effort” by allowing entities “to submit to the emissions reporting
23 organization reports prepared to meet other national and international reporting
24 requirements.” *Id.* § 38532(c)(1)(D)(i). CARB must also develop and adopt
25 regulations that ensure reporting entities obtain third-party assurances as to the quality
26 and accuracy of the reported emissions. *Id.* § 38532(c)(1)(F). These emissions data
27 will be publicly available, and CARB will ensure the creation of a public report on the
28 disclosures. *Id.* §§ 38532(d)(1), (e)(1)(2). SB 253 requires CARB to adopt
regulations that authorize it to seek administrative penalties for “nonfiling, late filing,
or other failure to meet the requirements” of the law. *Id.* § 38532(f)(2)(A).

B. Senate Bill 261

SB 261 applies to any entity with total annual revenues over \$500 million “that does business in California.” *Id.* § 38533(a)(4). The California Senate Rules Committee analysis estimates that over 10,000 companies would meet this threshold, twenty percent of which are publicly traded companies. (PF 48–49.)

As of January 1, 2026, SB 261 will mandate each applicable entity to biennially disclose on its website two categories of climate-related financial risk information, defined as information related to “material risk of harm to immediate and long-term financial outcomes due to physical and transition risks” to the business, Cal. Health & Safety Code § 38533(a)(2)⁴:

- Its climate-related financial risk, in accordance with the recommended framework and disclosures contained in the Final Report of Recommendations of the Task Force on Climate-related Financial Disclosures (June 2017), *id.* § 38533(b)(1)(A)(i); and
- Its measures adopted to reduce and adapt to climate-related financial risk disclosed in its biennial report. *Id.* § 38533(b)(1)(A)(ii).

SB 261 requires CARB to adopt regulations that authorize it to seek administrative penalties—no more than \$50,000—for reporting entities that fail to publish a report or make an inaccurate one. *Id.* § 38533(e)(2).

On January 30, 2024, Plaintiffs filed this lawsuit against the State. (Compl., ECF No. 1.) In its first amended complaint, filed on February 22, 2024, Plaintiffs bring four causes of action under 42 U.S.C. § 1983. In Count I, Plaintiffs allege that SBs 253 and 261 violate the First Amendment. (FAC ¶¶ 92–99.) In Count II, Plaintiffs assert that federal law preempts SBs 253 and 261, which violates the Supremacy Clause. (*Id.* ¶¶ 100–06.) In Count III, Plaintiffs claim that the laws

⁴ The legislation’s full definition of “climate-related financial risk” is as follows: “material risk of harm to immediate and long-term financial outcomes due to physical and transition risks, including, but not limited to, risks to corporate operations, provision of goods and services, supply chains, employee health and safety, capital and financial investments, institutional investments, financial standing of loan recipients and borrowers, shareholder value, consumer demand, and financial markets and economic health.” Cal. Health & Safety Code § 38533(a)(2).

1 violate the U.S. Constitution’s limits on extraterritorial regulation. (*Id.* ¶¶ 107–12.)
2 Lastly, in Count IV, Plaintiffs seek payment of attorneys’ and expert’ fees. (*Id.*
3 ¶¶ 113–15.) As relief, Plaintiffs seek declarations that SBs 253 and 261 are “null,
4 void, and with no force or effect,” and an injunction enjoining the State from
5 “implementing, applying, or taking any action whatsoever to enforce” SBs 253 and
6 261. (FAC, Prayer for Relief ¶ 116.)

7 Despite discovery having not yet begun, Plaintiffs now move for summary
8 judgment on their First Amendment Claim. (MSJ.) In addition to opposing Plaintiffs’
9 Motion for Summary Judgment on the merits, the State separately moves to deny or
10 defer the motion under Rule 56(d). (Opp’n MSJ, ECF No. 52; Rule 56(d) Mot.) The
11 Motion for Summary Judgment and Rule 56(d) Motion are fully briefed. (MSJ;
12 Opp’n MSJ; Reply ISO MSJ, ECF No. 59; Rule 56(d) Mot.; Opp’n Rule 56(d) Mot.,
13 ECF No. 60; Reply ISO Rule 56(d) Mot., ECF No. 61.)⁵

14 III. LEGAL STANDARD

15 A court “shall grant summary judgment if the movant shows that there is no
16 genuine dispute as to any material fact and the movant is entitled to judgment as a
17 matter of law.” Fed. R. Civ. P. 56(a). A disputed fact is “material” where it might
18 affect the outcome of the suit under the governing law, and the dispute is “genuine”
19 where “the evidence is such that a reasonable jury could return a verdict for the
20 nonmoving party.” *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 248 (1986). The
21 burden of establishing the absence of a genuine issue of material fact lies with the
22 moving party. *See Celotex Corp. v. Catrett*, 477 U.S. 317, 322–23 (1986).

23 Once the moving party satisfies its initial burden, the nonmoving party cannot
24 simply rest on the pleadings or argue that any disagreement or “metaphysical doubt”
25

26 ⁵ The parties also filed supplemental briefing on the impact of the Ninth Circuit’s recent decisions in
27 *NetChoice, LLC v. Bonta*, 113 F.4th 1101 (9th Cir. 2024), and *X Corp. v. Bonta*, 116 F.4th 888
28 (9th Cir. 2024) on the Motion for Summary Judgment and Rule 56(d) Motion. (*See* Defs. Sur-Reply
MSJ, ECF No. 64; Pls. Resp. Sur-Reply, ECF No. 66; Pls. Suppl. Br., ECF No. 69; Defs. Suppl. Br.,
ECF No. 70.)

1 about a material issue of fact precludes summary judgment. *Matsushita Elec. Indus.*
2 *v. Zenith Radio Corp.*, 475 U.S. 574, 586 (1986). The non-moving party must show
3 that there are “genuine factual issues that . . . may reasonably be resolved in favor of
4 either party.” *Cal. Architectural Bldg. Prods., Inc. v. Franciscan Ceramics, Inc.*,
5 818 F.2d 1466, 1468 (9th Cir. 1987) (emphasis omitted) (quoting *Anderson*, 477 U.S.
6 at 250). Courts should grant summary judgment against a party who fails to make a
7 sufficient showing on an element essential to her case when she will ultimately bear
8 the burden of proof at trial. *Celotex*, 477 U.S. at 322–23.

9 In ruling on summary judgment motions, courts “view the facts and draw
10 reasonable inferences in the light most favorable” to the nonmoving party. *Scott v.*
11 *Harris*, 550 U.S. 372, 378 (2007) (internal quotation marks omitted). Conclusory,
12 speculative, or “uncorroborated and self-serving” testimony will not raise genuine
13 issues of fact sufficient to defeat summary judgment. *Villiarimo v. Aloha Island Air,*
14 *Inc.*, 281 F.3d 1054, 1061 (9th Cir. 2002); *see Thornhill Publ’g Co. v. GTE Corp.*,
15 594 F.2d 730, 738 (9th Cir. 1979). Moreover, though a court may not weigh
16 conflicting evidence or make credibility determinations, there must be more than a
17 mere scintilla of contradictory evidence to survive summary judgment. *Addisu v.*
18 *Fred Meyer, Inc.*, 198 F.3d 1130, 1134 (9th Cir. 2000).

19 A court may assume that material facts claimed and adequately supported are
20 undisputed except to the extent that such material facts are (a) included in the
21 opposing party’s responsive statement of disputes and (b) controverted by declaration
22 or competent written evidence. C.D. Cal. L.R. 56-4. A court is not obligated to look
23 any further in the record for supporting evidence other than what is actually and
24 specifically referenced. *Id.*

25 “A party requesting a continuance pursuant to Rule 56(d) must identify by
26 affidavit the specific facts that further discovery would reveal, and explain why those
27 facts would preclude summary judgment. *Sec. & Exch. Comm’n v. Stein*, 906 F.3d
28 823, 833 (9th Cir. 2018) (internal quotation marks omitted) (quoting *Tatum v. City &*

1 *Cnty. of San Francisco*, 441 F.3d 1090, 1100 (9th Cir. 2006)). “The facts sought must
2 be ‘essential’ to the party’s opposition to summary judgment, and it must be ‘likely’
3 that those facts will be discovered during further discovery.” *Id.* (citation omitted). In
4 denying the request, a “district court abuses its discretion only if the party requesting a
5 continuance can show that allowing additional discovery would have precluded
6 summary judgment.” *Singh v. Am. Honda Fin. Corp.*, 925 F.3d 1053, 1076 (9th Cir.
7 2019).

8 IV. DISCUSSION

9 The sole claim at issue in the Motion for Summary Judgment and Rule 56(d)
10 Motion is Plaintiffs’ facial challenge to SBs 253 and 261 for violation of the First
11 Amendment. (*See* MSJ; Rule 56(d) Mot.)

12 A. Whether the First Amendment Applies

13 Before analyzing whether SBs 253 and 261 violate the First Amendment, the
14 Court must first decide whether the First Amendment even applies.

15 While the State devotes most of its briefing to arguing that the laws withstand
16 First Amendment scrutiny, the State also asserts that the laws escape First
17 Amendment scrutiny because they are “part of a broader regulatory apparatus.”
18 (Opp’n MSJ 20 (internal quotation marks omitted).)

19 As the Ninth Circuit recently noted, “[i]t is well-established that the First
20 Amendment protects ‘the right to refrain from speaking at all’” and “that the forced
21 disclosure of information, even purely commercial information, triggers First
22 Amendment scrutiny.” *NetChoice, LLC v. Bonta*, 113 F.4th 1101, 1117 (9th Cir.
23 2024) (quoting *Wooley v. Maynard*, 430 U.S. 705, 714 (1977)). A law’s “primary
24 effect . . . is to compel speech, distinguishing it from statutes where the compelled
25 speech was plainly incidental to the [law’s] regulation of conduct.” *Id.* (second
26 alteration in original) (internal quotation marks omitted). There can be no dispute that
27 the primary effect—and purpose—of SBs 253 and 261 is to compel speech. (*See*
28

1 Opp’n MSJ 15–17 (describing California’s interests in SBs 253 and 261).) Therefore,
2 the First Amendment applies to SBs 253 and 261.

3 **B. Whether SBs 253 and 261 Violate the First Amendment**

4 Plaintiffs bring a First Amendment facial challenge to SBs 253 and 261.
5 “[C]ourts usually handle constitutional claims case by case, not en masse.” *X Corp. v.*
6 *Bonta*, 116 F.4th 888, 898 (9th Cir. 2024) (quoting *Moody v. NetChoice, LLC*,
7 144 S. Ct. 2383, 2397 (2024)). Because facial challenges “often rest on speculation
8 about the law’s coverage and its future enforcement” and “threaten to short circuit the
9 democratic process,” the Supreme Court “has therefore made facial challenges hard to
10 win.” *Moody*, 144 S. Ct. at 2397 (internal quotation marks omitted).

11 In First Amendment cases, the Supreme Court has “lowered th[e] very high
12 bar” of a typical facial challenge. *X Corp.*, 116 F.4th at 898 (quoting *Moody*,
13 144 S. Ct. at 2397). “[I]f the law’s unconstitutional applications substantially
14 outweigh its constitutional ones,’ then a court may sustain a facial challenge to the law
15 and strike it down.” *Id.* (alteration in original) (quoting *Moody*, 144 S. Ct. at 2397).
16 As such, “a First Amendment facial challenge has two parts: first, the courts must
17 ‘assess the state laws’ scope’; and second, the courts must ‘decide which of the laws’
18 applications violate the First Amendment, and . . . measure them against the rest.” *Id.*
19 (alteration in original) (quoting *Moody*, 144 S. Ct. at 2398). The Supreme Court
20 recently admonished that courts cannot treat facial challenges “more like as-applied
21 claims than like facial ones.” *Moody*, 144 S.Ct. at 2398.

22 In evaluating whether a regulation violates the First Amendment, courts
23 “distinguish between content-based and content-neutral regulations of speech.” *Vidal*
24 *v. Elster*, 602 U.S. 286, 292 (2024). “Mandating speech that a speaker would not
25 otherwise make necessarily alters the content of the speech.” *Riley v. Nat’l Fed’n of*
26 *the Blind of N.C., Inc.*, 487 U.S. 781, 795 (1988). A content-based regulation is
27 typically subject to strict scrutiny, or “presumptively unconstitutional and may be
28 justified only if the government proves that [it is] narrowly tailored to serve

1 compelling state interests.” *Nat’l Inst. of Fam. & Life Advocs. v. Becerra*, 585 U.S.
2 755, 766 (2018).

3 However, not all content-based regulations are subject to strict scrutiny. “Laws
4 regulating commercial speech are generally subject to a lesser standard than strict
5 scrutiny.” *NetChoice*, 113 F.4th at 1119; *accord X Corp.*, 116 F.4th at 900.
6 “Commercial speech is ‘usually defined as speech that does no more than propose a
7 commercial transaction.’” *X Corp.*, 116 F.4th at 900 (quoting *United States v. United*
8 *Foods, Inc.*, 533 U.S. 405, 409 (2001)). But this is “just a starting point.” *Id.* Courts
9 “try to give effect to a common-sense distinction between commercial speech and
10 other varieties of speech.” *Id.* (internal quotation marks omitted). This is a “fact-
11 driven” analysis, “due to the inherent difficulty of drawing bright lines that will
12 clearly cabin commercial speech in a distinct category.” *Id.* Given this difficulty, “in
13 close cases,” courts consider the three factors outlined by the Supreme Court in *Bolger*
14 *v. Youngs Drug Products Corporation*, 463 U.S. 60 (1983), to determine if speech is
15 commercial. *NetChoice*, 113 F.4th at 1119. The *Bolger* factors weigh in favor of
16 characterizing speech as commercial where (1) “the speech is an advertisement,”
17 (2) “the speech refers to a particular product,” and (3) “the speaker has an economic
18 motivation.” *Hunt v. City of Los Angeles*, 638 F.3d 703, 715 (9th Cir. 2011). While
19 these factors are “important guideposts, . . . they are not dispositive.” *Ariix, LLC v.*
20 *NutriSearch Corp.*, 985 F.3d 1107, 1116 (9th Cir. 2021).

21 Generally, commercial speech receives intermediate scrutiny. *X Corp.*,
22 116 F.4th at 900; *NetChoice*, 114 F.4th at 1119. In such cases, courts ask, “whether
23 the asserted governmental interest is substantial,” “whether the regulation directly
24 advances the governmental interest asserted,” and “whether [the law] is not more
25 extensive than is necessary to serve that interest.” *NetChoice*, 114 F.4th at 1119
26 (quoting *Cent. Hudson Gas & Elec. Corp. v. Pub. Serv. Comm’n of N.Y.*, 447 U.S.
27 556, 566 (1980)). However, there is an exception for commercial speech that is
28 “purely factual and uncontroversial,” which is subject to rational basis review.

1 *X Corp.*, 116 F.4th at 900; *NetChoice*, 114 F.4th at 1119. Under *Zauderer v. Office of*
2 *Disciplinary Counsel of the Supreme Court of Ohio*, 471 U.S. 626 (1985), “the
3 government may compel truthful disclosure in commercial speech as long as the
4 compelled disclosure is ‘reasonably related’ to a substantial governmental interest.”
5 *CTIA - The Wireless Ass’n v. City of Berkeley, Cal.*, 928 F.3d 832, 842 (9th Cir. 2019)
6 (quoting *Zauderer*, 471 U.S. at 651).

7 Here, Plaintiffs assert that a facial challenge is appropriate. (See MSJ 6; Reply
8 ISO MSJ 2; Pls. Suppl. Br 1.) They also argue that strict scrutiny applies because
9 neither *Central Hudson*’s intermediate scrutiny nor *Zauderer*’s rational basis scrutiny
10 applies. (See MSJ 14–19; Reply ISO MSJ 2–7.) Specifically, Plaintiffs contend that
11 SBs 253 and 261 do not regulate commercial speech and the regulated speech is not
12 purely factual and uncontroversial. (See MSJ 14–19; Reply ISO MSJ 2–7.) In any
13 event, Plaintiffs contend that SBs 253 and 261 fail any degree of First Amendment
14 scrutiny. (See MSJ 19–20; Reply ISO MSJ 8–10.)

15 The State disputes each of these assertions and urges the Court to outright deny
16 Plaintiffs’ Motion for Summary Judgment. (See Opp’n MSJ.) Alternatively, the State
17 moves to deny or defer Plaintiffs’ Motion for Summary Judgment because no
18 discovery has occurred, and it has identified “three issues where, if the Court decides
19 they are relevant in resolving the motion,” the State requires discovery. (Rule 56(d)
20 Mot. 2.) These issues are the (1) SBs 253’s and 261’s financial and administrative
21 burden, (2) controversial nature of the speech SBs 253 and 261 regulate, and
22 (3) “existence of out-of-state entities that are covered by SB[s] 253 and 261, but only
23 engage in a single transaction within California.” (*Id.* at 2, 10.) Plaintiffs counter that
24 none of this “discovery is material to the merits” of their facial constitutional
25 challenge. (Opp’n Rule 56(d) Mot. 2.)

26 The Court finds that Plaintiffs’ constitutional challenge does not present “only
27 pure questions of law.” (Opp’n Rule 56(d) Mot. 1.) Indeed, Plaintiffs chose to litigate
28 this case as a facial challenge, “and that decision comes at a cost.” *Moody*, 144 S. Ct.

1 at 2397. In the first instance, the Court must “determine what [the law] covers.” *Id.* at
2 2398 (alteration in original). On their face, SBs 253 and 261 appear to apply to all
3 companies that meet the relevant revenue thresholds that do “business in California.”
4 Cal. Health & Safety Code §§ 38532(b)(2), 38533(a)(4). But the Court must also
5 “decide which of the laws’ applications violate the First Amendment,” and “measure
6 the constitutional against the unconstitutional applications.” *Moody*, 144 S. Ct.
7 at 2398.

8 On the present record—before any discovery has taken place—the Court is
9 unable to complete this “fact-driven” task. *X Corp.*, 116 F.4th at 900. For example,
10 for purposes of Plaintiffs’ summary judgment motion, Plaintiffs admit that
11 California’s legislature “designed” the bills “to, in part, prevent companies from
12 making potential misleading statements.” (Pls. Resp. Defs.’ Additional Material Facts
13 (“Pls. Resp. DAMF”) 130, ECF No. 59-1.) Plaintiffs further admit that “[m]any
14 companies advertise their business as ‘green’ or emissions conscious” and that their
15 “own member companies have advertised themselves as adhering to ‘net zero’
16 emissions goals.” (*Id.* ¶¶ 128–29.) Moreover, the purpose of this advertising is to
17 “influence . . . consumer behavior.” (*Id.* ¶ 163.)

18 These facts may support that at least two of the three *Bolger* factors (i.e.,
19 advertisement and economic motivation) favor a finding that SBs 253 and 261
20 regulate commercial speech and therefore less than strict scrutiny applies. *See*
21 *Stutzman v. Armstrong*, No. 2:13-CV-00116-MCE-KJN, 2013 WL 4853333, at *18
22 (E.D. Cal. Sept. 10, 2013) (finding two of three *Bolger* factors support
23 characterization of commercial speech); *cf. Dex Media W., Inc. v. City of Seattle*,
24 696 F.3d 952, 959 (9th Cir. 2012) (not commercial speech where object of regulation
25 “does not fulfill two of the three *Bolger* factors”).

26 But they also may not. To determine which level of scrutiny to apply, the Court
27 needs a record on whether SBs 253 and 261 regulate a substantial number of
28 companies that do not make potentially misleading environmental claims. For

1 example, if ninety-nine percent of the regulated companies have made advertisements
2 relevant to SBs 253's and 261's required disclosures, that may support a finding that
3 SBs 253 and 261 are appropriately tailored to the State's aims under at least rational
4 basis review. This becomes less likely if, for example, a handful of the regulated
5 companies make such advertisements.

6 Moreover, contrary to Plaintiffs' contention, it is indeed relevant to SB 253's
7 and 261's purported overinclusiveness whether there exists a company that "engages
8 in a single transaction within the State, wholly unconnected to climate-related risks,"
9 and must comply with SBs 253 and 261. (Opp'n Rule 56(d) (quoting MSJ 8–9.)) The
10 absence of real-world examples of SB 253's and 261's overinclusiveness directly
11 impacts whether SB 253 and 261 are appropriately tailored to the State's aims.

12 **C. Requirements of Rule 56(d)**

13 Plaintiffs urge the Court to strike the State's motion deny or defer Plaintiffs'
14 MSJ because its support declaration does not comply with Rule 56(d). (*See* Opp'n
15 Rule 56(d) Mot.) But the State has "show[n] by affidavit or declaration that, for
16 specified reasons, it cannot present facts essential to justify its opposition." Fed R.
17 Civ. P. 56(d). The State identifies "three categories of specific facts," and explains the
18 specific facts it is "unable to present . . . because discovery has not opened." (Decl.
19 Caitlan McLoon ISO Rule 56(d) Mot. ¶¶ 2, 5, ECF No. 57-2.) These are not "bare
20 assertion[s]," (Opp'n Rule 56(d) Mot. 10), and thus are sufficient to comply with
21 Rule 56(d)'s requirements. In any event, even if the State's Rule 56(d) motion was
22 deficient, the Court finds that there are genuine disputes of material fact that preclude
23 it from granting summary judgment at this stage.

24 Plaintiffs raise concerns that the State will use "improper tactic[s]" and take an
25 "abusive approach" to discovery in this case. (Opp'n Rule 56(d) Mot. 1.) To be clear,
26 at this time, the Court does not rule on whether the State is entitled to specific
27 discovery. The Court simply rules that further development of the facts are needed for
28 it to evaluate Plaintiffs' Motion for Summary Judgment. If the State takes an abusive

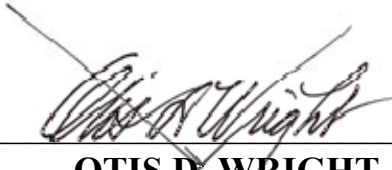
1 approach to discovery, Plaintiffs may pursue appropriate measures, as may any party
2 in any litigation. *See, e.g.*, Fed. R. Civ. P. 26.

3
4 **V. CONCLUSION**

5 For the reasons discussed above, the Court **GRANTS** the State's Motion to
6 Defer or Deny Plaintiffs' Motion for Summary Judgment on Claim I, (ECF No. 57),
7 and **DENIES** Plaintiffs' Motion for Summary Judgment on Claim I, (ECF No. 48),
8 **WITH LEAVE TO RE-FILE.**

9 **IT IS SO ORDERED.**

10
11 November 5, 2024

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14 _____
15 **OTIS D. WRIGHT, II**
16 **UNITED STATES DISTRICT JUDGE**
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Jodie Muller
President & CEO

February 9, 2026

California Corporate Greenhouse Gas (GHG) Reporting
and Climate Related Financial Risk Disclosure Programs
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Uploaded to [CARB comment portal](#)
and submitted by email to:
climatedisclosure@arb.ca.gov

Re: WSPA Comments on the Proposed California Corporate Greenhouse Gas Reporting Program and Climate-Related Financial Risk Disclosure Program Initial Regulation

The Western States Petroleum Association (WSPA) appreciates the opportunity to comment on the California Air Resources Board's (CARB) Proposed California Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure Initial Regulation.¹ WSPA is a non-profit trade association that represents companies that safely explore for, produce, refine, transport and market petroleum, petroleum products, natural gas and other energy supplies in California, Washington, Oregon, Nevada, and Arizona.

WSPA reminds CARB that the U.S. Chamber of Commerce and other organizations have filed a federal lawsuit seeking to have California's Corporate Greenhouse Gas Reporting Act (SB 253) and Climate-Related Financial Risk Disclosure Act (SB 261) declared unconstitutional.² WSPA supports this legal challenge and maintains that these laws should be invalidated and their enforcement enjoined. As of November 18, 2025, the enforcement of SB 261 has already been enjoined pending appeal, and during oral argument on January 9, 2026, the United States Court of Appeals for the Ninth Circuit expressed concerns regarding the legality of certain aspects of *both* laws. Accordingly, CARB should defer any further actions to implement these laws pending final resolution of ongoing legal challenges, given the significant remaining uncertainty regarding the legality of such actions.

In the meantime, WSPA submits the following comments regarding the proposed initial regulation.³

1. CARB should preserve flexibility for reporting entities to address data availability challenges for the initial SB 253 report.

The deadline for reporting entities to submit their initial SB 253 report is August 10, 2026. CARB is proposing to establish a February 1 cutoff date to determine which fiscal year's data entities must submit for the initial report, with entities whose fiscal year ends on or before February 1, 2026 reporting data from their fiscal year ending in 2026, and entities whose fiscal year ends after that date reporting their 2025 data. WSPA urges CARB not to adopt this mandatory cutoff date.

Setting a mandatory cutoff date fails to account for data availability challenges for many complex organizations and diverges from the optional approach described in CARB's November 2025 public

¹ CARB, Proposed SB 253 Regulation Text A-1; available at: <https://ww2.arb.ca.gov/sites/default/files/barcu/regact/2025/sb253-261/reg%20text.pdf>. Accessed January 2026.

² See *Chamber of Commerce of the United States of America v. Randolph*, No. 2:24-cv-00801 (C.D. Cal.).

³ Nothing in this submission should be considered an admission of lawfulness on the part of WSPA or its members. WSPA and its members reserve the right to challenge the underlying statutes or implementing regulations as unconstitutional or otherwise unlawful.

workshop.⁴ As WSPA has previously explained,⁵ data from the prior fiscal year is generally not available for external reporting until the third or fourth quarter of the following year, particularly for complex organizations with multiple business units, international operations, or reliance on third-party data providers. For these entities, developing a complete and reliable GHG inventory often requires more than six months, making it impractical to finalize and disclose GHG reporting for SB 253 within the timeline implied by a mandatory “applicable preceding fiscal year” requirement for reporting in 2026.

Instead, WSPA urges CARB to incorporate a data availability provision for the first reporting year. This approach would provide entities with the flexibility necessary to ensure accurate, complete, and meaningful disclosures.

2. WSPA strongly supports retaining optionality for entities to select boundary approaches for reporting.

WSPA maintains its position, elaborated in previous comment letters,^{6,7} that CARB should retain flexibility for entities to select one of the three boundary approaches defined by the GHG Protocol: equity share, financial control, or operational control.⁸ Allowing reporting entities to select an approach that aligns with existing sustainability and investor reporting practices, including established regulatory frameworks or industry best practices (e.g., the U.S. Environmental Protection Agency’s GHG emissions reporting program and sustainability reporting guidance for the oil and gas industry released by Ipieca, the American Petroleum Institute, and the International Association of Oil and Gas Producers), and would mitigate confusion arising from inconsistent presentations of reporting data and enhance the usefulness of reported information by recognizing diverse corporate structures.

Additionally, although CARB has clarified that it will not enforce SB 261 reporting requirements,⁹ the agency previously confirmed that entities will have flexibility in selecting a climate disclosure framework under SB 261. For example, entities reporting in alignment with the 2017 Task Force on Climate-Related Financial Disclosures (TCFD) recommendations may use any of the three GHG Protocol organizational boundary approaches. Therefore, limiting flexibility in selecting the GHG emissions reporting boundary under SB 253 could cause disclosures under SB 253 and SB 261 to become misaligned, resulting in information that is not coherent or useful for decision-making. Mandating a reporting boundary for SB 253 while allowing flexibility under SB 261 would also undermine CARB’s goal of reducing confusion and streamlining compliance where possible.

In sum, CARB should explicitly authorize reporting entities, in this and any subsequent regulations, to select the GHG emissions disclosure boundary approach most appropriate for their respective operations and disclosures.

3. CARB should revise its proposed recordkeeping requirements to limit burdens on reporting entities meeting an appropriate threshold of “doing business in California.”

⁴ See CARB SB 253/261/219 Public Workshop: Update on California Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure Programs. November 2025; recording available at: [youtube.com/watch?v=h979MRn7JfE&feature=youtu.be](https://www2.arb.ca.gov/sites/default/files/classic/SB%20253%20261%20Nov%20Workshop%20slides%20%28Updated%29.pdf) and slides available at: <https://www2.arb.ca.gov/sites/default/files/classic/SB%20253%20261%20Nov%20Workshop%20slides%20%28Updated%29.pdf>.

⁵ See WSPA Comments on the Information Solicitation to Inform Implementation of California Climate Disclosure Legislation: Senate Bills 253 and 261. March 21, 2025; available at: https://www2.arb.ca.gov/system/files/webform/public_comments/22731/WSPA%20SB%20253%20and%20261%20Climate%20Disclosure%20Information%20Solicitation%20Letter%203-21-2025.pdf.

⁶ *Ibid.*

⁷ See WSPA Comments on Draft Reporting Template for Scopes 1 and 2 GHG Emissions. October 27, 2025; available at: https://www2.arb.ca.gov/system/files/webform/public_comments/53876/wspa-sb-253-draft-reporting-template-comments-with-citations-10-27-2025.pdf.

⁸ See U.S. EPA, Scopes 1 and 2 Emissions Inventorying and Guidance; available at: <https://www.epa.gov/climateleadership/determine-organizational-boundaries>. Accessed January 2026.

⁹ See CARB, Enforcement Advisory Climate-Related Financial Risk Reporting (SB 261). December 1, 2025; available at: <https://www2.arb.ca.gov/sites/default/files/2025-12/Dec%201%20SB%20261%20Enforcement%20Advisory.pdf>.

CARB's proposal includes a data retention provision requiring entities subject to the regulation to maintain records demonstrating that they "meet the revenue and doing business in California thresholds."¹⁰ This self-certification requirement is inconsistent with CARB's stated rationale of using publicly available and verifiable information to determine applicability. Reporting entities should not bear the additional burden of justifying their inclusion or providing proprietary business information beyond what is necessary for compliance.

In addition, CARB's proposal states that entities must provide these records to CARB if requested, without clarifying the circumstances in which this information may be requested. If CARB maintains the proposed data retention requirements, then, at a minimum, CARB should clearly define the circumstances under which records can be requested. WSPA also continues to urge CARB to develop clear guidance on how it will manage and use data provided by entities while protecting proprietary and confidential information. Clear guidance will help define data requirements, prevent the submission of extraneous information, mitigate proprietary data leakage risks, and reduce unnecessary administrative costs for both CARB and reporting entities.

CARB should also reconsider its proposed definition of "doing business in California." The proposed definition imposes grossly disproportionate compliance requirements by implicating global operational data for companies that may have only a fraction of their business operations and income in California. To address these outsized burdens, WSPA recommends the following revisions:

- For domestic entities that meet the global revenue threshold but are not organized or commercially domiciled in California, WSPA recommends that an entity be considered within the scope of the regulation only if it: (1) meets the sales threshold in Revenue and Taxation Code (RTC) § 23101(b)(2); (2) reports more than \$200 million in California-allocated/apportioned business income, adjusted annually for inflation; and (3) is registered to do business in California with the Secretary of State pursuant to General Corporation Law § 191.
- For unitary filers not commercially domiciled in California and with no California sales in excess of the amount in Section 23101(b)(2) – but who have allocated California sales due to their subsidiaries' operations – WSPA proposes revising the second sentence of Section 96072(a)(8) of the proposed regulation as follows: "For this section, 'taxpayer' in subsection 23101(b) is substituted with the term 'entity,' and to determine an entity's sales in California under Revenue and Taxation Code § 23101(b)(2), the sales of a subsidiary are not attributed to its parent notwithstanding any unitary tax return filed by them, and wholesale electricity sales are excluded."

4. CARB's Scope 1 and 2 reporting template should remain optional, and entities should be permitted to submit verified emissions data from their own reports.

WSPA strongly encourages CARB to retain flexibility for reporting entities to rely on reporting mechanisms other than CARB's Scope 1 and 2 reporting template.¹¹ Mandating the template's use would impose unnecessary administrative burdens, leading to inconsistent or confusing reporting that is unhelpful to stakeholders. As WSPA has previously explained,¹² the template is overly complex, which risks over-collection of information, including confidential business data, without providing decision-useful information as intended by statute.

To address these issues, CARB should confirm that entities that develop their own GHG or sustainability reports that include verified Scope 1 and 2 emissions data would be permitted to submit the relevant emissions data from these reports in lieu of using the standard template. This approach provides flexibility

¹⁰ CARB, Proposed SB 253 Regulation Text A-1; available at: <https://ww2.arb.ca.gov/sites/default/files/barcu/regact/2025/sb253-261/reg%20text.pdf>. Accessed January 2026.

¹¹ See CARB "Draft Scope 1 and 2 GHG Reporting Template." October 10, 2025; available at: <https://ww2.arb.ca.gov/our-work/programs/corporate-ghg-reporting/resources>.

¹² See WSPA Comments on Draft Reporting Template for Scopes 1 and 2 GHG Emissions. October 27, 2025.

for entities to align reporting with existing internal processes, third-party verification, and other regulatory or investor reporting practices, while maintaining data transparency and compliance with SB 253. Critically, this approach should not require the submission of the entire company-developed report, but only the specific, relevant verified emissions data.

WSPA urges CARB to clarify in the regulation that the template is optional for all reporting years, allowing entities to submit company-prepared reports with verified Scope 1 and 2 emissions data without being forced to use CARB's template.

5. CARB should ensure that any more granular emissions disclosures beyond the aggregated Scope 1 and 2 GHG totals remain optional and are not subject to separate third-party verification.

In addition to retaining flexibility for reporting entities to rely on reporting mechanisms other than CARB's Scope 1 and 2 reporting template,¹³ CARB should limit mandated reporting information to aggregated totals of Scope 1 or Scope 2 emissions. As WSPA explained in our previous letter,¹⁴ any disclosure of more granular Scope 1 and Scope 2 data should be optional and should not be subject to separate third-party verification. Mandating disaggregated reporting would unnecessarily complicate the implementation of SB 253 without providing additional decision-useful information.

CARB's draft reporting template introduces unnecessary complexity by requiring Scope 1 and Scope 2 emissions to be disaggregated by both source and individual GHG species, with no meaningful difference or benefit to shareholders beyond aggregated emissions disclosure. This complexity is compounded by inherent differences between source categories for Scope 1 and Scope 2 emissions. For example, the template requests Scope 1 emissions by stationary, mobile, process, and fugitive sources, while it requests Scope 2 emissions by electricity, heating, steam, and cooling sources. These disparities in emissions sources increase reporting burdens and reduce the clarity of the reported data, making it more difficult for stakeholders to interpret.

By ensuring that any additional reporting beyond aggregated Scope 1 and 2 GHG emissions remains *optional*, regardless of whether an entity uses CARB's reporting template, CARB would better achieve its stated commitment to an effective, efficient, and streamlined implementation of SB 253. WSPA encourages CARB to clarify that such additional reporting is optional in the regulation for both 2026 and future years to avoid potential compliance ambiguity, consistent with CARB's regulatory approach in the Frequently Asked Questions (FAQ) Regarding California Climate Disclosure Requirements.¹⁵

6. CARB should confirm that it will not enforce limited assurance requirements for initial reports and will support flexibility and efficiency in the verification process.

WSPA requests that CARB modify the regulatory text to explicitly waive all assurance requirements for the first SB 253 report due in 2026, even for entities that have previously obtained third-party verification for Scope 1 and 2 emissions under a different voluntary or regulatory reporting framework. While CARB has provided guidance on enforcement discretion in its FAQ, the current regulatory text does not reflect this waiver. To avoid confusion and regulatory uncertainty, CARB should explicitly state that it will exercise enforcement discretion for the 2026 submission of Scope 1 and 2 emissions for any entity not receiving limited assurance under California's specific requirements, regardless of whether that entity has already obtained assurance on its collected data.

¹³ *Ibid.*

¹⁴ See WSPA comments on Draft SB 253 Scope 1 & 2 Reporting Template. October 27, 2025.

¹⁵ See CARB, California Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure Programs: Frequently Asked Questions About Regulatory Development and Initial Reports, Question 21. Updated November 17, 2025; available at: https://ww2.arb.ca.gov/sites/default/files/classic/FAQs%20Regarding%20California%20Climate%20Disclosure%20Requirements_Nov.pdf.

Additionally, CARB should maintain flexibility for reporting entities to use applicable GHG emissions reporting standards to accommodate diverse organizational structures and global compliance obligations. For example, CARB should clearly authorize the use of current versions of existing protocols like the International Organization for Standardization (ISO) 14060 family (e.g., ISO 14064-3:2019 standard) and International Standard on Sustainability Assurance (ISSA) 5000 for assurance purposes. Such protocols are widely used in the United States and provide an internationally recognized framework for Scope 1 and Scope 2 GHG emissions verification. To support process efficiency and avoid unnecessary administrative burden, CARB should not require application of the Mandatory Reporting Regulation verification process, as doing so would impose an excessive administrative and capital burden on a program that lacks the financial underpinnings of a Cap-and-Invest program.

While SB 253 and SB 261 do not create a private cause of action, compliance with CARB's regulation will likely increase liability risks under other legal theories. These risks include unfounded claims of greenwashing, consumer fraud, and/or human rights claims stemming from mandated disclosure in areas where data is often based on assumptions and is difficult to meaningfully quantify. As such, WSPA strongly urges CARB to include language limiting liability for reported information under any statute or other cause of action.

7. CARB should allow parent companies to make a single combined fee payment for their subsidiaries and not assess fees for parent-company entities that are not directly subject to the regulation.

CARB's November workshop presentation¹⁶ indicates that a parent company may submit a single combined payment to cover all fees for its subsidiaries. However, this fee payment option is not reflected in the proposed regulatory text. To reduce administrative burdens and enhance clarity, CARB should revise the proposed Section 96074 to explicitly allow parent companies to make one combined payment for multiple subsidiaries, consistent with its workshop presentation.

Additionally, the proposed regulatory text should clarify that annual fees apply only to reporting entities subject to the regulation. Parent entities that are not directly subject to the regulation but report on behalf of their subsidiaries under the consolidated fee payment option should not be assessed a separate, additional annual fee.

8. The proposed regulation should remove all definitions and requirements related to SB 261.

On November 18, 2025, the U.S. Court of Appeals for the Ninth Circuit granted an injunction pending appeal against the enforcement of SB 261.¹⁷ In response, CARB issued an Enforcement Advisory on December 1, 2025, stating that it will not enforce SB 261 reporting requirements.¹⁸ Nevertheless, the proposed regulation includes SB 261-related provisions, including definitions and fee requirements. Retaining these provisions creates unnecessary confusion and is facially inconsistent with the court's order enjoining CARB from "applying or taking any action to enforce" SB 261. Accordingly, WSPA urges CARB to remove all SB 261-related definitions and requirements from the proposed regulatory text.

9. The definition of "Required Revenue" should not include legal defense fees.

Section 96072(a)(12) of the proposed regulation defines "Required Revenue" as "the total amount of funds necessary to recover the costs of implementation or expenditures under the programs established

¹⁶ See CARB, SB 253/261/219 Public Workshop: Update on California Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure Programs, Slide 16. November 18, 2025; available at: <https://www2.arb.ca.gov/sites/default/files/classic/SB%20253%20261%20Nov%20Workshop%20slides%20%28Updated%29.pdf>.

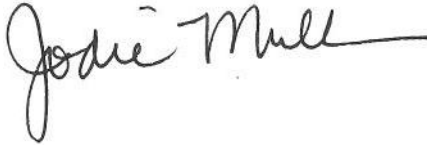
¹⁷ *U.S. Chamber of Commerce v. Sanchez*, Case No. 25-5327 (9th Cir.).

¹⁸ See CARB, Enforcement Advisory Climate-Related Financial Risk Reporting (SB 261). December 1, 2025; available at: <https://www2.arb.ca.gov/sites/default/files/2025-12/Dec%201%20SB%20261%20Enforcement%20Advisory.pdf>.

by HSC §§ 38532 or 38533, respectively, for each fiscal year, based on the number of personnel positions, including salaries and benefits, contracting costs, and all other costs, ***including legal defense of this article***, as approved in the California Budget Act for that fiscal year.” (emphasis added). The inclusion of such legal defense fees is an improper barrier to the exercise of First Amendment rights to petition the government, which includes filing lawsuits to challenge unconstitutional laws. It further violates due process rights by imposing an unconstitutional penalty for accessing the court system. This provision must be removed from the proposed definition.

Thank you for CARB's ongoing engagement with stakeholders, and for considering our comments.

Sincerely,

A handwritten signature in dark ink, appearing to read "Jodie Muller", with a long horizontal flourish extending to the right.

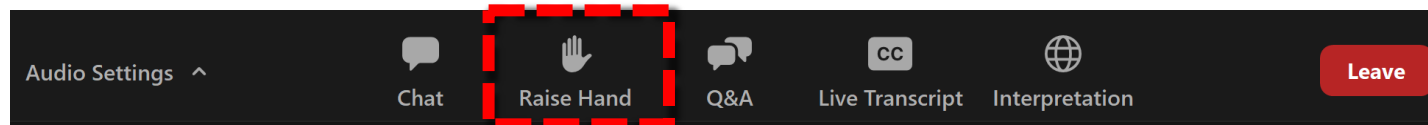
Jodie Muller
President & CEO

SB 253/261/219 Public Workshop: Update on California Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure Programs

NOVEMBER 18, 2025

Workshop Logistics

- Workshop Materials link: <https://ww2.arb.ca.gov/our-work/programs/corporate-ghg-reporting/climate-disclosure-meetings-and-workshops>
- Zoom Orientation:
 - Raise Hand
 - Zoom phone participants may dial #2 to “Raise your Hand”
 - The facilitator will inform Zoom phone participants when they are unmuted during Public Comment
 - Dial *6 to mute or unmute



Agenda

1. Welcome and Program Background
2. Overview of Initial Regulation (Fee and Scope 1 & 2 2026 Reporting Deadline)
3. Proposed Definitions and Exemptions/Exclusions
4. Climate-Related Financial Risk Reports & Upcoming Deadlines
5. Public Feedback

Two Decades of State Climate Action

Climate Legislation

- Landmark climate legislation: Assembly Bill 32, 1990 levels by 2020
- 2030 target: 40% GHG reduction below 1990 levels (SB 32)
- 2045 target: Carbon neutrality, 85% GHG reduction below 1990 levels (AB 1279)

Existing CARB efforts to reduce GHG emission

- Cap-and-Invest
- Low Carbon Fuel Standard (LCFS)
- Mobile source regulations

Existing CARB GHG reporting

- Mandatory Greenhouse Gas Reporting Regulation (MRR)
 - Scope 1 emissions reporting from large emitters
- Low Carbon Fuel Standard (LCFS)
 - Scope 1 and Scope 2 emissions reporting for fuels producers

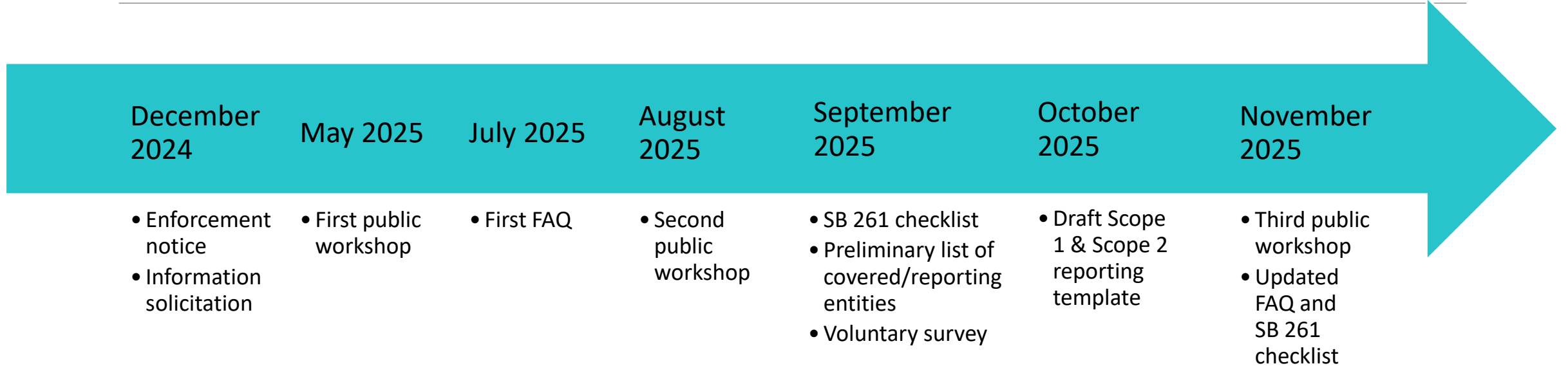
Overview of Relevant Legislation

- California Climate Disclosure Laws: SB 253, 261, 219 (Health & Safety Code (HSC) §§ 38532 and 38533) – “the 200s”
 - Improve transparency on corporate climate-related risks and emissions
 - Inform consumers and investors of climate-related business considerations

SB 253 and SB 261 Overview

	SB 253	SB 261
Requirements	• Greenhouse gas disclosure	• Climate risk reporting
Applies To	• U.S.-based entities • Doing business in California • >\$1 billion in annual revenue	• U.S.-based entities • Doing business in California • >\$500 million in annual revenue
Deadlines	• Scope 1 and Scope 2 in 2026 • Scope 1, 2 and 3 in 2027+	• Post on company website by January 1, 2026 • Biennial thereafter
Alignments Allowed	• GHG Protocol	• TCFD 2017 (or subsequent iterations) • ISSB Standards (IFRS S2) • Required by a government (US or other) or exchange- HSC § 38533(b)(3)(A)

Public Process to Date



- CARB's latest guidance regarding both SB 253 and SB 261 compliance is available now on CARB's website

Initial Regulation: Fees & 2026 Reporting Deadline

SB 253/261 (HSC §§ 38532/38533)

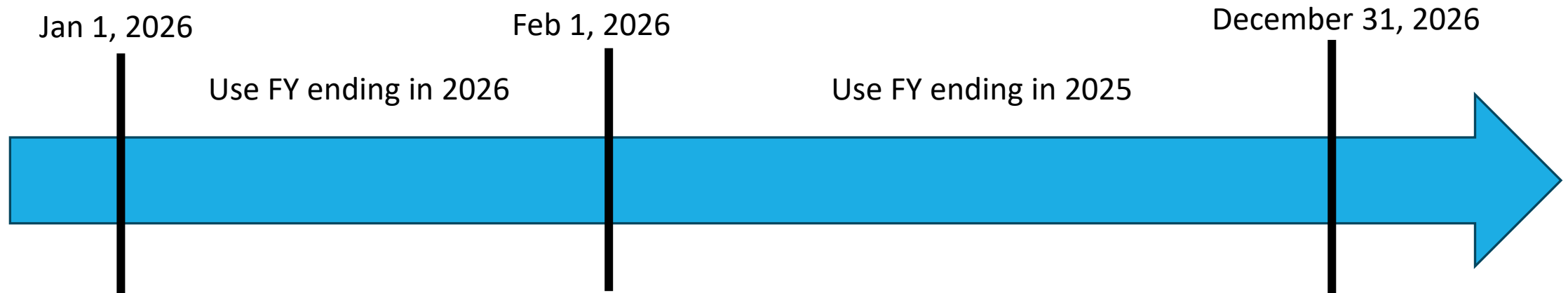
Initial Regulation Overview

- Initial regulation will establish:
 - A first-year only reporting deadline for SB 253
 - Administration fee calculation, collection and penalties

Initial Regulation: 2026 Reporting Deadline

Initial Regulation: SB 253 First-year Only Reporting Deadline

- Based on stakeholder feedback, Staff is proposing a first year Scope 1 and Scope 2 emissions reporting deadline of August 10, 2026
 - If the reporting entity's fiscal year ends between January 1 and February 1, 2026, the entity will report data from the fiscal year ending in 2026.
 - If the reporting entity's fiscal year ends between February 2 and December 31, 2026, the entity will report data from the fiscal year ending in 2025.
 - Each entity will have at least 6 months after end of their fiscal year to submit their report.



Supporting SB 253 Compliance

- In December 2024, staff clarified in the [Enforcement Notice](#) that CARB will exercise its enforcement discretion for good-faith first-year submissions, aimed at supporting reporting entities actively working toward full compliance
- Common questions CARB has received:
 - Is use of the draft Scope 1-2 template required in 2026?
 - No. Use of the template is optional for 2026 reporting.
 - Can companies submit existing GHG reports that cover Scope 1 and Scope 2 emissions?
 - Yes. If a company develops its own annual report that includes information on Scope 1 and 2 emissions, that company may submit that report to CARB for 2026 reporting.
 - If a company was not collecting data or was not planning to collect data at the time the Enforcement Notice was issued, what should they do?
 - Entities that were not collecting data or were not planning to collect data, at the time the Enforcement Notice was issued, are not expected to submit Scope 1 and 2 reporting data in 2026.
 - Such entities should submit a statement on company letterhead to CARB, stating that they did not submit a report, and indicating that in accordance with the Enforcement Notice, the company was not collecting data or planning to collect data at the time the Notice was issued.
 - Is data assurance required for 2026 reporting?
 - For 2026 reporting, limited assurance is not required for data submission.

Initial Regulation: Fees

Initial Regulation: Fees

- The 200s authorize CARB to assess an annual fee for the implementation and administration of the new reporting programs. Companies subject to regulation will be assessed the fee.
- CARB has experience with this kind of structure through its AB 32 Cost of Implementation (COI) Fee Regulation.
- AB 32 COI Fee Regulation was adopted to support implementation of AB 32
- CARB introduced an initial concept on the fee provisions in the August public workshop.
- Staff has reviewed public feedback solicited from the comment period following the August workshop.

Initial Regulation: Fees (II)

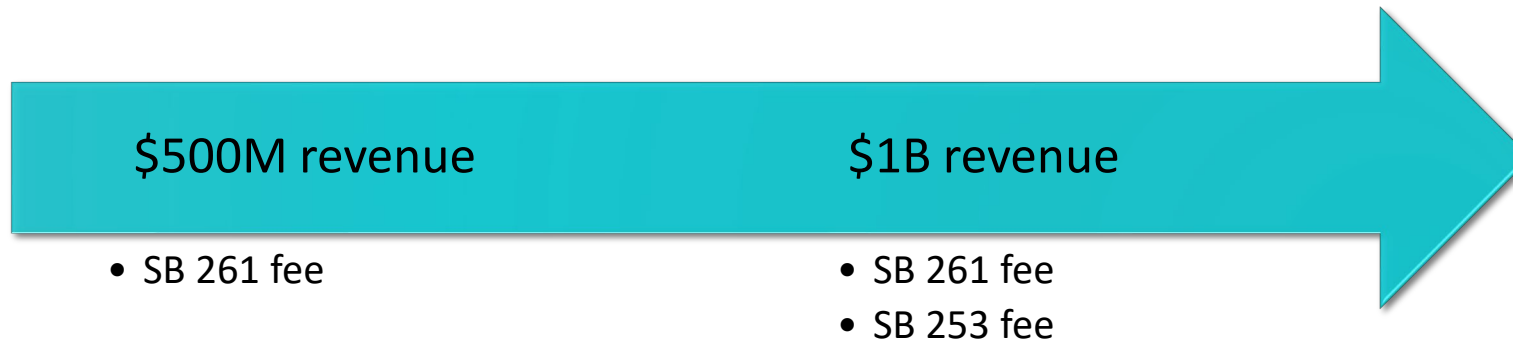
- Annual ongoing costs of implementing SB 253/261 programs: \$13.9M
- CARB's program administration costs also include a one-time cost to set up the program: \$20.7M, which was temporarily funded through a loan from the Greenhouse Gas Reduction Fund (GGRF) for Fiscal Year (FY) 24/25 and 25/26

Initial Regulation: Fees (III)

- Staff is still pursuing a “flat” fee structure to cover SB 253 and SB 261 implementation costs.
- Flat annual fee for each program calculated as:
$$\frac{\text{Annual Program Cost}}{\text{Number of Regulated Entities}}$$
- CARB will issue fee invoices based on the number of that are required to report in 2026 under SB 253 and SB 261.
- Each covered subsidiary is still assessed its own fee. A parent company may pay all fees in one combined payment.
- Example: If Company A has three in-scope subsidiaries (Companies B, C, and D), Company A may submit a single combined payment covering Companies A, B, C, and D.

Initial Regulation: Fees (IV)

- Entities with more than \$500M and less than \$1B in revenue pay only SB 261 fee annually
- Entities with more than \$1B in revenue pay both SB 253 fee and SB 261 fee annually



Preliminary Number of Regulated Entities

- At the August workshop, CARB estimated the number of regulated entities using CA Secretary of State (CA-SoS) data and a proprietary dataset
- **Goal of the Preliminary List:** To help estimate approximate numbers of entities potentially subject to HSC §§ 38532 and 38533. *This list is not a compliance tool.* Each potentially regulated entity remains responsible for compliance.
- Stakeholder feedback raised several issues with the list, including duplicative entries and missing entries

Existing Data Concerns

Challenges and limitations remain, recognized by staff and emphasized in stakeholder feedback to the preliminary list:

- **Major holes:** There are several major companies missing from the CA-SoS list that certainly meet the eligibility thresholds for the 200s, including major household names that control significant market shares of high-emitting industries
- **Imprecise revenue estimates:** Concerns were raised about the accuracy of the revenue estimates from proprietary datasets underpinning the preliminary list, especially for unverifiable private company revenue estimates calculated by third-party data providers
- **Outdated information:** Proprietary datasets not updated annually, limiting usefulness for year-to-year comparisons needed to track companies moving in and out of revenue threshold

Future Data Considerations

- CARB must accurately identify all entities subject to the 200s on an annual basis for fee purposes, including revenue and doing business
- Publicly available data sources are insufficient for verifiable year-to-year assessments, creating implementation risks
- CA-SoS data downloads:
 - May be incomplete or outdated for needed time period of analysis
 - Do not include revenue information
 - Fail to provide information necessary for determining statutory exemptions (e.g., teleworkers)
 - Are not available in a user-friendly format requiring staff resources for processing

Corporate Tax Filings

- Tax filing data from Franchise Tax Board (FTB) contains the most up-to-date and verifiable data
- Entities filing with FTB will automatically meet revenue and doing business definitions proposed by staff in next section
- Accessing a subset of FTB data could provide a permanent solution that will greatly streamline data collection and verification and reduce program implementation costs

Entity Type	Tax Form	Total Revenue (Gross Receipts)	CA Sales ('Doing business')
Corporation	Form 100	Schedule F, Line 1a	Schedule R-1, Col(b)
S-Corporation	Form 100S	Schedule F, Line 1a	Schedule R-1, Col(b)
Partnership	Form 565	Line 1a	Schedule R-1, Col(b)
LLC	Form 568	Schedule B, Line 1a	Schedule R-1, Col(b)

Initial Regulation: Proposed Definitions

SB 253/261 (HSC §§ 38532/38533)

Revenue

- **California Revenue and Taxation Code (RTC) § 25120(f)(2):** *The gross amounts realized (the sum of money and the fair market value of other property or services received) on the sale or exchange of property, the performance of services, or the use of property or capital (including rents, royalties, interest, and dividends) in a transaction that produces business income, in which the income, gain, or loss is recognized (or would be recognized if the transaction were in the United States) under the Internal Revenue Code, as applicable for purposes of this part. Amounts realized on the sale or exchange of property shall not be reduced by the cost of goods sold or the basis of property sold.*
- Gross receipts is verifiable on FTB tax filings
- To account for annual changes in revenue, applicability would be determined by the lesser of the entity's two previous fiscal years of revenue

Doing Business in CA

- After reviewing public feedback, staff refined definition of “doing business in California” proposed during the August workshop
- Staff propose defining “doing business in California” using Revenue and Tax Code § 23101 for both SB 253 and SB 261
- Staff propose omitting Section 23101(b)(3-4) relating to property holdings and payroll
 - Regulated entities should have significant economic nexus within the state of California

Doing Business in CA (II)

RTC § 23101, omitting § 23101(b)(3)-(4)

§ 23101(a): “Doing business” means actively engaging in any transaction for the purpose of financial or pecuniary gain or profit.

§ 23101(b): An entity is doing business in California if the entity is doing business (as defined in section 23101(a)), and any of the following conditions is met during any part of a reporting year:

- (1) The entity is organized or commercially domiciled in this state.
- (2) Sales, as defined in The Revenue and Taxation Code subdivision (e) or (f) of Section 25120 as applicable for the reporting year, of the entity in this state exceed the inflation adjusted thresholds of seven hundred thirty-five thousand and nineteen (\$735,019) (2024). For purposes of this paragraph, sales of the entity include sales by an agent or independent contractor of the entity. For purposes of this paragraph, sales in this state shall be determined using the rules for assigning sales under Sections 25135 and 25136, and the regulations thereunder, as modified by regulations under Section 25137.

Parent-subsidary

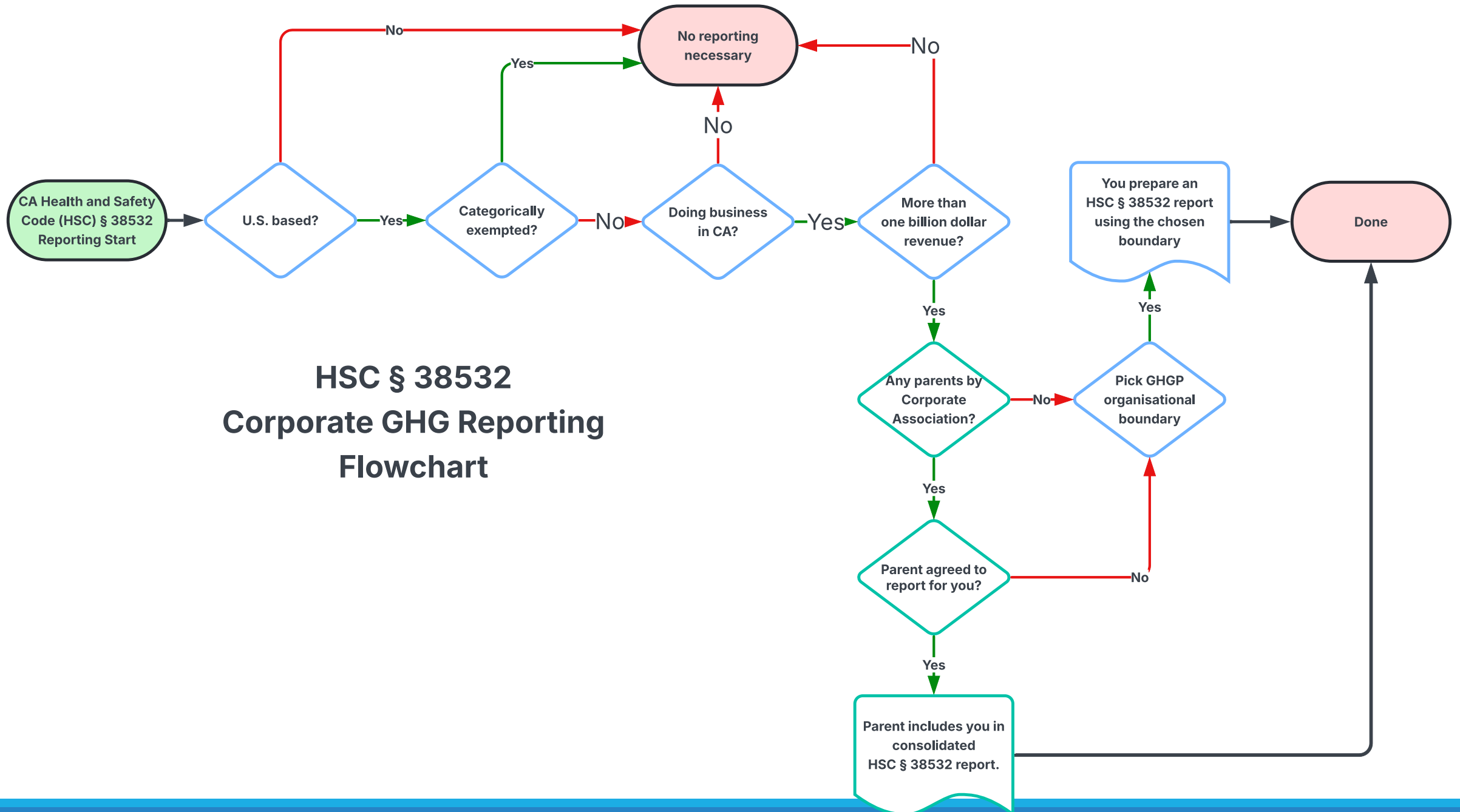
- A business entity is a subsidiary if another business entity has ownership interest in or control of the first entity by **direct corporate association** as defined by Title 17, California Code of Regulations, § 95833
 - A business entity is a parent if it has at least one subsidiary
 - The above definition aligns with CARB's Cap-and-Invest program definition
- A subsidiary may request for a parent to report on the subsidiary's behalf
- Parent-subsidary relationships **do not** determine which entities are regulated

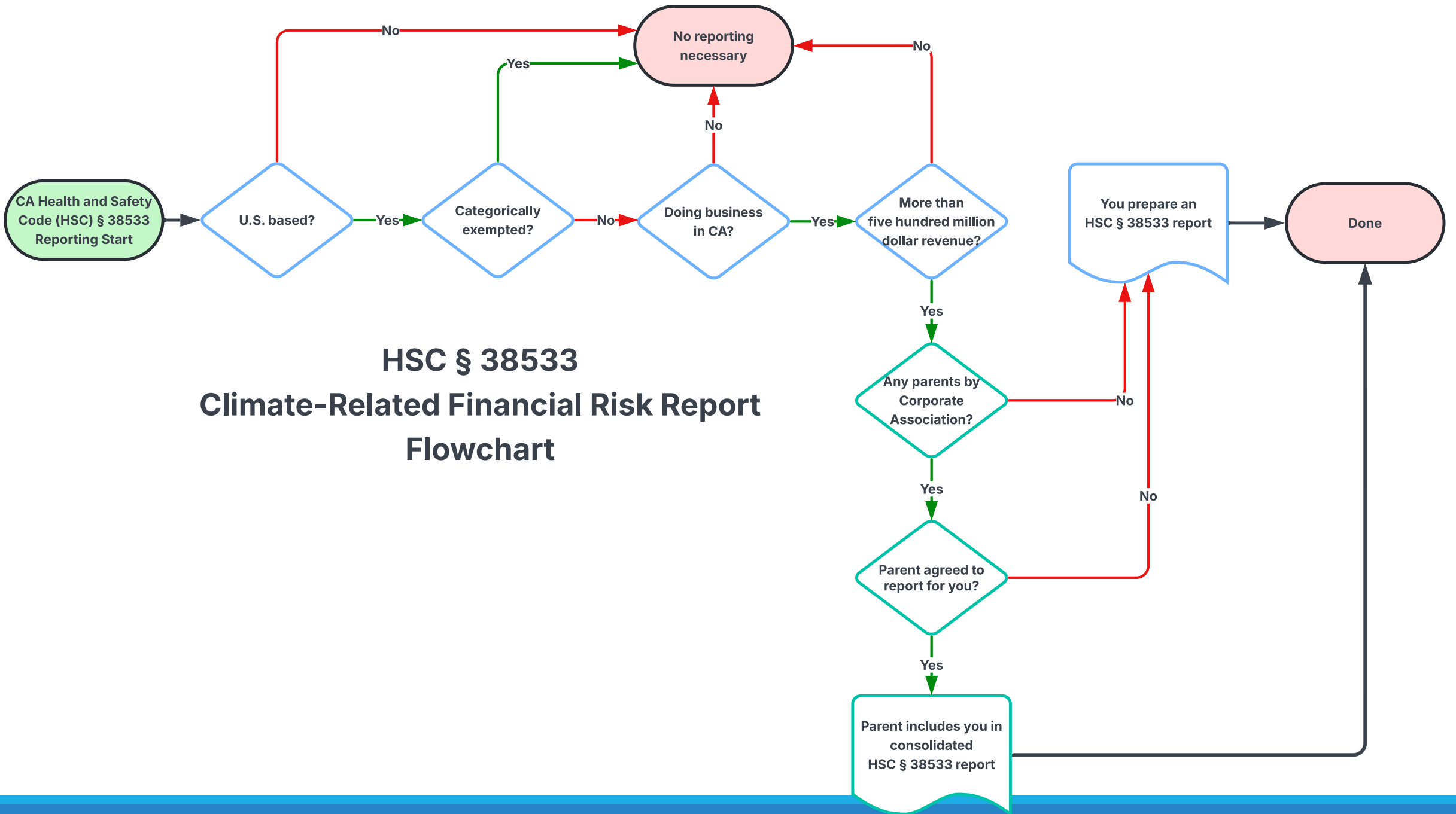
Direct Corporate Association

- Per Cal. Code Regs. Tit. 17, § 95833: *A corporate association exists when one entity has an ownership interest in or control over a second entity. The following indicia of control determine ownership or control:*
 - Greater than 50 percent of ownership of any class of listed shares, the right to acquire such shares, or any option to purchase such shares of the other entity;
 - Greater than 50 percent of common owners, directors, or officers of the other entity;
 - Greater than 50 percent of the voting power of the other entity;
 - In the case of a partnership other than a limited partnership, greater than 50 percent of the interests of the partnership;
 - In the case of a limited partnership, greater than 50 percent of control over the general partner or greater than 50 percent of the voting rights to select the general partner; and
 - In the case of a limited liability corporation, greater than 50 percent of ownership in the other entity regardless of how the interest is held.
- *A direct corporate association also exists when two entities are connected through a line of more than one direct corporate association.*

Parent-Subsidiary Example

- Question: If a U.S.-based parent entity has a subsidiary doing business in California, is that U.S.- based parent entity automatically deemed to be doing business in California?
- Answer: Inclusion criteria should be assessed on an individual company basis. If a company meets the inclusion criteria thresholds, then it is subject to the applicable requirements of HSC §§ 38532 and/or 38533. Both the subsidiary and the U.S.-based parent company assess their own compliance obligations based on the criteria outlined in statute and the proposed definitions provided.





HSC § 38533
Climate-Related Financial Risk Report
Flowchart

Exclusions and Proposed Exemptions

Health and Safety Code section 38533 as written excludes business entities that are subject to regulation by the Department of Insurance in this state, or that is in the business of insurance in any other state. Staff proposes to extend that exclusion to compliance under section 38532 as well.

Additionally, staff proposes that the requirements under Health and Safety Code sections 38532 and 38533 will not apply to:

- Federal, State and local government entities, and companies that are majority-owned by government entities (>50.00%);
- Non-profit* or charitable organizations that are tax-exempt under the Internal Revenue Code;
- Entities whose only business in California is the presence of teleworking employees; and
- A business entity whose only business within California consists of wholesale electricity transactions.

**CAISO is proposed to be exempted based on staff's proposal to exempt non-profit organizations. Based in part on the January 30, 2024 [letter](#) from the authors of SB 253 and 261 published in the Senate Daily Journal, a business entity whose only activity within California consists of wholesale electricity transactions will also be proposed by staff to be exempted from the requirements of HSC §§ 38532 and 38533.*

Summary

- CARB staff have detailed CARB's latest regulatory concepts to help entities identify whether they are within the scope of the regulation, and to provide any desired feedback
- CARB's published preliminary list of regulated entities offers a starting point, but companies should consider the updated proposed definitions in light of their organizational structure and FTB tax filings
- It is the **responsibility of entities** to review the updated proposed definitions and determine their obligations under the reporting programs
- CARB is focused on supporting compliance as the program begins

Climate-Related Financial Risk Reports

SB 261 (HSC § 38533)

SB 261 Reporting Deadline

- First reports are due on January 1, 2026, per statutory deadline
- Extended timeline for initial regulation does not impact first year reporting
- CARB will open a docket starting December 1, 2025, and will close it on July 1, 2026. Reports must be posted on company website by the statutory reporting deadline of January 1, 2026, and a link to that report must be submitted to the CARB docket by July 1, 2026

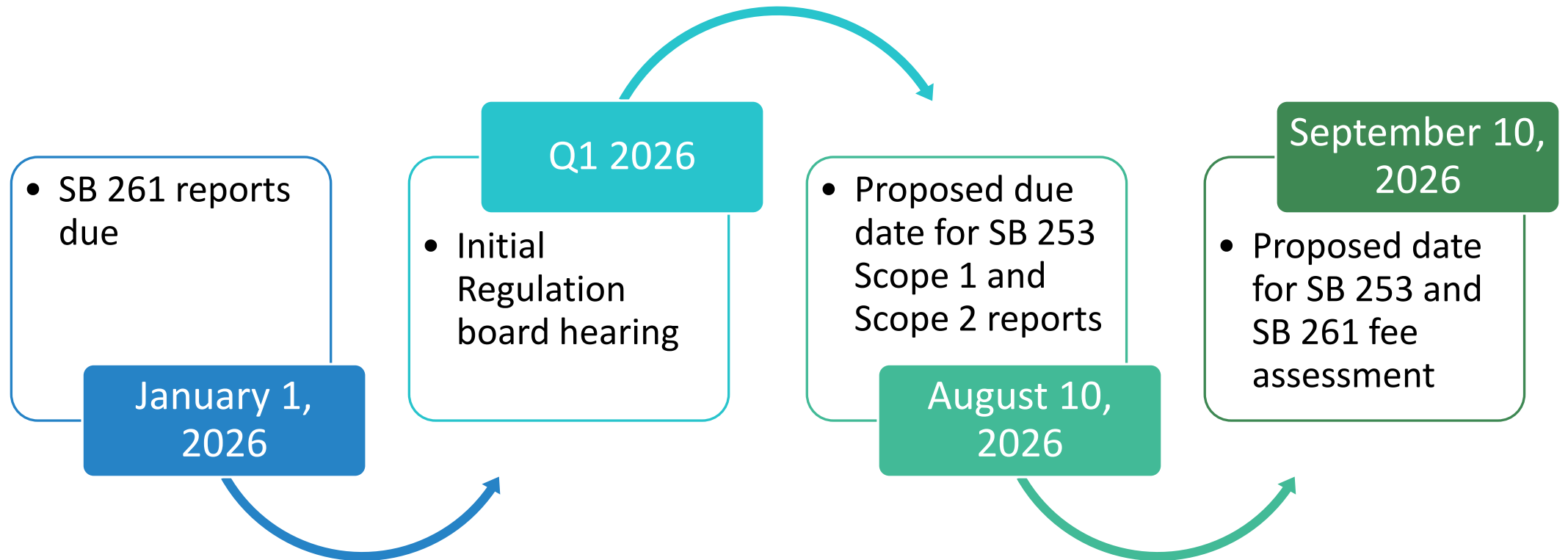
SB 261 Minimum Reporting Requirements

- Staff have posted a detailed SB 261 reporting checklist on its website that tracks SB 261's reporting requirements and deadlines
- Entities in the early stages of evaluating climate-related risks may begin by disclosing how these risks relate or may be relevant, even if no material risks have yet been identified or actions taken.
- Entities may include in their disclosures a description of gaps, limitations, and assumptions made as part of their assessment of climate-related issues.
- Entities may use one of several frameworks to meet disclosure requirements:
 - TCFD Final Report of Recommendations (2017) or subsequent iterations
 - International Financial Reporting Standards (IFRS) Disclosure Standards
 - A report developed in accordance with any regulated exchange, national government, or other governmental entity (see HSC § 38533(b)(3)(A) for details)

SB 261 Minimum Reporting Requirements (II)

- Each report submitted to CARB should:
 - Contain a statement on which reporting framework is being applied
 - Discuss which recommendations and disclosures have been compiled and which have not
 - Provide a short summary of the reasons why recommendations/disclosures have not been included as well as discussion of any plans for future disclosures
- Four overriding principles underpin climate related risk disclosures, informed by TCFD (2017) and IFRS S2:
 - Governance
 - Strategy
 - Risk Management
 - Metrics & Targets

Next Steps: Upcoming Deadlines



Next Steps: Preview of 253 rulemaking

- Subsequent rulemaking for SB 253 will establish other program requirements, including but not limited to:
 - Data assurance requirements
 - Further enforcement provisions
 - Recurring reporting deadline beyond 2026
 - Reporting templates
- Public feedback on Scope 1 & 2 Reporting Draft Template:
 - Docket closed October 27th, 2025
 - > 100 public comments from businesses, trade associations, individuals, and NGOs
 - Main themes include organizational boundary flexibility, emissions intensity disclosures, assurance, emission reductions, gas vs. source disclosures, Scope 2 market- and location-based reporting
 - CARB is reviewing and evaluating stakeholder feedback to inform future drafts

Next Steps: Scope 3 Reporting

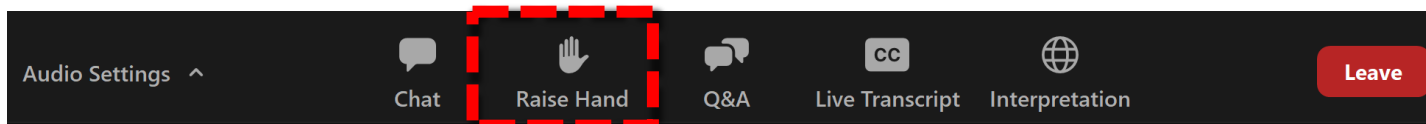
	Upstream scope 3 emissions	Downstream scope 3 emissions
Scope 3 category	1. Purchased Goods and services 2. Capital goods 3. Fuel and energy-related activities (not included in scope 1 or scope 2) 4. Upstream transportation and distribution 5. Waste generated in operations 6. Business travel 7. Employee Commuting 8. Leased assets	9. Downstream transportation and distribution 10. Processing of sold products 11. Use of sold products 12. End of Life treatment of sold products 13. Leased assets 14. Franchises 15. Investments

CARB invites feedback on which of the 15 Scope 3 categories are most used by companies today and/or most helpful for investors and consumers.

Send suggestions to **climatedisclosure@arb.ca.gov** or contact CARB staff.

Feedback / Questions

1. Questions will be taken virtually through Zoom
2. Raise Hand
3. Zoom phone participants may dial #2 to “Raise your Hand”
4. The facilitator will inform Zoom phone participants when they are unmuted during Public Comment.
5. Dial *6 to mute or unmute.
6. Staff will make every effort to call on attendees in the order they raise the hand on Zoom



Continued Engagement

We value your feedback – stakeholder input is critical to shaping this program

Public docket will be open for the 45-day comment period associated with publication of the notice package for the initial rulemaking

Sign up with the listserv to stay engaged and be notified of future public workshops and updates:

<https://ww2.arb.ca.gov/our-work/programs/california-corporate-greenhouse-gas-ghg-reporting-and-climate-related-financial>

Questions or Comments? Contact us at: ClimateDisclosure@arb.ca.gov



Tanya DeRivi

Senior Director, California Climate and Fuels

October 27, 2025

California Corporate Greenhouse Gas (GHG) Reporting
and Climate Related Financial Risk Disclosure Programs
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Uploaded to [Public Comment Portal](#) and
submitted by email to:
climatedisclosure@arb.ca.gov

Re: WSPA Comments on Draft Reporting Template for Scopes 1 and 2 GHG Emissions

The Western States Petroleum Association (WSPA) appreciates the opportunity to comment on the draft reporting template for Scope 1 and Scope 2 GHG emissions (Draft Reporting Template) issued by the California Air Resources Board (CARB or Agency) to implement the Climate Corporate Data Accountability Act (Senate Bill (SB) 253).

CARB published the Draft Reporting Template to assist covered entities with the submission of information.¹ While use of the template for the 2026 reporting cycle is voluntary,² WSPA believes that substantive changes and clarifications are needed to ensure it is minimally burdensome for covered entities to use. WSPA is a non-profit trade association representing companies that import and export, produce, refine, transport, and market petroleum, petroleum products, alternative fuels, natural gas, and other energy supplies in California and four other western states, and has actively participated in air quality planning issues for over 30 years.

WSPA notes that the U.S. Chamber of Commerce, along with other business organizations, has filed a federal lawsuit seeking to have SB 253 and the Climate-Related Financial Risk Act (SB 261) declared unconstitutional.³ WSPA supports this legal challenge and maintains that these statutes should be invalidated and their enforcement enjoined. Accordingly, CARB should refrain from further implementation actions related to these laws and, at a minimum, defer any such actions until the pending litigation is fully resolved.

In the meantime, WSPA submits the following comments in response to the proposed Draft Reporting Template.⁴

1. The Draft Reporting Template is overly complex and may result in inconsistent and inaccurate reporting.

WSPA appreciates CARB's intent "to streamline reporting, especially for entities disclosing GHG emissions for the very first time."⁵ However, there are concerns that use of the Draft Reporting Template, which contains nearly 200 spreadsheet rows,⁶ is likely to result in over-reporting, impose undue administrative burdens, and compromise the accuracy and consistency of reported information. Rather than serving to facilitate reporting, the spreadsheet appears to collect an excessive volume of

¹ See CARB, *California Corporate Greenhouse Gas Reporting Program: Scope 1 and Scope 2 Emissions Draft Reporting Template* (Oct. 10, 2025), https://ww2.arb.ca.gov/sites/default/files/2025-10/Draft%20Memo_Scope1%262TemplatePublicRelease.pdf (hereinafter *CARB Memo*).

² See CARB, "Posted for Public Comment: Draft Reporting Template for Scope 1 and Scope 2 Greenhouse Gas Emissions Pursuant to Health and Safety Code § 38532" (Oct. 10, 2025), <https://content.govdelivery.com/accounts/CARB/bulletins/3f5f953>.

³ See *Chamber of Com. of the U.S. v. Randolph*, No. 24-00801 (C.D. Cal., Jan. 30, 2024).

⁴ Nothing in this submission should be construed as an admission of the lawfulness of SB 253 or SB 261 by WSPA or its members. WSPA and its members reserve all rights to challenge the underlying statute or any implementing regulations as unconstitutional or otherwise unlawful.

⁵ See *CARB Memo*, at 1.

⁶ Unless otherwise indicated, all references to row numbers refer to the second tab of the Draft Reporting Template, titled "Form."

information, much of which exceeds the requirements of SB 253.⁷ Although WSPA appreciates CARB's efforts to provide optionality for certain inputs, the inclusion of 97 "Optional Fields" risks creating compliance ambiguity, regardless of the good faith effort by covered entities to comply, and extends beyond the statutory scope of what is contemplated by the statute. Furthermore, some of the inputs are likely seeking confidential business information, which raises significant concerns in a highly competitive business environment.

Additionally, WSPA continues to encourage CARB to allow the use of third-party auditor statements as a sufficient means to report emissions, methodology, and key assumptions. Even though the Draft Reporting Template requires third-party verification only for total Scope 1 and Scope 2 emissions, WSPA requests explicit confirmation from CARB that more granular, disaggregated data reported for Scopes 1 and 2 emissions under the Draft Reporting Template are not subject to separate third-party verification requirements. WSPA urges CARB to confirm that third-party verification statement is limited to attesting to the total Scope 1 and Scope 2 emissions only.

Accordingly, WSPA recommends that CARB limit required disclosures to Scopes 1 and 2 emissions of the reporting entity, and permit disaggregated reporting only for material emission sources. To the extent CARB seeks any disaggregated reporting, such reporting should be restricted to GHGs only where an individual gas emissions are determined to be de minimis.⁸ Alternatively, if CARB requires full disaggregation of GHG emissions, de minimis GHGs should be permitted to be grouped under a single "Other Gases" line item to maintain transparency without unnecessary complexity. Further, CARB should revise its treatment of de minimis sources (e.g., spreadsheet row 70) to allow qualitative references in lieu of requiring quantitative estimates. These changes would help reduce administrative reporting burdens and enhance the clarity and usability of reported information.

Finally, CARB should confirm that any data disclosed at a more granular level for Scope 1 and Scope 2 emissions, pursuant to the voluntary use of this draft form, will *not* be subject to separate third-party verification requirements.

2. The proposed definition of "materiality threshold" is vague and may lead to unnecessary over-reporting.

The Draft Reporting Template defines a materiality threshold as "a rule you set to decide which emission sources are so small (immaterial) that they do not need to be included in the inventory because their exclusion will not significantly affect the accuracy of the report." While WSPA appreciates CARB's efforts to provide guidance, this definition is overly vague. The Draft Reporting Template includes certain categories, such as on-site mobile sources, that covered entities would reasonably determine to be immaterial and therefore would not report. For example, WSPA recommends that CARB remove spreadsheet row 48, which states "Scope 1: Enter your total direct emissions from Mobile Combustion (in mtCO₂e)" given that portable internal combustion engines are excluded under the Mandatory GHG Reporting Regulation.

3. WSPA strongly supports optionality for the reporting of boundaries.

WSPA supports the flexibility offered under the GHG Protocol, which allows reporting entities to select their preferred reporting approach for boundaries and reporting standards. WSPA strongly recommends that CARB retain flexibility by allowing entities to select from any of the three boundary approaches defined by the GHG Protocol: equity share, financial control, or operational control. Allowing reporting entities to align with established sustainability and investor reporting practices, including industry best practices (e.g., sustainability reporting guidance for the oil and gas industry released by International Petroleum Industry Environmental Conservation Association, the American Petroleum Institute, and the

⁷ California Health & Safety Code § 38532(c)(2)(A)(i)(I)) requires reporting entities to "publicly disclose ... all of the reporting entity's [S]cope 1 emissions and [S]cope 2 emissions for the reporting entity's prior fiscal year." This statutory language suggests a focused disclosure of total Scopes 1 and 2 emissions.

⁸ As used throughout this document, the term "material" refers to any matter for which there is a substantial likelihood that a reasonable investor would consider it important when making an investment decision.

International Association of Oil and Gas Producers) would mitigate confusion arising from inconsistent presentations and enhance the usefulness of reported information by recognizing diverse corporate structures. Limiting the reporting boundary to a single approach would undermine flexibility and compromise the ability to refine future reporting in alignment with the GHG Protocol as it and entity operations evolve over time. In sum, CARB should explicitly allow covered entities to select the boundary methodology most appropriate for their respective operations and disclosures.

WSPA respectfully submits the following comments regarding specific sections of the Draft Reporting Template and accompanying memorandum:

- **Disclosing emissions by source versus gas.** CARB should not adopt any disaggregation requirement. Should disaggregation be required, the Draft Reporting Template introduces unnecessary complexity by requiring Scopes 1 and 2 emissions to be reported by *both* source and individual GHG species. This complexity is compounded by the inherent differences between source-based Scope 1 emissions and Scope 2 emissions. For example, the Draft Reporting Template requests Scope 1 emissions by stationary, mobile, process, and fugitive sources; while Scope 2 emissions are requested by electricity, heating, steaming and cooling sources. These differences impose additional reporting burdens and diminish stakeholders' ability to understand the information reported. Adopting an approach focused on aggregated reporting by material GHG, consistent with the GHG Protocol, would avoid the complexities associated with source-based disaggregation and enable a unified reporting bases for both Scopes 1 and 2 emissions.
 - *CARB should use a simplified approach focused on aggregated emissions reporting by material GHG species.*
- **Reporting emission reduction initiatives.** While WSPA supports the recognition of emission reduction initiatives, CARB should ensure that reporting requirements remain flexible, technology-agnostic, aligned with primary reporting objectives. Reporting criteria should be clearly defined to avoid confusion to encourage transparency and innovation.
 - *CARB should designate emissions reduction reporting fields as voluntary and ensure that all criteria are clear and defined.*
 - *CARB should align its reporting requirements with established global frameworks, such as the GHG Protocol's market-based accounting and Energy Attribute Certificates guidance.*
 - *CARB should allow the optional disclosure of emissions reduction goals and progress.*
- **Inconsistent or incomplete industry-specific data.** The Draft Reporting Template references the U.S. Environmental Protection Agency's (EPA's) Corporate Climate Leadership Simplified GHG Emissions Calculator, which is intended only for entities beginning to develop an inventory. While this tool may be suitable for generalized reporting, it would not completely capture refinery process emissions (see 40 C.F.R. Part 98 Subpart Y).
- **Reporting nitrogen trifluoride (NF₃).** NF₃ is one of the seven GHGs recognized under the GHG Protocol and is widely included in global reporting frameworks. Its omission from the draft template may hinder alignment with international standards.
 - *If CARB elects to retain optional reporting of emissions by CO₂e gases, it should add NF₃ in the Scope 1 reporting section.*
- **Reporting emission reductions from renewable contracts.** Spreadsheet rows 74 and 75 request reductions in carbon dioxide (CO₂) only. However, renewable electricity and gas reduce multiple GHGs, including methane (CH₄).
 - *CARB should revise these rows to request reporting in metric tons of CO₂ equivalent (mtCO₂e).*
- **Addition for Scope 1 reporting – stationary combustion sources.** Should CARB proceed with allowing voluntary reporting of Scope 1 emissions by source, WSPA notes that stationary combustion can be a significant source of direct emissions but is not explicitly included in the draft template.
 - *CARB should add a dedicated row for reporting Scope 1 emissions from stationary combustion*

sources, immediately following spreadsheet row 47. For example, spreadsheet row 48 could state: “Scope 1: Enter your total direct emissions from Stationary Combustion (in mtCO₂e).”

- **Addition for Scope 2 reporting – purchased electricity.** Should CARB proceed with allowing voluntary reporting of Scope 2 emissions by source, WSPA notes that purchased electricity is a primary source of Scope 2 emissions and should be distinctly reported.
 - *CARB should add a dedicated row for Scope 2 emissions from purchased or acquired electricity immediately following spreadsheet row 54. For example: “Scope 2: Enter your total indirect emissions from Purchased/Acquired Electricity (in mtCO₂e).”*
- **Reporting volumetric vs. revenue-based emissions intensity.** Spreadsheet rows 51 and 58 (e.g., emissions per million dollars in revenue) do not consistently reflect emissions performance across industries and may distort performance comparisons, especially in sectors with volatile pricing. Additionally, these metrics may seek disclosure of confidential business information (CBI). CARB should replace the revenue-based metric with a volumetric alternative, such as emissions per unit of production or throughput. If CARB determines that a performance metric of this type remains necessary, it should instead adopt a volumetric alternative (e.g., emissions per unit of production or throughput) and relocate these questions to the optional section.
 - *CARB should remove spreadsheet row 51, which states, “Enter Scope 1 emission intensity per million dollars in revenue (in mtCO₂e/millions of dollars)” and spreadsheet row 58, “Enter Scope 2 emission intensity per million dollars in revenue (in mtCO₂e/millions of dollars),” due to potential CBI concerns and exposure.*
 - *CARB should make intensity metrics optional to reduce reporting burdens and to accommodate entities that do not have existing systems for such calculations.*
- **Reporting Global Warming Potential (GWP).** The Draft Reporting Template specifies the use of GWP values from the Intergovernmental Panel on Climate Change’s (IPCC’s) Fourth Assessment Report (AR4). However, many reporting entities use GWP values from IPCC’s Fifth Assessment Report (AR5) or Sixth Assessment Report (AR6) in their internal and external reporting, depending on jurisdictional or investor requirements. Additionally, EPA’s Greenhouse Gas Reporting Rule has already transitioned away from AR4 values and adopted GWP values that reflect those from AR5 and AR6.⁹ Furthermore, EPA’s GHG Reporting Program *requires* the use of AR5 values, beginning January 1, 2024.
 - *CARB should allow flexibility for entities to report using the GWP factor (AR4, AR5, or AR6) that aligns with their current reporting practices.*
 - *CARB should also require reporting entities to disclose the specific GWP version used to ensure transparency and comparability.*
- **Emissions Factors.** Because the Draft Reporting Template references EPA’s emissions factors, and CARB’s GWP, reporting entities in California would also likely need to provide their CARB electronic GHG Reporting Tool (Cal e-GGRT) reporting identification to enable the Agency to reconcile reported data. The Draft Reporting Template also seeks identification of the source of emissions factors and the reporting years used for Scope 2 emissions. WSPA urges CARB to explicitly recognize the use of average annual emissions factors as an acceptable method for Scope 2 reporting. Requiring real-time data reporting would be significantly more burdensome, if not completely infeasible, to implement, and may not yield greater accuracy given the dynamic nature of the electric grid.
 - *CARB should explicitly allow flexibility for entities to report Scope 2 emissions using average annual emissions factors.*
 - *CARB should provide clear guidance to reporting entities to follow the GHG Protocol for Scope 2 emission calculations by deleting the phrase “(using emission factor derived from contractual instruments)” at spreadsheet row 48 in the Draft Reporting Template’s “Read Me First” tab. This language is inconsistent with the GHG Protocol’s Scope 2 Guidance, which allows a tiered*

⁹ See 90 Fed. Reg. 31,802, 31,809 (Apr. 25, 2024).

approach to emission factor selection.

- **Need to provide clear options for parent-company level reporting.** As SB 253 does not specify which entity is responsible for submitting the required disclosures, if using consolidated parent-company level reporting, WSPA recommends the following reporting approach:
 - *If in-scope entities use consolidated parent-company level reporting, the parent company may submit a single consolidated report at the parent-company level to improve efficiency and alleviate administrative burdens. CARB should further clarify that for in-scope entities with a foreign parent, the top parent company in the United States may submit such consolidated report. CARB should note that this approach may require further clarification regarding whether the U.S. parent company could be subject to possible yet-to-be-determined administrative penalties under California law if the submitted information is deficient or inaccurate, particularly when the U.S. parent company is not otherwise subject to the reporting requirements.*
- **Need to define “trade secret” designations and provide non-disclosure pathway.** The Draft Reporting Template includes a “Yes/No” designation for whether a report contains trade secret information, but does not provide a definition or a clearly articulated process for protecting information designated as such.
 - *CARB should provide a clear definition of “trade secret” within the reporting guidance.*
 - *CARB should clarify that emissions data qualifying as trade secrets are eligible for exclusion from reporting requirements.*
 - *CARB should establish a formal process for the confidential treatment of emissions data that constitute a “trade secret,” allowing such data to be submitted confidentially and protected from public disclosure.*

Finally, WSPA seeks clarification regarding the timing and payment of any initial compliance fees. While existing law requires in-scope entities to pay an annualized fee for both SB 253 and SB 261 reporting, SB 253 does not specify the payment deadline, whereas SB 261 requires a reporting entity pay a fee to CARB “on or before January 1, 2026.” Given that CARB has not yet determined or approved the fee amount by regulatory action, it is unclear how entities could comply with a January 1, 2026, payment deadline.¹⁰ WSPA requests that CARB clarify whether the Agency would exercise enforcement discretion for entities unable to pay an undetermined fee by January 1, 2026. Additionally, WSPA requests confirmation that reporting entities would be permitted to pay the fee within 30 to 45 days following CARB’s approval of final regulations, and that such payment will be deemed retroactively effective as of January 1, 2026, without penalty.

WSPA appreciates the opportunity to provide these recommendations, which are intended to support the effective implementation of SB 253 while ensuring continued alignment with global best practices. WSPA thanks CARB for its ongoing engagement with stakeholders and for the Agency’s consideration of these comments.

Sincerely,



Tanya DeRivi
Senior Director, California Climate and Fuels

¹⁰ See CARB, “California Corporate Greenhouse Gas (GHG) Reporting and Climate Related Financial Risk Disclosure Programs: Resources,” <https://ww2.arb.ca.gov/our-work/programs/corporate-ghg-reporting/resources> (“Given the large volume of public comments staff have received, and given ongoing input related to identifying the range of covered entities, CARB is proposing an updated timeline for bringing the initial rulemaking (including the fee-related provisions) to the board in Q1 2026”) (last visited Oct. 24, 2025).



Determine Organizational Boundaries

The GHG Protocol defines methods for setting boundaries for a greenhouse gas (GHG) inventory in its Corporate Accounting and Reporting Standard [↗](https://ghgprotocol.org/corporate-standard) [<https://ghgprotocol.org/corporate-standard>](https://ghgprotocol.org/corporate-standard) and Corporate Value Chain (Scope 3) Accounting and Reporting Standard [↗](https://ghgprotocol.org/standards/scope-3-standard) [<https://ghgprotocol.org/standards/scope-3-standard>](https://ghgprotocol.org/standards/scope-3-standard).

Note that this page focuses on organizational boundaries: these determine which entities (e.g., subsidiaries, joint ventures, partnerships) and assets (e.g., facilities, vehicles) will be included in the scope 1 and scope 2 GHG emissions inventory. Operational boundaries, on the other hand, define the specific emissions sources (e.g., natural gas boilers or purchased electricity) that are included in an organization's scope 1 and 2 inventory. The GHG inventory guidance [<https://epa.gov/climateleadership/scope-1-and-scope-2-inventory-guidance>](https://epa.gov/climateleadership/scope-1-and-scope-2-inventory-guidance) documents provide information on defining operational boundaries.

In setting organizational boundaries, an organization chooses an approach for consolidating GHG emissions and then consistently applies that approach to define the entities and assets included in scope 1 and scope 2. The GHG Protocol defines three consolidation approaches: equity share, financial control, and operational control (Table 1 below).

Table 1: Consolidation Approaches for Setting Organizational Boundaries

Consolidation Approach	Description
------------------------	-------------

Consolidation Approach	Description
Equity share	An organization accounts for GHG emissions from operations and assets according to its share of equity in the operation. The equity share reflects economic interest, which is the extent of rights an organization has to the risks and rewards flowing from an operation.
Financial control	An organization accounts for 100 percent of the GHG emissions over which it has financial control. It does not account for GHG emissions from operations it owns equity in but does not have financial control over. The organization has financial control over the operation if it can direct the operation's financial and operating policies with a view to gaining economic benefits from the operation's activities. The organization may have financial control over the operation even if it has less than a 50 percent equity in that operation.
Operational control	An organization accounts for 100 percent of the GHG emissions over which it has operational control. It does not account for GHG emissions from operations it owns equity in but does not have operational control over. An organization accounts for 100 percent of emissions from operations over which it or one of its subsidiaries has operational control. Generally, if the organization is the operator of a facility, it will have the full authority to introduce and implement its operating policies and thus has operational control.

Table 2 below shows several types of entities and assets and how they are included in the scope 1 and scope 2 inventory under the three different approaches. Each box represents the percent of emissions included in the boundary.

Table 2. Percent of Scope 1 and 2 Emissions for Entities or Assets Included Under Each Consolidation Approach

Entity or Asset	Equity Share	Financial Control	Operational Control
Wholly owned asset	100%	100%	100%
Group company/subsidiary/franchise	Equity share	100% if controlled; 0% if not	100% if controlled; 0% if not
Joint venture/partnership	Equity share	Equity share	100% if controlled; 0% if not
Associated/affiliated company	Equity share	100% if controlled; 0% if not	0%
Leased asset—finance/capital lease	100%	100%	100%
Leased asset—operating lease	0%	0%	100% if controlled; 0% if not

In practice, these three approaches differ most for leased facilities or vehicles where there is an operating lease. These assets are not included in the inventory under the equity share or financial control approaches, but they are generally included in the inventory under the operational control approach. For more information on treatment of leased assets, see GHG Protocol, Appendix F, Categorizing GHG Emissions Associated

with Leased Assets (pdf) [↗](#)

<https://ghgprotocol.org/sites/default/files/standards_supporting/categorizing%20ghg%20emissions%20from%20leased%20assets.pdf> (105 KB).

The equity share and financial control approaches are similar with nuanced differences, as explained in detail in the GHG Protocol's Corporate Standard [↗](#)

<<https://ghgprotocol.org/corporate-standard>> and Corporate Value Chain Standard [↗](#)

<<https://ghgprotocol.org/standards/scope-3-standard>>.

The operational control approach is the most common: it typically aligns best with what an organization feels it is responsible for, and it also often leads to the most comprehensive inclusion of assets in the inventory. Industries with complex ownership structures may be more likely to follow the equity share approach to align the reporting boundary with stakeholder interests. An organization may choose the equity share or financial control approach to align its GHG reporting with the assets included in its financial reporting.

Once an organizational boundary is chosen, all levels of the organization and its subsidiaries need to follow the same approach to allow for consistent reporting. For example, if the parent organization uses the operational control approach, it is not appropriate to use the equity share approach for a subsidiary. Internal financial, accounting, or facilities staff may need to be consulted to define the entities and assets that fall within the boundary.

Organizational Boundaries and Scope 3 Emissions

After setting the organizational boundary to identify the entities and assets that are included in scopes 1 and 2, an organization can determine which activities fall into scope 3. This affects scope 3 emissions in several different ways.

- **Assets (e.g., facilities, vehicles).** For example, under the operational control approach, emissions from operating leases for facilities or vehicles are typically included in scope 1 and scope 2. Under the equity share approach, these emissions would be included in scope 3, category 8 (upstream leased assets).

- **Entities (e.g., subsidiaries, joint ventures, partnerships).** Scope 3 includes the value chain emissions of the entities included in scope 1 and scope 2 and does not include value chain emissions of entities outside the organizational boundary. For example, if a subsidiary is included in the scope 1 and 2 boundary and a joint venture is not, upstream scope 3 categories will include emissions associated with the purchases of the subsidiary but not the purchases of the joint venture. Likewise, downstream scope 3 categories will include emissions from the subsidiary's products, but not from the joint venture's products. When a joint venture is excluded from the scope 1 and 2 boundary, its emissions will be included in scope 3, category 15 (investments).
- **Emissions calculation.** Two scope 3 categories are based on the boundaries of the assets included in scope 1 and scope 2:
 - Category 3 (fuel- and energy-related activities) includes emissions associated with the fuels and electricity consumed only in facilities and vehicles included in scope 1 and scope 2.
 - Category 5 (waste generated in operations) includes emissions associated with waste generated only in facilities or vehicles included scope 1 and scope 2.

Last updated on February 10, 2026

California Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure Programs: Frequently Asked Questions About Regulatory Development and Initial Reports

Posted July 9, 2025; Updated November 17, 2025

This Frequently Asked Questions (FAQ) document has two sections. The first section addresses the California Air Resources Board's (CARB) regulatory development for the Corporate Greenhouse Gas Reporting and the Climate-Related Financial Risk Disclosure Programs. The second section addresses initial (2026) reports. This guidance is intended to assist entities with initial planning, including submitting climate-related financial risk reports by January 1, 2026. CARB may establish requirements that build on, or vary from, this guidance in future regulations consistent with Health and Safety Code (HSC) §§ 38532 and 38533.

This document updates and supersedes the FAQ posted on July 9, 2025. CARB has built upon and expanded the July 9 document to develop this updated FAQ. The FAQ will be updated periodically to reflect new information or clarifications as implementation progresses.

CARB developed this document to help entities comply with HSC §§ 38532 and 38533. This guidance document does not have the force of law. This document is not intended to and cannot establish requirements beyond those that are already in the statutes. This document does not supplant, replace, or amend any legal requirements. CARB makes every effort to keep its documents up to date. But CARB does not guarantee the accuracy of this document and is not responsible for any errors or omissions in content. CARB reserves the right to make changes without notice.

Conformance with the law is the responsibility of each regulated entity, as applicable.

Frequently Asked Questions About Regulatory Development

Process and Goals

1. What process is CARB following to move from the climate disclosure legislation to final regulation?

CARB is in the informal information-gathering stage for implementing two statutes. HSC § 38532 is the Climate Corporate Data Accountability Act. And HSC § 38533 is the Climate-Related Financial Risk Disclosure Program. The process so far has included:

- **Enforcement Notice:** CARB issued an [Enforcement Notice](#) in December 2024 to support early implementation and reduce uncertainty associated with HSC § 38532.
- **Preparing for Rulemaking:** CARB released an [Information Solicitation](#) inviting public input on several questions in December 2024. Topics included definitions and reporting frameworks.
- **Public Workshops:** CARB held [public workshops](#) on May 29, 2025, and August 21, 2025 which were attended by 2,100 and 2,400 people, respectively. These workshops covered:
 - Background on the legislation.
 - A summary of early stakeholder feedback.
 - Rulemaking process.
 - Initial staff concepts around key definitions.
 - Initial concept on fee provisions.
 - Preliminary information about assurance and accreditation.
 - Staff request for public feedback on program details.
- CARB released materials related to the November 18, 2025, workshop.
- **Climate Disclosure Inbox:** CARB maintains public email inbox available (climatedisclosure@arb.ca.gov) for stakeholders to ask questions related to HSC §§ 38532 and 38533. The inbox has received over 900 inquiries.

Also, CARB has released [resources to assist entities with reporting requirements](#). These resources include the Frequently Asked Questions, Climate Related Financial Risk Report Checklist, Preliminary List of in-scope Entities, and Draft Scope 1 and 2 GHG Reporting Template.

CARB has received and posted [public comments](#) about the public workshops and materials released. The public comment docket can be found [here](#). Interested stakeholders are encouraged to [sign up](#) for future emails on this topic.

Staff plans to present the Initial Proposed draft regulation to the Board in Q1 of 2026. Staff will also undergo a public process for a second rulemaking in 2026, to address program requirements in 2027 and beyond. See Question 3 for more information about the scope of the Initial Regulation.

2. What does CARB plan to do with the data reported by in-scope entities?

CARB recognizes, as foundational principles for this effort, the need to develop a program that works for California, provides a potential model for others, and emphasizes effectiveness and efficient implementation. Programmatic goals, which staff are working to advance through the public process, include helping to ensure that accurate, comparable, and decision-useful climate information is made available to investors, consumers, and other interested parties.

3. Are the deadlines for HSC §§ 38532 and 38533 affected by the initial rulemaking being delayed to Q1 2026?

No. The initial rulemaking will establish the fee program and a first year 2026 reporting deadline for HSC § 38532 reports (which include Scope 1 and Scope 2 emissions). A delay in Board consideration of the initial rulemaking from December 2025 to Q1 2026 will not

delay implementation of the fee provisions or the initial HSC § 38532 reporting deadline. In addition, the January 1, 2026, deadline to prepare a climate-related financial risk report pursuant to HSC § 38533 is similarly unaffected by the timing of the initial rulemaking. The HSC § 38533 January 1, 2026, deadline is set forth in statute and is therefore already a requirement.

HSC § 38532 requires reporting of Scope 1 and Scope 2 corporate GHG emissions in 2026 but does not specify a specific date as a deadline. Under the initial rulemaking, staff's proposal to the Board would require that entities subject to HSC § 38532 report Scope 1 and Scope 2 emissions on or before August 10, 2026. This reporting deadline is intended to provide a clear deadline for first-year reporting and aligns with the verification deadline under the Mandatory Greenhouse Gas Reporting Regulation. See Question 19 for details on reporting requirements.

Separately, Staff will undergo a subsequent rulemaking in 2026, to address program requirements in 2027 and beyond. The expected scope for this subsequent rulemaking may include establishing a recurring annual reporting deadline starting in 2027 for Scope 1, 2 and 3 emissions, as well as other details such as reporting format, data assurance requirements, and other relevant details related to implementation of HSC § 38532.

General Applicability

4. What is the definition of revenue for determining the applicability of HSC §§ 38532 and 38533?

Staff's proposed definition of "revenue", which staff plans to include as part of its initial rulemaking, is based on the "gross receipts" definition in the California Revenue and Taxation Code § 25120(f)(2). Staff's proposed "revenue" definition is: *"The gross amounts realized (the sum of money and the fair market value of other property or services received) on the sale or exchange of property, the performance of services, or the use of property or capital (including rents, royalties, interest, and dividends) in a transaction that produces business income, in which the income, gain, or loss is recognized (or would be recognized if the transaction were in the United States) under the Internal Revenue Code, as applicable for purposes of this part. Amounts realized on the sale or exchange of property shall not be reduced by the cost of goods sold or the basis of property sold."*

This definition was originally proposed at the May 29, 2025, workshop and discussed further at the August 21, 2025, workshop. Stakeholder feedback included that using gross receipts as the basis for the revenue definition would be an objective and clear approach, given existing familiarity with that concept in corporate tax reporting.

5. What is the definition of "doing business in California" for determining the applicability of HSC §§ 38532 and 38533?

Staff is planning to propose to the Board the following definition for "doing business in California", based on existing tax law:

An entity is "doing business in California" for purposes of the reporting regulation if:

- a) the entity is actively engaging in any transaction for the purpose of financial or pecuniary gain or profit (Cal. Revenue & Taxation Code § 23101(a)); and

b) any of the following conditions is met during any part of a taxable year (Cal. Revenue & Taxation Code § 23101(b)):

1. The entity is organized or commercially domiciled in this state.
2. Sales, as defined in Revenue and Taxation Code subdivision (e) or (f) of § 25120 as applicable for the reporting year, of the entity in this state exceed the inflation adjusted thresholds of seventy hundred thirty-five thousand and nineteen (\$735,019) (2024) or 25 percent of the taxpayer's total sales. For purposes of this paragraph, sales of the entity include sales by an agent or independent contractor of the entity. For purposes of this paragraph, sales in this state shall be determined using the rules for assigning sales under §§ 25135 and 25136, and the regulations thereunder, as modified by regulations under § 25137.

The sales, property, and payroll of the taxpayer include the taxpayer's pro rata or distributive share of pass-through entities. For purposes of this subdivision, "pass-through entities" means a partnership or an "S" corporation.

This definition was originally proposed at the May 29, 2025, workshop and further discussed at the August 21, 2025, workshop. The property and payroll-related criteria from Cal. Revenue & Taxation Code § 23101(b)(3) and (b)(4) are not included in this definition. Based on stakeholder feedback, staff is proposing to omit these criteria because, for purposes of Health and Safety Code §§ 38532 and 38533, property or payroll presence alone may not demonstrate a sufficient economic connection to the State to constitute "doing business."

6. What is the definition of parent-subsidiary for determining consolidated reporting eligibility under HSC §§ 38532 and 38533?

HSC §§ 38532 and 38533 allow parent companies to file consolidated reports rather than requiring all in-scope subsidiaries to prepare separate reports. To align with the Cap-and-Invest program, help streamline program requirements, and to be responsive to stakeholder feedback, staff is planning to propose to the Board that a subsidiary is a business entity that another business entity has ownership interest in or control of by direct corporate association as defined in the Cap-and-Invest program (Title 17, California Code of Regulations § 95833). These indicators determine ownership or control:

- Greater than 50 percent of ownership of any class of listed shares, the right to acquire such shares, or any option to purchase such shares of the other entity;
- Greater than 50 percent of common owners, directors, or officers of the other entity;
- Greater than 50 percent of the voting power of the other entity;
- In the case of a partnership other than a limited partnership, greater than 50 percent of the interests of the partnership;
- In the case of a limited partnership, greater than 50 percent of control over the general partner or greater than 50 percent of the voting rights to select the general partner; or
- In the case of a limited liability corporation, greater than 50 percent of ownership in the other entity regardless of how the interest is held.

7. Do HSC §§ 38532 and 38533 each apply to the same companies?

Not necessarily.

- HSC § 38532 applies to U.S.-based entities with over \$1 billion in total annual revenue doing business in California.
- HSC § 38533 applies to U.S.-based entities with over \$500 million in annual revenue, also doing business in California.

Entities subject to HSC § 38532 will also meet the revenue threshold for HSC § 38533, as section 38533's revenue threshold is lower than 38532's revenue threshold. However, not all entities subject to HSC § 38533 are subject to HSC § 38532.

8. If a company exceeds the revenue thresholds described in statute but most of its business is outside of California, is that company subject to the requirements of HSC § 38532 and/or § 38533?

Potentially, but it will depend on if the entity meets the threshold of "doing business in California" as described above. Revenue thresholds for in-scope entities of HSC §§ 38532 and 38533 are outlined in the respective statutes. Revenue considers total gross receipts, regardless of whether the revenue was generated within California. Sales within the state are then used to determine if the entity is doing business in California.

If an entity exceeds the revenue threshold pursuant to HSC § 38532 and/or § 38533, is determined to be doing business in California, and is based in the United States, then that entity is in scope.

9. Which previous fiscal years should a company consider for determining whether they meet the revenue criteria for HSC §§ 38532 and 38533?

Staff's proposal to the Board will explain that applicability of the 200s will be determined based on the lesser of the entity's two previous complete fiscal years of revenue. This means that if in one of those two years the revenue is below the threshold for HSC § 38532 and/or § 38533, then the entity is not in scope and does not need to report at the next applicable reporting deadline.

10. Are some companies exempt from HSC §§ 38532 and 38533 reporting requirements?

Yes. The statutes as written exclude several types of entities, including the following:

- Federal, State and local government entities, and companies that are majority-owned by government entities (>50.00%).
- A business entity that is subject to regulation by the Department of Insurance in this state, or that is in the business of insurance in any other state. This language is explicit in HSC § 38533. Staff is proposing to exempt the same entities from HSC § 38532.

In addition, CARB is proposing, as part of its initial rulemaking, that the reporting requirements under HSC §§ 38532 and 38533 would not apply to:

- Non-profit or charitable organizations, defined as tax-exempt under the Internal

Revenue Code.

- Entities whose only business in California is the presence of teleworking employees.

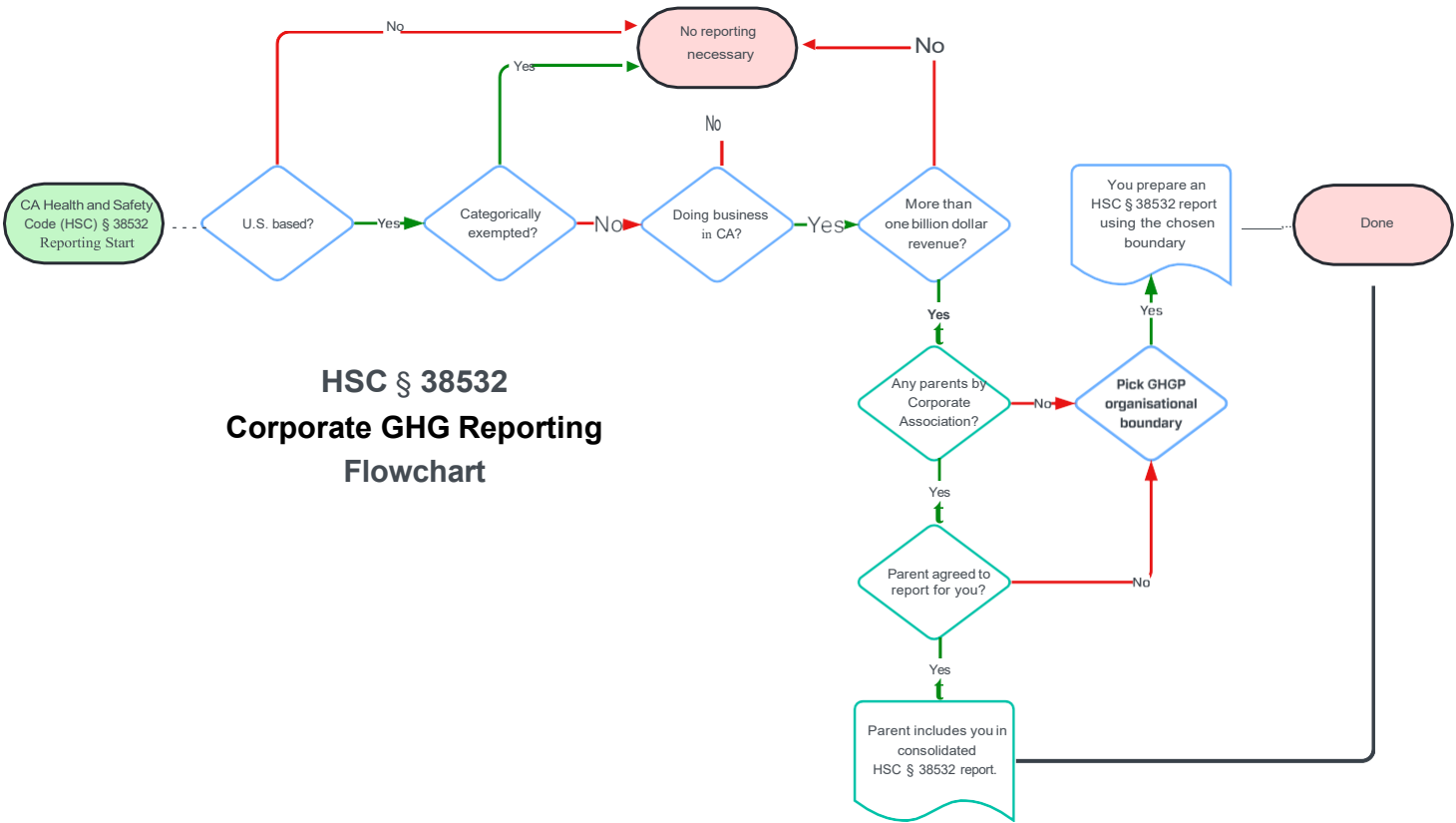
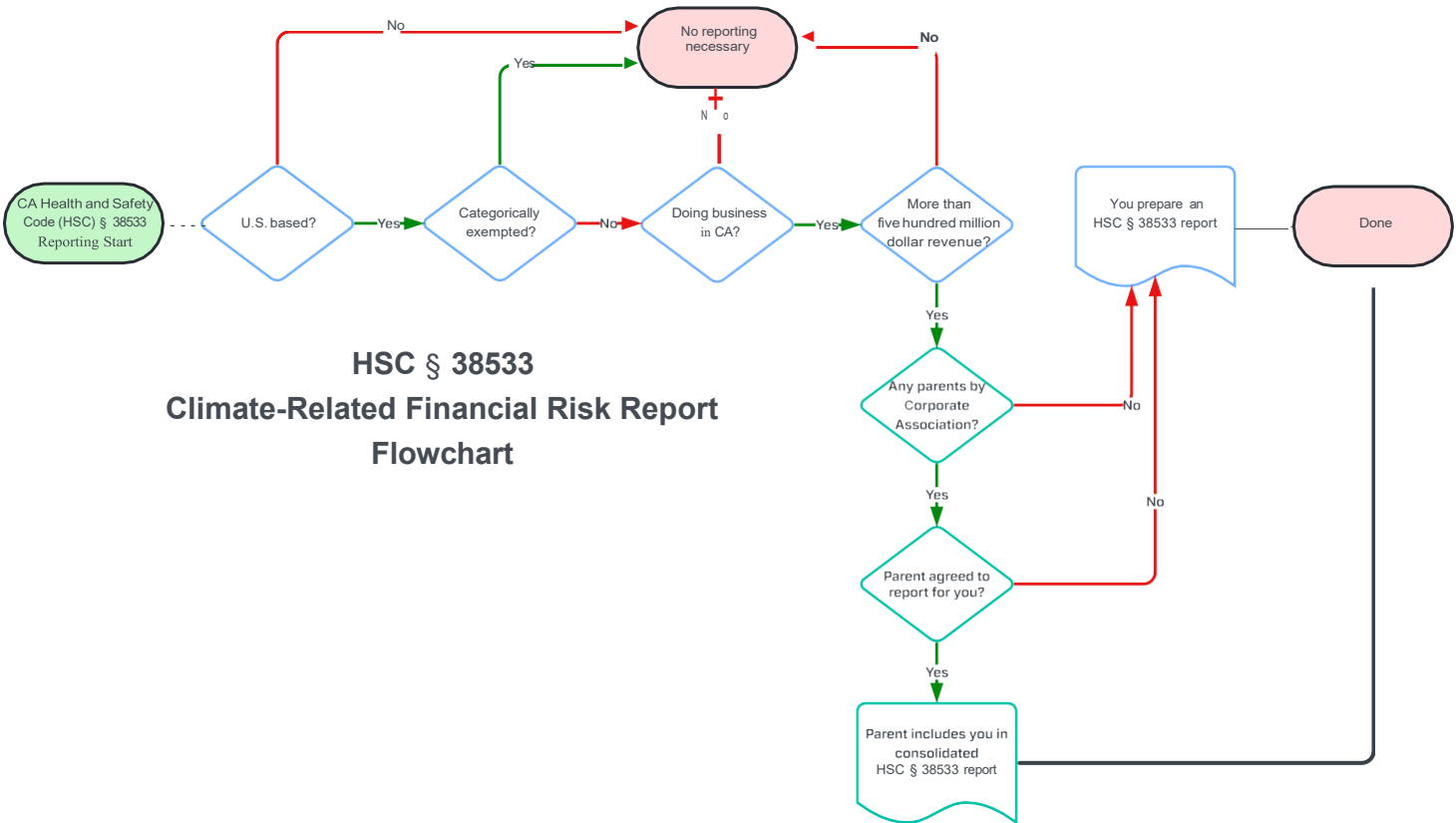
In addition, several organizations may not have a reporting obligation under HSC §§ 38532 and 38533 based on the definitions of revenue and doing business in California, described above. For example, holding companies and mutual funds do not report gross receipts in their California corporate tax filings, and would not meet the revenue thresholds as a result.

11. My company was not listed under the released list of in-scope entities.

Does that mean my company is not subject to the requirements of HSC §§ 38532 and/or 38533?

The draft preliminary list was released to help CARB staff estimate the number of potentially regulated entities for the purpose of estimating annual fees. This draft preliminary list was based on a third-party database and public data available at the time. Potentially regulated entities should carefully review the revised definitions listed above to determine applicability. Each potentially regulated entity remains responsible for compliance with statutory requirements regardless of whether it was included in staff's preliminary list or outreach.

Common Parent-Subsidiary Questions



12. If a U.S.-based parent entity has a subsidiary doing business in California, is that U.S.- based parent entity automatically deemed to be doing business in California?

Inclusion criteria should be assessed on an individual company basis. If a company meets the inclusion criteria thresholds, then it is subject to the applicable requirements of HSC §§ 38532 and/or 38533. Both the subsidiary and the U.S.-based parent company assess their own compliance obligations based on the criteria outlined in statute and the proposed definitions provided. In this case, the U.S.-based parent company should determine:

- Is this company U.S.-based? (in this example, yes)
- Does this company exceed the revenue thresholds (described above)?
- Does this company 'do business in California' based on the criteria described above?

If the answers to the above questions are all "yes" for this hypothetical U.S.-based parent company, and if the company would not be included in staff's proposed list of exclusions and exemptions, then the U.S.-based company would be subject to the applicable requirements of HSC §§ 38532 and/or 38533.

13. If I am a subsidiary, and a parent company will be reporting on my behalf and that parent does not do business in California, will my company still be subject to the applicable requirements of HSC §§ 38532 and/or 38533?

Yes. Inclusion criteria should be assessed on an individual company basis. If a company meets the inclusion criteria thresholds it is subject to the applicable requirements of HSC §§ 38532 and/or 38533. Parent companies have the option to report on behalf of in-scope subsidiaries, even if the parent company is not subject to HSC §§ 38532 and/or 38533.

14. Can a foreign parent company report on behalf of in-scope U.S. based subsidiaries through a consolidated report?

Yes, a foreign parent company that is not based in the U.S. (and therefore likely not subject to the requirements of HSC §§ 38532 and 38533) may submit a consolidated report which provides the required reporting on behalf of its U.S.-based subsidiaries to satisfy reporting requirements for the in-scope subsidiaries.

15. When calculating a parent company's total revenue for the purposes of determining compliance obligations under HSC §§ 38532 and/or 38533, must the revenue from the parent company's subsidiaries be included in the calculation?

It depends. The revenue threshold is evaluated at the individual company level. However, if a parent company and its subsidiaries file California taxes as a unitary business, then the revenue of the subsidiaries counts towards the revenue of the parent company as part of its gross receipts. To determine the gross receipts, entities should reference their corporate tax filings.

16. Can a consolidated report from a parent company include disclosures from subsidiaries not subject to HSC §§ 38532 and/or 38533?

Yes, the consolidated parent report may include disclosures from subsidiaries that are not subject to the requirements of HSC §§ 38532 and/or 38533. However, the consolidated report must still meet all the applicable reporting requirements for the in-scope entities that are subject to HSC §§ 38532 and/or 38533.

17. If a subsidiary of a foreign parent company is subject to reporting under HSC §§ 38532 and/or 38533, does that mean the foreign parent company is also subject to the same reporting requirements under HSC §§ 38532 and/or 38533?

HSC §§ 38532 and 38533 only apply to U.S.-based companies. If this foreign company is not a U.S.-based company as defined in HSC §§ 38532 and 38533, then that foreign company is not subject to the requirements of HSC §§ 38532 or 38533. The foreign parent company may choose to submit a consolidated report on behalf of any subsidiaries subject to the reporting requirements (see above).

18. If a parent company submits a consolidated report covering multiple subsidiaries that are subject to reporting requirements, is the total fee based on the consolidated report or on each subsidiary?

The fee regulation that staff is planning to propose to the Board assesses fees at the individual entity level. While a parent company may submit a consolidated report that includes the reporting requirements of its subsidiaries, the fees will still be assessed for each individual entity that is covered under HSC §§ 38532 and 38533. Fees may be paid by the parent company level. However, parent company payment would need to cover all assessed fees applied to all applicable individual entities.

Initial Reports: Frequently Asked Questions

HSC § 38532

19. When must initial reports in 2026 be submitted under HSC § 38532?

CARB is planning to propose in its draft initial rulemaking that reporting entities must report Scope 1 and Scope 2 GHG emissions on or before August 10, 2026, for the first year's reporting. The applicable preceding fiscal year that must be reported would be determined on the entity's fiscal year cycle. If the reporting entity's fiscal year ends on or before February 1, 2026, the preceding fiscal year will be the one ending in 2026. If the fiscal year ends after February 1, then the preceding fiscal year will be the fiscal year ending in 2025. This allows each entity at least 6 months to compile data.

To support initial implementation and reduce uncertainty, CARB issued an *Enforcement Notice* in December 2024. In this Enforcement Notice, CARB recognizes that some reporting entities may require lead time to develop or refine their data collection processes to ensure complete and accurate reporting of Scope 1 and Scope 2 emissions. Accordingly, CARB will exercise enforcement discretion for the first report due in 2026,

allowing reporting entities to submit Scope 1 and Scope 2 emissions for their prior fiscal year based on information they already have or were collecting when this Notice was issued. Entities that were not collecting data or were not planning to collect data, at the time the Enforcement Notice was issued, are not expected to submit Scope 1 and 2 reporting data for this first reporting cycle (see below). This approach is intended to support companies as they transition into complying with these new reporting requirements. For example, each of the following scenarios would meet the first year reporting requirement for HSC § 38532:

- If a company develops its own annual report that includes information on Scope 1 and Scope 2 emissions, that company may submit that report to CARB.
- If a company already submits annual Scope 1 and Scope 2 emissions through a voluntary program or to another regulatory program, that company may submit that same information to CARB.
- A company may choose to submit data using CARB's [*Scope 1 and 2 GHG Reporting Template*](#)
- If a company does not collect Scope 1 and Scope 2 greenhouse gas emissions data, pursuant to the Enforcement Notice that company does not need to submit data for the first year's report. Any companies not submitting Scope 1 and Scope 2 greenhouse gas emissions data in 2026 pursuant to HSC § 38532 should submit a statement on company letterhead to CARB, stating that they did not submit a report, and indicating that in accordance with the Enforcement Notice, the company was not collecting data or planning to collect data at the time the Notice was issued. CARB will open a public docket near the first year 2026 reporting deadline, to which these statements will be uploaded.

20. For HSC § 38532, when must third-party data assurance be completed?

HSC § 38532 requires that companies covered under § 38532 will be required to obtain an assurance engagement performed by an independent third-party assurance provider for their Scope 1 and Scope 2 emissions at a limited-assurance level beginning in 2026, and at a reasonable-assurance level beginning in 2030. For 2026 reporting under HSC § 38532, CARB will exercise enforcement discretion for the first report due in 2026, allowing reporting entities to submit Scope 1 and Scope 2 emissions for their prior fiscal year based on information they already have or were collecting when this Notice was issued, whether or not the data received limited assurance.

21. How can companies align existing voluntary reporting with HSC § 38532 reporting?

CARB is committed to developing a program that works for California and that provides a potential model for others, and that emphasizes effectiveness and efficient implementation. CARB's goal is to reduce confusion for reporting entities and simplify compliance with the law, including aligning and streamlining reporting requirements where possible. As previously discussed in Question 19, companies may submit existing information or reports to CARB for the first-year reporting deadline in 2026 (e.g., an existing annual report that includes information on Scope 1 and Scope 2; or existing information on annual Scope 1 and Scope 2 emissions that is also submitted through a voluntary program).

HSC § 38533

22. When do the first climate-related financial risk reports need to be submitted?

Per HSC § 38533, the Climate-related Financial Risk Reporting Program, covered entities must prepare and publish their first climate-related financial risk report by January 1, 2026, and biennially thereafter.

On December 1, 2025, CARB will post a public docket for covered entities to post the location of their public link to their first climate-related financial risk report. CARB will keep this public docket open until July 1, 2026. This public docket will help support transparency by providing one location for the public to be able to review all climate-related financial risk reports.

This guidance is intended to assist companies with initial planning for January 1, 2026. Future regulations may establish additional or alternative requirements consistent with HSC § 38533.

23. How should an organization determine what needs to be included in its climate-related financial risk report?

HSC § 38533(a)(2) defines “Climate-related financial risk” as material risk of harm to immediate and long-term financial outcomes due to physical and transition risks, including, but not limited to, risks to corporate operations, provision of goods and services, supply chains, employee health and safety, capital and financial investments, institutional investments, financial standing of loan recipients and borrowers, shareholder value, consumer demand, and financial markets and economic health. HSC § 38533(b)(1)(A) further directs covered entities to prepare a climate-related financial risk report.

HSC § 38533 allows but does not mandate the disclosure of information that falls outside of this definition.

The statute specifies flexibility in choosing a reporting framework, and entities then apply the principles embedded in that chosen framework.

For example, TCFD 2017 states “organizations should determine materiality for climate-related issues consistent with how they determine the materiality of other information included in their financial filings.” Further, the TCFD emphasizes that disclosures should be specific, complete, and provide sufficient information to enable users to understand the impact of climate-related issues on an organization's business.

As part of its public outreach, CARB has heard from stakeholders that climate risk-related data is often collected on a fiscal year basis and that it takes time to process climate information into a report. As a result, it is reasonable to expect that initial climate-related financial risk reports submitted by January 1, 2026, may cover past fiscal years (FY) (e.g. FY 2023/2024 or FY 2024/2025 depending on the organization).

This guidance is intended to assist companies with initial planning for their January 1, 2026, report submittals. Future regulations may establish additional or alternative requirements for future report submittals, consistent with HSC § 38533. In support of the upcoming first-year report requirement in statute, CARB posted a Climate Related Financial Risk Report

Draft Checklist in September 2025. This document is intended to help companies that are newer to climate-related financial risk disclosure by describing the minimum content that should be included in HSC § 38533 disclosure submittals, and is intended to align closely with TCFD 2017.

24. HSC § 38533 references companies making “good faith efforts” to comply. What does that mean?

As outlined in HSC § 38533, potential penalties against entities for violations are tied to several factors, including whether the violator took good faith measures to comply and when those measures were taken. This “good faith” consideration is part of CARB’s enforcement discretion in considering penalties for reporting violations.

To provide a phase-in period for reporting, climate-related financial risk disclosures made pursuant to the upcoming statutory deadline (January 1, 2026) may be based on the best available information, including information from past fiscal years (such as FY 2023/2024 or 2024/2025 [see above]). CARB also recognizes that data quality and data sources may change over the course of the year, if additional data collection methods were put in place later.

25. When preparing a Climate Related Financial Risk Report, should we use Calendar Year or Fiscal Year data?

HSC § 38533 does not specify Calendar Year or Fiscal Year data. Covered entities should use the most recent/best available data for the first report.

26. If my company already submits climate related financial risk disclosures via a third party or through another program/standard, can my company use those reports to comply with HSC § 38533?

The statute requires that climate-related financial risk reports disclose financial risk in accordance with any of the frameworks described in HSC § 38533. Assuming a company’s existing reports use any of the frameworks described in HSC § 38533, that report could be used. Then, based on the requirements of HSC § 38533, the report must be posted on the company’s own website. Reporting entities must then post the location of their public link to their initial climate-related financial risk report on CARB’s public docket.

27. My company already develops annual reports that are compliant with TCFD 2017; is that sufficient for compliance with HSC § 38533?

In terms of content, yes. In terms of posting requirements see HSC § 38533 and the response to Question 23.

28. Is there a specific required format for reporting pursuant to HSC § 38533?

There is no requirement that the climate-related financial risk report be embedded or displayed in a specific format beyond being publicly accessible on the company’s website by January 1st, 2026, and that the link be sent to CARB’s public docket by July 1st, 2026.

SB 253 Public Workshop: California Corporate Greenhouse Gas Reporting Program

JULY 21, 2026

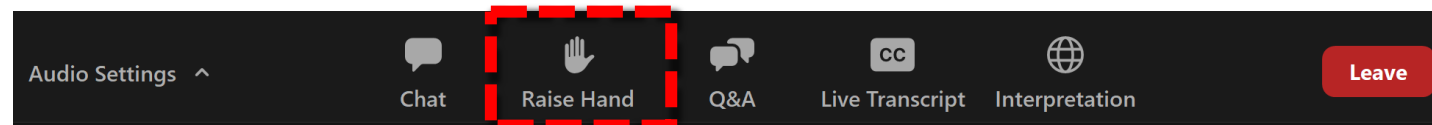


Workshop Logistics

Workshop Materials:

ww2.arb.ca.gov/climatedisclosure/workshops

- Zoom Orientation:
 - Raise Hand
 - Zoom phone participants may dial #2 to “Raise Hand”
 - The facilitator will inform Zoom phone participants when they are unmuted during Public Comment
 - Dial *6 to mute or unmute
- Email climatedisclosure@arb.ca.gov



Agenda

1. SB 253 Background (including update on 2026 Initial Regulation)
2. Updated Proposed Rulemaking Concepts for 2027 (Subsequent Regulation)
3. Economic Analysis and Proposed Exemption Updates
4. Next Steps
5. Public Comment

SB 253: Climate Corporate Data Accountability Act

	SB 253 (HSC § 38532)
Requirements	• Disclosure of Scope 1, 2, and 3 GHG emissions
Applies To	• U.S.-based entities • Doing business in California • >\$1 billion in annual revenue
Deadlines	• Scope 1 and Scope 2 in 2026 • Scope 1, 2 and 3 in 2027+

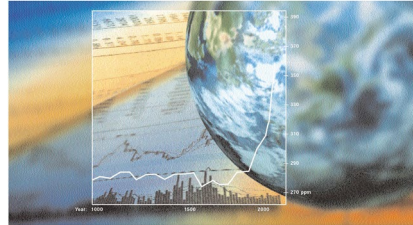
[California Code, HSC 38532 Climate Corporate Data Accountability Act](#)



The Greenhouse Gas Protocol

GHG Protocol Scope 2 Guidance

An amendment to the GHG Protocol
Corporate Standard



A Corporate Accounting and Reporting Standard
REVISED EDITION



Corporate Value Chain (Scope 3) Accounting and Reporting Standard

Supplement to the GHG Protocol Corporate
Accounting and Reporting Standard



[Greenhouse Gas Protocol Website](https://ghgprotocol.org/)

Greenhouse Gas Protocol

- SB 253 directs reporting entities to disclose greenhouse gas emissions in conformance with the Greenhouse Gas Protocol (GHG-P).
- The GHG-P is a globally recognized framework for measuring and reporting greenhouse gas emissions.
- It defines Scope 1, Scope 2, and Scope 3 emissions and describes standardized methods for corporate carbon accounting.
- Using the GHG-P supports interoperability with other disclosure programs (such as IFRS S2, CSRD) and reduces reporting burdens.

Update on Initial Regulation

- The Final Package that was submitted to OAL on May 20, 2026 has been withdrawn by CARB to allow for limited further clarifying changes, and will be resubmitted.
- Proposed new 2026 Scope 1-2 emissions reporting deadline of November 10, 2026, to give reporting entities additional time following the formal adoption of the initial regulation.
- Refer to CARB's June 24, 2026 notice for more information:
[Notice on Upcoming Rulemaking Update and 2026 Reporting Deadline Deferral](#)

2026 Reporting Guidance

- Staff will share additional guidance materials to support 2026 Scope 1 and 2 emissions reporting by September 1, 2026, in advance of the November 10, 2026 reporting deadline.
- Materials will include:
 - Voluntary online intake platform for fee contact information and GHG emissions reporting
 - Accompanying guidance document and instructional video

Proposed Requirements for Greenhouse Gas Reporting in 2027 and Beyond (Subsequent Rulemaking)

SB 253 (HSC § 38532)

Approach to Proposed Regulation

- Based on stakeholder feedback, proposed regulatory concepts align with Greenhouse Gas Protocol (GHG-P), with clarifications for the California regulatory context.
- Based on stakeholder feedback and direction of SB 253, CARB staff seek to promote interoperability with other climate disclosure programs, including IFRS S2, EU CSRD, and others, to the greatest extent possible.
- Proposed regulatory concepts provide flexibility for reporting to streamline implementation.

Greenhouse Gas Protocol Alignment

Based on feedback, CARB staff proposals align with the Greenhouse Gas Protocol and SB 253 in the following ways:

Implementing GHG-P Requirements

CARB staff propose regulatory language to implement GHG-P requirements with appropriate clarity and specificity.

Implementing GHG-P Recommendations

CARB staff propose regulatory language to implement GHG-P recommendations that are aligned with the broader objectives of SB 253.

Clarity for California Regulatory Context

CARB staff propose regulatory language to implement the broader directives in SB 253, and/or meet requirements of California administrative law.

Potential provisions in forthcoming staff proposal are shown in:

Draft Regulatory Language
Callout Boxes

Proposed General Requirements for Greenhouse Gas Reporting

- Based on feedback, general requirements aim to ensure that GHG emissions disclosures are relevant, complete, consistent, transparent, and accurate across reporting entities.
- In addition to general requirements, staff propose specific requirements for Scope 1, Scope 2, Scope 3 reporting and assurance.

Discussion Questions

- Do the proposed requirements offer adequate clarity for Greenhouse Gas Protocol aligned reporting? Are there topics that need additional clarification or specificity in regulation requirements?

General Reporting Requirements

- Greenhouse Gas Disclosure
- Standards and Guidance
- Quantification Methodologies
- Measurement Uncertainty
- Missing Data Protocols and Substitution Procedure
- Reporting Biogenic Emissions
- Reporting Emissions Reductions or Removals
- Data Exclusions
- Notifying CARB of Changes to Methodologies
- Recalculation of Previous Year Data
- Reporting Deadline
- Supplemental Information

Proposed GHG Disclosure, Standards, and Guidance

Clarity for California Regulatory Context

Greenhouse Gas Disclosure. A reporting entity, shall disclose its GHG emissions generated during the reporting period, expressed in metric tons of CO₂e and classified as:

- 1) Gross Scope 1 GHG emissions, in accordance with section 960XX.
- 2) Gross Scope 2 GHG emissions, in accordance with section 960XX.
- 3) Gross Scope 3 GHG emissions, in accordance with section 960XX.

Standards and Guidance. When preparing GHG emissions information for reports, reporting entities shall conduct quantification and accounting in adherence with the principles, requirements and guidance provided by the Corporate Standard, Scope 2 Guidance, and Scope 3 Standard.

Corporate Standard: [GHG Protocol Corporate Accounting and Reporting Standard](#)

Scope 2 Guidance: [GHG Protocol Scope 2 Guidance](#)

Scope 3 Standard: [GHG Protocol Corporate Value Chain \(Scope 3\) Accounting and Reporting Standard](#)

Proposed Quantification Methodologies Reporting

Implementing GHG-P Requirements

Quantification Methodologies. Companies shall disclose the GHG quantification methods and measurement approaches used for the calculation of all emissions in reports. These include:

- 1) Consolidation approach for organizational boundaries.
- 2) Global Warming Potential values and assessment report vintage.
- 3) Emission factor sources for all calculations with key attributes (i.e., vintage, geographic and technical representativeness, uncertainty).
- 4) Quantification method (e.g., direct measurement or calculation-based method), including any process-specific tools or models used.

Corporate Standard, Chapter 6 (p. 42); Chapter 7 (p. 51 and 53); Chapter 9 (p. 63)

Proposed Measurement Uncertainty Reporting

Implementing GHG-P Recommendations

Measurement Uncertainty. Reporting entities must assess the uncertainty associated with the quantification methodologies used to calculate emissions, including underlying data sources, assumptions, and models, and report confidence intervals with data points, where applicable. Where quantitative estimation of uncertainty is not feasible or would impose unreasonable burden or cost, reporting entities shall provide an explanation and conduct a qualitative assessment of uncertainty.

GHG-P recommends disclosure of measurement uncertainty to support transparency and verifiability, where possible. CARB proposes adopting this recommendation by requiring qualitative or quantitative explanation for measurement uncertainty, to support transparency, comparability, and assurance.

Corporate Standard, Chapter 7 (p. 56); Chapter 9 (p. 64)

Proposed Missing Data and Substitution Reporting

Clarity for California Regulatory Context

Missing Data Protocols and Substitution Procedure. Reporting entities shall identify missing data elements or parameters and document any substitute data sources or estimation methods used to quantify emissions in place of the missing data, including the basis for selecting the approach and any assumptions.

California's Mandatory Reporting Regulation includes similar provisions. Mandatory Reporting Regulation data may be provided with SB 253 disclosures, so this provision is included for consistency across the programs.

Proposed Biogenic Emissions Reporting

Implementing GHG-P Requirements

Clarity for California Regulatory Context

Reporting Biogenic Emissions. Biogenic CO₂ emissions from the combustion, consumption, or biodegradation of biomass and biomethane must be included in GHG emissions reports, and shall be reported separately from Scope 1, Scope 2, and Scope 3 emissions totals. CH₄ and N₂O emissions from biogenic sources, and all fossil fuel and industrial GHG emissions that occur in the life cycle of biogenic products or activities other than at the point of combustion, consumption, or degradation (e.g., GHG emissions from processing, transportation, or upstream production of biomass), shall be included within the relevant Scope 1, Scope 2, or Scope 3 emission inventories.

- 1) Reporting entities already reporting under California regulations may quantify biogenic emissions in accordance with the requirements of those programs. In such cases, they must disclose which regulation they are aligning with.
- 2) Reporting entities not already reporting under California regulations may quantify biogenic emissions in accordance with Corporate Standard guidance, other quantification methodologies, or other regulations beyond California, and must disclose which regulation or methodology they are aligning with.
- 3) Reporting entities shall disclose all tracking units, quantification methods, emission factors, and other data sources used for calculating biogenic emissions.
- 4) Emissions reported under section 960XX are subject to assurance requirements established in section 960XX.

Corporate Standard, Chapter 8-9; Appendix B and Scope 3 Standard, Chapter 6; Chapter 11

Proposed Emissions Reductions or Removals Reporting

Implementing GHG-P Requirements

Reporting Emissions Reductions or Removals. Reporting entities may report voluntary investments (e.g., carbon credits, offsets), management activities (e.g., land management practices resulting in biological GHG sequestration), or other activities that result in fossil or biogenic emissions reductions or removals. These voluntary investments or management activities must be reported separately from Scope 1, Scope 2 and/or Scope 3 emissions.

Corporate Standard, Chapter 8-9; Appendix B and Scope 3 Standard, Chapter 9; Chapter 11

Primary Data Prioritization Guidance

Implementing GHG-P Recommendations

The GHG-P recommends that reporters prioritize primary data over secondary data. CARB would like to hear your thoughts on how to implement this recommendation, and more broadly, encourage reporting entities apply the most scientifically sound approach for emissions quantification. For example, CARB received public feedback noting that methane emissions are often underestimated when reporting relies on general emission factors rather than primary data.

Discussion Questions

- Are there cases when CARB should encourage or require the prioritization of specific measurement approaches, emission factors or quantification methods? If so, what approach could support scientific best practices, while offering adequate flexibility when higher-quality data are limited or unavailable?
- Are there sector- or source-specific quantification methodologies or standards CARB should consider recommending in follow-up guidance documents?

Proposed Data Exclusions Reporting

Implementing GHG-P Requirements

Data Exclusions. Reporting entities may exclude GHG emissions sources, activities, Scope 3 categories, or other information where the omission, misstatement, or obscuring could not be reasonably expected to influence the decisions, assessments, or understanding of users of the disclosure regarding the reporting entity's GHG emissions inventory, climate-related risks, opportunities, or impacts.

- 1) In determining data exclusions, reporting entities shall consider whether an exclusion would impair the relevance, completeness, consistency, transparency, or accuracy of the reported emissions inventory. Data exclusions shall be assessed using both quantitative and qualitative factors.
- 2) Reporting entities must explain and disclose the basis for all data exclusions. For each category, source, facility, operation, or disclosure excluded, the reporting entity shall disclose an estimate of the emissions magnitude of exclusions, if quantifiable.

Corporate Standard, Chapter 1 (p. 7-9); Chapter 9 (p. 63)

Data Exclusions Discussion

Discussion Questions

- Are the proposed factors appropriate and sufficient for considering acceptable exclusions from GHG emission inventories?
- What further direction may be needed for reporting entities to consider data exclusions in a consistent and comparable way?
- Does the proposed approach balance reporting burden with the objective of providing complete and decision-useful emissions information?

Proposed Methodology Change Reporting

Implementing GHG-P Requirements

Notifying CARB of Changes to Methodologies. In annual GHG reports, reporting entities must include disclosures of changes to GHG quantification or accounting methods made from the previous reporting year or during the current reporting period, and the reasons for those changes. Reporting entities must consider whether these changes meet recalculation requirements in section 960XX.

Corporate Standard, Chapter 1 (p. 8); Chapter 5; Chapter 9

Proposed Recalculation of Previous Year Data

Implementing GHG-P Recommendations

Clarity for California Regulatory Context (5 percent, see underlined language below)

Recalculation of Previous Year Data. Reporting entities may experience changes in reported GHG emissions from prior reporting years due to modifications in corporate structure or accounting, without any corresponding change in actual emissions. These may include changes to organizational boundaries, quantification methods, data sources, and emission factors. Reporting entities shall treat their first reporting year as their base year in accordance with Chapter 5 of the Corporate Standard and shall determine whether the cumulative effect of all structural and methodological changes would result in a change greater than 5 percent of their total GHG emissions for that base year. If such a change occurs, all emissions pursuant to this subarticle shall be recalculated for all affected previous reporting years, and the updated emissions data for those years shall be included in the next annual GHG emissions report along with a description of the changes that led to the recalculation.

Corporate Standard, Chapter 5; Chapter 9

Reporting Deadline

Reporting Deadline. Reporting entities shall disclose their Scope 1, Scope 2, and Scope 3 GHG emissions the preceding fiscal year. GHG emissions shall be disclosed in an annual report submitted to CARB on or before November 10 of the reporting year.

Supplemental Information

Supplemental Information. Reporting entities may disclose, in a separate section, additional information that adds context to their emissions disclosures, above and beyond the information they are required to report according to subsections 960XX.

Proposed Scope 2 & 3 Emissions Reporting Requirements

SB 253 (HSC § 38532)

Proposed Scope 2 Emissions Reporting Requirements

Implementing GHG-P Requirements

- a) In accordance with the Scope 2 Guidance, reporting entities shall disclose Scope 2 GHG emissions expressed in metric tons of CO₂ equivalent by source type, including electricity, steam, heating, and cooling emissions.
- b) In addition to CO₂e, disclosure of Scope 2 GHG emissions generated during the reporting period shall be expressed in metric tons of the following GHGs in CO₂ equivalent: carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulfur hexafluoride (SF₆) and nitrogen trifluoride (NF₃) and the sum of those gases expressed in metric tons of CO₂e, as required by the Scope 2 Guidance.
- c) Scope 2 inventories and emissions reported in section 960XX shall be calculated and reported using both market-based and location-based methods. Where emission factors are not available for a given region or energy source, the reporting entity shall document that omission in its inventory.

Corporate Standard, Chapter 9 (p. 63); Appendix A; Scope 2 Guidance, Chapter 7

Scope 3 Reporting

- Staff received feedback from stakeholders that assessing all 15 Scope 3 categories beginning in 2027 could pose data availability and cost challenges.
- To phase in Scope 3 reporting and ease compliance burdens, staff propose requiring reporting on the five most commonly-reported categories, starting in 2027: purchased goods and services, fuel and energy related activities, waste generated during operations, business travel, and employee commuting.
- As these categories are frequently reported across voluntary and mandatory programs, they have some of the most established data sources and mature quantification methods.
- In alignment with the Greenhouse Gas Protocol, staff propose that reporting entities may voluntarily report emissions from the other 10 categories, particularly for entities already reporting additional categories to other jurisdictions.

Proposed Scope 3 Emissions Reporting

Clarity for California Regulatory Context

Reporting of Required Scope 3 Emissions Categories. Reporting entities shall disclose Scope 3 GHG emissions for Category 1 (Purchased Goods and Services), Category 3 (Fuel and Energy Related Activities), Category 5 (Waste Generated During Operations), Category 6 (Business Travel), and Category 7 (Employee Commuting) beginning in 2027. Reporting entities shall follow guidance from the Scope 3 Standard for calculating emissions within these categories. Reporting entities may exclude categories in accordance with section 960XX.

Proposed Scope 3 Emissions Reporting

Implementing GHG-P Recommendations

Clarity for California Regulatory Context

Voluntary Reporting of Other Scope 3 Emissions Categories. Reporting entities may voluntarily disclose emissions from Category 2 (Capital Goods), Category 4 (Upstream Transportation and Distribution), Category 8 (Upstream Leased Assets), Category 9 (Downstream Transportation and Distribution), Category 10 (Processing of Sold Products), Category 11 (Use of Sold Products), Category 12 (End-of-Life Treatment of Sold Products), Category 13 (Downstream Leased Assets), Category 14 (Franchises), and Category 15 (Investments), as identified in the Scope 3 Standard. For any voluntarily reported Scope 3 categories, reporting entities should follow guidance from the Scope 3 Standard for calculating emissions within these categories.

Proposed Scope 3 Reporting Requirements

Implementing GHG-P Requirements

For each Scope 3 emissions category, reporting entities must disclose:

- 1) The name and number of the category as identified in the Scope 3 Standard, and a description of the activities included in the emissions inventory.
- 2) Quantification and accounting methods and the data types used.
- 3) The sum of Scope 3 GHG emissions generated during the reporting period expressed in metric tons of CO₂ equivalent.
- 4) Explanation for any emissions excluded from the Scope 3 category in accordance with section 960XX.
- 5) The percent of emissions calculated using primary data obtained from suppliers or other members of the value chain, and identification of the quantification method used for the emissions calculated with that primary data. Reporting entities may use industry average data or spend-based methods to estimate upstream lifecycle GHG emissions, consistent with the Scope 3 Standard, Chapter 7.

Scope 3 Standard, Chapter 7 (p. 75); Chapter 11 (p. 119)

Proposed Assurance Requirements

SB 253 (HSC § 38532)

Proposed Limited Assurance Requirements

Clarity for California Regulatory Context

Applicability. Beginning with reports submitted in 2027, a reporting entity subject to Health and Safety Code section 38532 shall obtain a limited assurance engagement of its disclosed Scope 1 and Scope 2 GHG emissions, including biogenic CO₂ emissions as defined in section 960XX from an independent third-party provider that meets the requirements of subdivision 960XX. An assurance engagement performed at a reasonable assurance level satisfies the limited assurance requirement of this section.

Proposed Assurance Standards

Clarity for California Regulatory Context

Assurance Standards. The limited assurance engagement shall be conducted in full conformance with one of the following standards, including all requirements each standard imposes on aspects including but not limited to engagement scope, methodology, provider qualifications, evidence gathering, independence, oversight mechanism and reporting:

- 1) AA1000 Assurance Standard (AA1000AS v3).
- 2) American Institute of Certified Public Accountants (AICPA AT-C Section 210).
- 3) International Standard on Assurance Engagements (ISAE) 3410 applied in conjunction with ISAE 3000 (Revised), for engagements commencing prior to December 15, 2026.
- 4) International Standard on Sustainability Assurance (ISSA) 5000 for engagements commencing on or after December 15, 2026.
- 5) International Organization for Standardization (ISO) 14064-3:2019 (with additional accreditation requirements).

Proposed Assurance Report

Clarity for California Regulatory Context

Assurance Report. The assurance provider shall issue and submit a written report that:

- 1) Identifies the assurance standard applied and the level of assurance provided.
- 2) Identifies the Scope 1 and Scope 2 emissions covered by the engagement.
- 3) States the assurance provider's conclusion.
- 4) Identifies the legal name of the organization that conducted the assurance engagement and contact information for the assurance provider including email, telephone number, and business address.
- 5) States the date the assurance engagement was completed.

Exemptions and Economic Analysis Updates

Proposed Insurance Company Applicability

- The initial regulation, approved by the Board in February 2026, exempted insurance companies from 2026 GHG emissions reporting to avoid duplication with parallel reporting required by the California Department of Insurance (CDI).
- Board Resolution 26-1 directed CARB staff to further investigate the alignment between CDI disclosures and greenhouse gas disclosures required by SB 253. Staff found that CDI reporting may not satisfy the requirements of SB 253 in future years (starting with 2027), as it does not include Scope 3 or assurance requirements.
- Beginning in 2027, staff propose that insurance entities may submit the same report to satisfy both CDI and SB 253 requirements, provided it meets reporting requirements under CARB's regulation implementing SB 253. If a CDI report does not address all CARB requirements, reporting entities must supplement their report with the remaining required information.

Economic Analysis Feedback and Updates

- Staff received a variety of feedback on cost estimates following the March workshop from potential reporting entities, third-party service providers, and other practitioners. Feedback on CARB's analysis ranged from costs being underestimated, to cost estimates being in line with actual costs, to overestimated.
- Commenters expressing concern about underestimated costs primarily referenced the cost of Scope 3 emissions accounting and the cost of assurance engagements.
- Some commenters also noted potential sources of cost overestimation, as Staff's preliminary analysis does not account for cost savings from rapid technological advances, or reflect the cost savings of high interoperability between CARB's reporting program and other existing frameworks.
- Some commenters also noted that there are significant benefits from reporting that CARB did not compare against costs, including financial benefits for companies disclosing emissions.

Economic Analysis Feedback and Updates

- Staff recognize that compliance costs will be highly variable across entities, and may depend on:
 - Size, complexity, and sector-specific considerations
 - Existing regulatory requirements to report similar data to other government agencies
 - Existence or rigor of existing systems, in-house expertise, and protocols for voluntary reporting
 - Experience and access to cost-competitive assurance providers
 - Experience with any subset or full reporting of Scope 3 categories
- These variables are reflected in the range of cost estimates from industry and practitioner surveys that have informed economic analyses of mandatory disclosure programs, including the SEC and CSRD
- Staff acknowledge there may be some uncertainty with relying on these existing cost analyses and surveys from subsets of entities, particularly for staff's unique Scope 3 phase-in option
- For entities not currently reporting, there may be uncertainty not captured in existing analyses about how companies are still preparing for mandatory reporting given the general rollback of federal support for environmental and climate initiatives

Economic Analysis Feedback and Updates

- Based on stakeholder feedback, staff have reviewed cost analyses from other jurisdictions, and industry surveys submitted during the March 2026 workshop public comment period.
- The range of compliance costs considered by SEC included costs related to the collection and reporting of GHG emissions data, including investments in the development and maintenance of information systems, staffing, and governance protocols for ongoing reporting.
- In response to feedback that Scope 3 costs may be underestimated in the SEC analysis, staff uses the upper bound of reporting cost estimates (rather than the midpoint) and assumes all costs were *ongoing*, to account for the higher Year 1 *initial* costs that include investment in reporting systems and staff.
- Staff also assumes that compliance costs are entirely due to CARB's program. This approach likely overestimates real costs since many entities already engage in reporting and assurance of reports for other jurisdictions that are aligned with staff's proposals.

Economic Analysis Feedback and Updates

- Stakeholder feedback also included that in addition to the corporate transparency benefits of more standardized data, studies show that there are also organizational, financial and environmental benefits of non-financial disclosures, which may include:
 - Enhanced supply chain management and traceability
 - Increased investment, firm valuation, and other financial benefits for companies
 - Voluntary reductions in corporate GHG emissions following disclosures

Discussion Questions

CARB is considering the best publicly- available data, and documentation we have received in public comments. As CARB staff analyze the potential impacts of SB 253, we remain open to feedback on specific data and information from stakeholders about potential costs and benefits.

- What cost changes does your business anticipate from making climate disclosures?
- What benefits does your business or organization anticipate from climate-related disclosures?

Next Steps

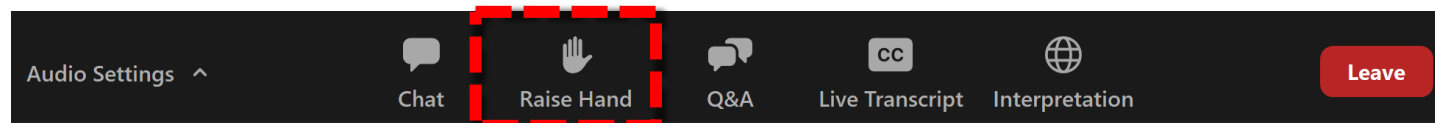
Upcoming SB 253 Listening Sessions

Sign up for email updates to receive registration details when they become available.

August 5	Data Users & Public Interest Stakeholders	Data users and public interest stakeholders, including universities, research institutions, NGOs, ESG software providers, consultants, assurance providers, and organizations that analyze or apply climate data to support public accountability, environmental justice, assess community impacts, and share data for public understanding.
August 12	Manufacturing, Industrial, Fuel & Life Sciences	Companies engaged in oil and gas, refining, chemicals, metals, construction materials, mineral processing, automotive, aerospace, pharmaceuticals, biotechnology, and medical devices.
August 19	Agriculture, Food, Beverage & Forestry	Companies involved in farming, livestock, forestry, food processing, beverages, livestock, agricultural products, tobacco, and related processing with significant land sector emissions.
August 26	Energy, Utilities, Transportation, Logistics & Waste Management	Companies involved in generating electricity, renewable energy, water and gas utilities, transportation, freight, airlines, rail, shipping, waste management.
September 2	Retail, Consumer Goods, Technology & Commercial Services	Companies engaged in retail, apparel, wholesale, e-commerce, software, semiconductors, telecommunications, media, entertainment and gaming, real estate, hospitality, construction services, and professional services.
September 9	Banking, Finance & Insurance	Companies involved in banking, insurance, asset management, investment, fintech, credit union services, asset management and private equity; capital markets, non-bank financial institutions, and other investors.

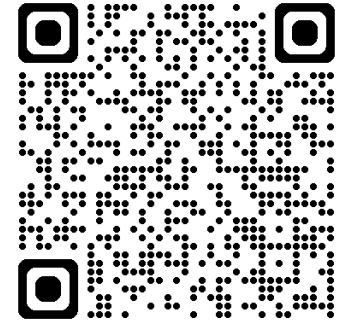
Feedback and Questions

1. Feedback and questions will be taken virtually through Zoom
2. Raise Hand
3. Zoom phone participants may dial #2 to "Raise your Hand"
4. The facilitator will inform Zoom phone participants when they are unmuted during Public Comment.
5. Dial *6 to mute or unmute.
6. Staff will make every effort to call on attendees in the order they raise their hand on Zoom.



Continued Engagement

- We value your feedback – stakeholder input is critical to shaping this program.
- Written comments on workshop materials may be submitted to ClimateDisclosure@arb.ca.gov.
- Sign up with the listserv to stay engaged and be notified of future public workshops and updates.
 - Go to our [website](#) and click "Subscribe" on the left-hand navigation.
- Questions or Comments? Contact us at: ClimateDisclosure@arb.ca.gov



UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

FILED

NOV 18 2025

MOLLY C. DWYER, CLERK
U.S. COURT OF APPEALS

UNITED STATES OF AMERICA
CHAMBER OF COMMERCE; et al.,

Plaintiffs - Appellants,

v.

LIANE M. RANDOLPH, in her official
capacity as Chair of the California Air
Resources Board; et al.,

Defendants - Appellees.

No. 25-5327

D.C. No.

2:24-cv-00801-ODW-PVC
Central District of California,
Los Angeles

ORDER

The motion for injunction pending appeal (Dkt. No. 6) is **GRANTED IN PART** and **DENIED IN PART**. The motion is granted as to the enforcement of Senate Bill 261 and denied as to the enforcement of Senate Bill 253.

FOR THE COURT:

MOLLY C. DWYER
CLERK OF COURT

ENFORCEMENT ADVISORY
Climate-Related Financial Risk Reporting (SB 261)
December 1, 2025

On November 18, 2025, the Ninth Circuit Court of Appeals issued an order in *Chamber of Commerce v. Sanchez*, Case No. 25-5327 (9th Cir. 2025), granting an injunction against the enforcement of Senate Bill (SB) 261 (Stern, Stats. 2023, ch. 383, codified in Health and Safety Code section 38533) during the pendency of appellate proceedings in that matter. Argument in that appeal is set for January 9, 2026, after the January 1, 2026, reporting deadline set by section 38533.

In light of the Court's order, CARB will not enforce Health and Safety Code section 38533 against covered entities for failing to post and submit reports by the January 1, 2026, statutory deadline. CARB will provide further information—including an alternate date for reporting, as appropriate—after the appeal is resolved.

For entities that may choose to report voluntarily at this time, CARB will open a docket starting December 1, 2025, as CARB indicated in its November 18, 2025, workshop.

Amy Mmagu

Please see attached comments



Members, California Air Resources Board
1001 "I" Street
Sacramento, CA 95814

Advancing
Energy Tech

RESPONSE: Comments on proposed modifications to California Corporate Greenhouse Gas Reporting Regulation– July 27

Schneider Electric, a global leader in advanced energy management and automation technologies, with more than 23,000 U.S. employees and thousands of U.S.-based clients and partners, is pleased to submit the following response to the California Air Resources Board (CARB) on California Corporate Greenhouse Gas (GHG) Reporting and Climate Related Financial Risk Disclosure Programs.

Recognized as the world's most sustainable company by TIME Magazine, Statista, and Corporate Knights, Schneider's dedication to addressing climate change underpins our ambitious climate goals. By 2050, we aim to achieve net-zero emissions across our entire value chain without reliance on carbon offsets, leading the way not only in emissions reductions and sustainability, but also in transparency.

Schneider also supports other organizations working to translate sustainability, energy, and digital transformation targets into actionable outcomes through the Schneider Electric Advisory Services. Our approach combines deep technical and regulatory expertise, global implementation capabilities, and AI-enabled software solutions to advance energy and enterprise risk management, decarbonization strategies, nature-based solutions, operational efficiency, and digital transformation.

015.1

We strongly support CARB's proposal to mandate climate-related disclosures and commend CARB's leadership in advancing transparency and climate risk awareness for the investor community. Consistent reporting standards help organizations make better operational decisions, uncover efficiencies, manage long-term risk, and provide investors and customers with better insights. When designed well, these frameworks reward innovation, transparency, and measurable progress. We recognize that the proposed rule will have important implications for both our clients and our own operations, and our perspective reflects this dual insight. In response to CARB's request for information, we respectfully submit the following comments for consideration.

We appreciate CARB's decision to make targeted clarifications before resubmitting the regulation to the Office of Administrative Law. Consistent with the scope of this 15-day comment period, our comments are directed specifically at the modifications reflected in the Modified Text. We are supportive of the changes and offer the following observations and requests for clarification to aid consistent implementation.

015.2

1. Deferral of the First Reporting Deadline to November 10, 2026

We support the three-month deferral of the initial Scope 1 and Scope 2 reporting deadline from August 10 to November 10, 2026. The additional time is meaningful for covered entities finalizing their first inventories and internal review processes, and we appreciate CARB's responsiveness to stakeholder feedback. To support orderly compliance, we respectfully request that CARB:

015.3

- Confirm that November 10 will serve as the recurring annual reporting deadline in subsequent years, as indicated during the July 21, 2026 workshop, so entities can align internal reporting calendars accordingly.

Schneider Electric

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Tel: (916) 202-4600
se.com

- Clarify the reporting entity's obligations if the Office of Administrative Law's approval of the modified regulation occurs close to the November 10 deadline, including whether any conforming extension or transition relief would apply.

2. First-Year Reporting Flexibility (December 5, 2024 Data or Letterhead Statement)

015.4

We support the first-year flexibility permitting a reporting entity to submit either (1) Scope 1 and Scope 2 emissions based on information it possessed or was collecting on or before December 5, 2024, or (2) a statement on company letterhead attesting that it did not possess and was not collecting such information as of that date. This appropriately formalizes CARB's December 2024 Enforcement Notice. To reduce inconsistent application, we request that CARB:

015.5

- Clarify what constitutes information the entity "possessed or was collecting" as of December 5, 2024—for example, whether activity data subsequently converted to emissions, or emissions calculated after that date from pre-existing activity data, fall within this provision.
- Confirm the documentation, if any, an entity should retain to substantiate the basis for its submission, and whether a brief methodology description should accompany the reported figures.
- Provide a short model form or required elements for the letterhead statement to ensure comparability across filers electing that option.

Additionally, we would like to take this opportunity to reiterate our previously submitted comments related to SB253 proposed guidance and the Mar 23rd workshop. Below are the remaining open questions identified during the July 21st workshop.

015.6

- **What additional information for Scope 1 and 2 reporting should CARB consider when developing final reporting templates?**

Per our organization's submitted comments regarding the 'SB 253 Draft Reporting Template', we reiterate our following recommendations, from our prior public comment dated October 27th, 2025 linked [here](#) and summarized below. While many of these topics were discussed, or are currently being discussed, through the July 21 workshop process, we have not yet seen corresponding clarifications reflected in the reporting template or any guidance. As such, we believe it is important to reiterate these recommendations for consideration.

1. Scope 2 Emissions Reporting – Lack of Distinction Between Methodologies: The current template does not provide separate fields for reporting total market-based and location-based Scope 2 emissions (see row 54 in template)
2. Reporting of Scope 2 Contractual Instruments vs Carbon Offsets: Clarification is needed on where to report carbon offsets. Additional guidance/template fields are needed to distinguish between report out of offsets vs other Scope 2 contractual instruments such as RECs. A field is needed to report total Scope 1 and 2 emissions and reductions from renewable electricity or gas usage.
3. Row-Level Guidance: The current template lacks sufficient guidance per row.
4. Test/Free Text Fields – Character Limits
5. Verification Documentation: CARB should provide an option to attach verification reports, such as an upload of the final Assurance Statement/Letter
6. Non-Compliance Qualifier: Clarification is needed on whether a "No" response to including a specific scope or emissions stream in the reporting boundary constitutes non-compliance.
7. Confidentiality and Public Disclosure: Further clarity is needed on whether disclosures marked as Trade Secret Information (TSI) will be protected from public release
8. Private Companies' Revenue-Based Intensity Metrics: CARB must specify acceptable alternatives to revenue-based intensities.

9. Emission Factor (EF) Source Selection: The current dropdown in row 62 is limited and allows only one selection. This is problematic when multiple EF sources or years are used.
10. Scope 2 Emission Factor Differentiation: There is a need to distinguish between emission factors used for market-based and location-based Scope 2 electricity.
11. Methodology Questions: For questions such as “Describe the calculation approach you are using,” additional guidance is requested to understand expected content.
12. Data Quality Rating: The optional field asking companies to “Rate the quality of the data” is currently open to interpretation. We recommend CARB provide standardized criteria and a rating scale to ensure consistency.
13. Third-Party Verification Clarification: We recommend CARB provide clear guidance on verification thresholds, acceptable methodologies, and any allowable exclusions.

Thank you for the opportunity for Schneider Electric to provide responses to this solicitation and we look forward to continued engagement with the California Air Resources Board on the development of the Corporate Greenhouse Gas Reporting and Climate Related Financial Risk Disclosure Programs. Please do not hesitate to reach out to me directly with any questions at Amy.Mmagu@se.com.

Sincerely,



Amy Mmagu
Government Relations Manager



Submitted electronically via [CARB Comment Portal](#)

August 11, 2026

Lauren Sanchez, Chair
California Air Resources Board
1001 I Street
Sacramento, CA 95814

**Re: CMTA Feedback on 15-Day Modifications to Proposed Regulations
Implementing SB 253 and SB 261**

Dear Chair Sanchez:

On behalf of the California Manufacturers & Technology Association (CMTA), representing 45,000 manufacturing and technology companies employing more than 1.2 million Californians, we appreciate the opportunity to provide comments on the California Air Resources Board's (CARB) 15-day modifications to the proposed regulations implementing the Climate Corporate Data Accountability Act (SB 253, Wiener) and the Climate-Related Financial Risk Act (SB 261, Wiener).

016.1

CMTA appreciates CARB's consideration of stakeholder feedback and the revisions included in the 15-day package. Several modifications provide important improvements to implementation clarity and administrative feasibility, including the extension of the initial Scope 1 and Scope 2 reporting deadline to November 10, 2026; confirmation that Scope 3 emissions reporting will not be required in 2026; the addition of a transition option for first-year reporting; clarification regarding entity-level applicability; the ability for parent companies to submit consolidated reports and fee payments on behalf of qualifying subsidiaries; and incorporating into regulation that Scope 1 and Scope 2 reporting in 2026 need only meet the requirements of Health and Safety Code sections 38532(c)(2)(A)(i)(I) and 38532(c)(2)(A)(ii) (i.e., conform to the Greenhouse Gas Protocol (GHGP) standards and guidance).

016.2

These revisions represent meaningful progress toward creating a more workable implementation framework. However, additional changes are necessary to ensure the regulations remain consistent with statutory authority, preserve alignment with internationally recognized greenhouse gas accounting standards, avoid unnecessary administrative burdens, and appropriately align compliance obligations with CARB's actual costs of program implementation.

016.3

Preserve Direct Incorporation of the Greenhouse Gas Protocol

CMTA strongly supports CARB's approach in proposed Section 96076(a), which requires 2026 Scope 1 and Scope 2 emissions reporting with the Greenhouse Gas Protocol (GHGP) standards and guidance referenced in the Health and Safety Code.

This approach appropriately implements the statute while providing reporting entities with a clear, internationally recognized methodology for greenhouse gas accounting. Manufacturers have invested substantial resources in developing emissions inventories, governance processes, and reporting systems based on the Greenhouse Gas Protocol. Maintaining this direct alignment promotes consistency, comparability, and efficient implementation while minimizing unnecessary compliance costs.

Commented [MM1]: I think what we're asking them to do is preserve that SB 253/219 implementing regulations only require reporting in conformance with the GHGP standards and guidance, which is consistent with the statutory text and what they've done this first year.

Accordingly, CMTA respectfully requests that CARB:

016.4

- Maintains the direct incorporation of the Greenhouse Gas Protocol for future reporting years and avoid adopting California-specific calculation or reporting requirements that exceed the statutory framework or established GHGP standards.
- Confirm whether the reporting methodology reflected in proposed Section 96076(a) will continue beyond the 2026 reporting cycle or whether CARB anticipates proposing additional reporting requirements.
- Ensure that any future changes to reporting methodologies are adopted only through a formal rulemaking process that includes robust stakeholder engagement and sufficient implementation time for regulated entities.

Providing long-term regulatory certainty will enable companies to make appropriate investments in compliance systems while ensuring reporting remains consistent across reporting years.

First-Year Implementation Flexibility

016.5

CMTA appreciates CARB's decision to codify first-year reporting flexibility by allowing reporting entities to submit available Scope 1 and Scope 2 emissions information collected on or before December 5, 2024, or provide a statement indicating that such information was not available or being collected by that date. Incorporating this transition option into the regulations provides greater certainty than relying solely on enforcement discretion.

016.6

As companies continue to develop internal reporting systems and implement new governance processes, CMTA encourages CARB to provide additional assurance that entities making good-faith efforts to comply with the initial reporting requirements will not be subject to enforcement actions for reasonable implementation challenges encountered during the first reporting cycle. Recognizing the complexity of establishing entirely new reporting systems will support more accurate and consistent reporting while encouraging proactive compliance.

Enforcement Authority

016.7

CMTA appreciates CARB's revision to the enforcement provisions to remove the reference to Health and Safety Code section 38580 and recognizes that CARB has responded to stakeholder concerns regarding the applicability of that provision to SB 253 and SB 261.

016.8 However, additional revisions are necessary to ensure the enforcement provisions remain consistent with the authority provided by the Legislature. Specifically, CMTA is concerned that the proposed regulations continue to include enforcement mechanisms that exceed CARB's statutory authority under SB 253 and SB 261, including provisions authorizing CARB to seek injunctive relief pursuant to Health and Safety Code section 41513 and assess penalties based on each day of an alleged violation.

CMTA respectfully requests that CARB revise the enforcement provisions to remove these additional mechanisms and ensure that any enforcement framework is appropriately grounded in the authority expressly provided under SB 253 and SB 261.

Fee Assessment and Parent-Level Reporting

016.9 CMTA appreciates CARB's proposal allowing parent companies to submit consolidated reports and fee payments on behalf of qualifying subsidiaries. This approach recognizes that consolidated reporting can reduce administrative burdens for both regulated entities and CARB by reducing the number of reports requiring review and the number of payments requiring processing.

016.10 However, CARB's proposed fee structure does not appear to reflect these administrative efficiencies. Assessing separate fees for each covered entity, despite consolidated reporting and payment options, risks requiring companies to pay fees that exceed the costs necessary for CARB to administer the program.

CMTA respectfully requests that CARB revise the fee assessment structure to allow for a consolidated fee for parent-level reporting and align fee assessments with the number of reports CARB expects to review and process. This approach would better ensure that fees remain consistent with the statutory requirement to recover reasonable program implementation costs.

In addition, CMTA requests that CARB provide greater transparency regarding implementation of the fee provisions by publishing:

- clear instructions describing how reporting entities will submit their reports;
- the anticipated methodology for calculating annual fees;
- the expected fee range before reporting entities are required to submit reports;
- how fees will be reconciled if the final number of covered entities differs from CARB's estimates; and
- additional information regarding the written fee determination notice referenced in the proposed regulations.

Providing this information well in advance of the reporting deadline will improve compliance planning and provide regulated entities with greater certainty regarding implementation.

016.12 CMTA appreciates CARB's continued engagement with stakeholders and the improvements reflected in the 15-day modifications. We encourage CARB to continue refining the regulations to provide a clear, practical, and legally sound implementation

framework that faithfully implements SB 253 and SB 261 while preserving alignment with the Greenhouse Gas Protocol, minimizing unnecessary compliance burdens, and ensuring fees and reporting requirements remain proportional to the program established by the Legislature.

Thank you for your consideration of these comments. CMTA looks forward to continuing to work with CARB and stakeholders to support effective implementation of California's climate disclosure requirements. Should you have any questions, please contact eesquivel@cmta.net.

Sincerely,

A handwritten signature in black ink, appearing to be 'E&E'.

Elizabeth Esquivel
Vice President of Government Relations
California Manufacturers and Technology Association



California Council for Environmental and Economic Balance

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August 11, 2026

Rajinder Sahota
Deputy Executive Officer
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Re: California Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure Initial Regulation

Dear Ms. Sahota,

Thank you for the opportunity to provide comments to the California Air Resources Board (CARB) regarding the California Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure 15-day proposed regulation. The California Council for Environmental and Economic Balance (CCEEB) is a coalition of business, labor, and public leaders that works together to advance strategies to achieve a sound economy and a healthy environment. Founded in 1973, CCEEB is a non-profit and non-partisan organization that strives to provide pragmatic pathways - balancing the need to reduce emissions while keeping businesses competitive in California.

- 017.1 The proposed amendments provide additional clarity (notably, making clear that Scope 1 and Scope 2 emissions reporting in 2026 need only meet the requirements of Health and Safety Code section 38532(c)(2)(A)(i)(I) and 38532 (c)(2)(A)(ii)). The proposed amendments also extend the deadline to report Scope 1 and Scope 2 emissions from August 10 until November 10, 2026. CCEEB appreciates that the proposed amendments codify enforcement discretion for 2026. Rather than relying on guidance, the proposed amendments now state that in lieu of the Scope 1 and Scope 2 greenhouse gas emissions data for the prior fiscal year that is required to be
- 017.2 submitted, an entity may submit Scope 1 and Scope 2 emissions from the reporting entity's prior fiscal year from information the entity already possess before December 5, 2024 or a statement from the entity's company letterhead indicating that the entity is not submitting a report because

the entity did not possess Scope 1 or Scope 2 emissions information and was not collecting information before December 5, 2024. CCEEB supports these changes.

Despite these positive changes, CCEEB members have continued to express concerns with other portions of the initial regulation which have yet to be addressed.

017.3 **Calculation of Fees-§ 96073.** CARB’s August 2025 Workshop provided an estimate of the program fees as well as an estimate of the number of covered and reporting entities under SB 253 and SB 261. CARB estimated the number of reporting entities under SB 253 at approximately 2,600, with fees estimated at \$3,100 per entity. For SB 261, CARB estimated that the number of covered reporters at 4,150 with a fee of \$1,400. However, CARB’s November 2025 Workshop indicated that there are major holes in the data, imprecise revenue estimates, and outdated information. These issues create very significant concerns about the accuracy and reasonableness of the fee estimates.

It does not appear that CARB knows the exact universe of reporting entities. In addition, only the initial regulations have been proposed, and these regulations have undergone revision in the 15-day proposed regulation. Without knowing the exact number of reporting entities, the breadth of the regulatory requirements, and associated workload for CARB staff, CARB cannot accurately estimate fees per reporting entity for 2026 reporting. As a result, reporting entities cannot accurately budget for program fees in 2026.

Since CARB is allowing the data from multiple subsidiaries to be consolidated into a single report, CCEEB believes that the fees also be consolidated. In the event that CARB moves forward charging a fee for each subsidiary, despite a consolidated report, CARB should justify the separate and additional fees and explain where the costs have arisen.

In order to comply with Proposition 26, CARB must demonstrate by a preponderance of the evidence that the charge is no more than necessary to cover the reasonable costs of the government activity and bears a reasonable relationship to the payer’s burden or benefits received from the governmental activity. Without this assurance, this fee becomes a tax.

CCEEB reiterates its suggestion that CARB should solely collect data in 2026 on the universe of covered and reporting entities, finalize the universe of regulatory costs, and delay fee collection until 2027. This approach will better ensure that CARB maintains a clear nexus between the costs of administering the program and regulated entities.

017.4 **Applicability-§ 96071.** CCEEB believes that CARB should establish a process to dispute CARB’s determination that an entity is a “reporting entity” or “covered entity” subject to the

requirements and fees of SB 253 and SB 261 prior to the imposition of fees, reporting obligations, or penalties.

017.5 **Payment and Collection-§ 96074.** The initial regulation proposes to require entities to pay the fee within 60 days. Given the magnitude of the fees and the time-consuming exercise for applicability determinations, CCEEB recommends extending the period to pay the fees to 90 days. This is consistent with the amount of time CARB has to make the reporting disclosures available on a digital platform.

017.6 **Fee Enforcement-§ 96075.** CCEEB disagrees that the failure to pay the full amount of and required fee should constitute a single separate violation for each day that the fee has not been paid, given that the harm does not accrue with each passing day. Instead, CCEEB recommends a cap on penalties arising due to the nonpayment of programs fees. The regulatory text should also explicitly incorporate the administrative penalty caps set forth in Health and Safety Code sections 38532 and 38533.

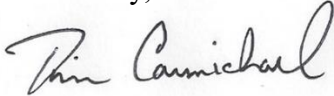
017.7 **Reporting Under Health and Safety Code § 38532-§ 96076.** While CCEEB appreciates the extension from August 10, 2026, to November 10, 2026, for reporting Scope 1 and Scope 2 emissions, CCEEB continues to believe that extending reporting until December 31, 2026, would comply with the statutory requirements in SB 253, provide additional time to gather and verify data, and ultimately produce more accurate data. CCEEB also requests that CARB provide clean instructions on the format in which reporting entities must submit their 2026 Scope 1 and Scope 2 emissions information.

017.9 CCEEB encourages CARB to continue with this proposed approach of directly tying the initial reporting requirements to the applicable provisions of the California Health and Safety Code, rather than developing a separate CARB-specific emissions accounting standard. Requiring the use of the Greenhouse Gas Protocol (GHGP) will promote consistency with global standards, reduce duplicative reporting and administrative burdens, and provide reporting entities with greater certainty regarding the methodologies and data they must use. Developing an independent CARB standard could create long-term misalignment with the GHGP and other widely used reporting frameworks, potentially requiring entities to maintain multiple accounting systems, reconcile inconsistent methodologies, and restate or revalidate previously reported information.

Other Comments- CARB's most recent workshop held on July 21, 2026, focused largely on proposed requirements for greenhouse gas reporting in 2027 and beyond (subsequent rulemaking). Since this information is not a part of the current comment period, CCEEB will submit separate comments specific to the July 21st workshop.

CCEEB appreciates the opportunity for additional comments on the proposed initial regulation. If you have any questions, please feel free to contact Kirstin Kolpitcke, Senior Associate at kirstink@cceeb.org or me at timc@cceeb.org.

Sincerely,

A handwritten signature in black ink that reads "Tim Carmichael". The signature is fluid and cursive, with the first name "Tim" and last name "Carmichael" clearly legible.

Tim Carmichael

President and CEO

California Council for Environmental and Economic Balance (CCEEB)

cc: Sydney Vergis
Assistance Deputy Executive, Industrial Strategies Division



August 11, 2026

Chair Sanchez and Members of the Board
California Air Resources Board (CARB)
1001 I Street,
Sacramento, CA 95814

RE: Using Existing Nitrogen Balance Data for Scope 3 Nitrous Oxide Reporting Under California's SB 253, Corporate Data Accountability Act

Dear California Air Resources Board:

Thank you for the opportunity to provide comments on the implementation of Senate Bill 253 (SB 253), the Climate Corporate Data Accountability Act.¹ On behalf of Natural Resources Defense Council (NRDC), we urge CARB to require agricultural reporting entities to use primary nitrogen data collected through the State Water Resources Control Board's (State Water Board) Irrigated Lands Regulatory Program (ILRP) when reporting their Scope 3 disclosures.²

Incorporating ILRP data into SB 253 implementation would improve the accuracy, consistency, and credibility of agricultural greenhouse gas disclosures while leveraging an existing state dataset. Doing so would advance SB 253's core objective of providing decision-useful emissions data and strengthen California's ability to identify and reduce one of its most significant and under-measured sources of climate pollution, agricultural nitrous oxide (N₂O) emissions.³

CARB Needs Better Nitrogen Data to Meet Its Own Climate Goals

Achieving California's climate goals depends on the quality of data underpinning CARB's emissions inventories and models. In the 2022 Scoping Plan, CARB recognized that reductions in agricultural N₂O emissions are essential to achieving carbon neutrality.⁴ Yet, CARB has also acknowledged significant limitations in the datasets it uses to estimate these emissions, including lack of field-level soil and nitrogen data such as fertilizer applications, crop uptake, and nitrogen management practices.⁵

These limitations create uncertainty in both emissions accounting and policy evaluation. Without accurate nitrogen management data, CARB cannot reliably quantify agricultural N₂O emissions, identify the most significant emissions sources, or assess the effectiveness of climate-smart agricultural practices.⁶ SB 253 presents a unique opportunity to close this gap by integrating primary nitrogen management data that California farmers already report through the ILRP.⁷

ILRP Nitrogen Balance Metrics Offer the Primary Standard CARB Requested

During CARB's July 21, 2026 public workshop, staff explicitly requested stakeholder input regarding the prioritization of primary data and opportunities for better reporting standardization.⁸ NRDC commends and supports CARB's request for prioritizing primary data

and standardizing reporting. The ILRP nitrogen balance framework directly addresses both objectives.

A nitrogen balance metric (Nitrogen Applied - Nitrogen Removed) provides scientifically grounded indicator of nitrogen available for loss to the environment through volatilization, runoff, leaching, and N₂O emissions.⁹ Because this information is already collected under an established regulatory program, it represents a rare opportunity to improve CARB's emissions accounting with existing primary data rather than relying on generalized assumptions or industry-average emissions factors.

Requiring use of ILRP data would also reduce reporting burdens. Farmers already submit nitrogen balance data to the State Water Board, meaning agricultural reporting entities would not need to invest in robust and new data collection efforts.¹⁰ CARB can advance data quality while minimizing compliance costs, an outcome that benefits both regulators and regulated entities.

Primary Data Benefits Both Regulators and Industry

The use of primary data is fundamental to the success of SB 253. As noted in recent literature and summarized in a roadmap co-convened by NRDC, “precision modeling has been shown to reduce N₂O blind spots by up to 73 percent compared with legacy models, turning a hidden liability into a bankable asset.”¹¹ Companies increasingly rely on emissions disclosures to manage supply-chain risk, set climate targets, attract investment, and substantiate environmental claims.¹² These decisions are only as reliable as the underlying data.¹³

Agricultural emissions estimates based on generalized assumptions obscures variations across farms, crops, and management practices. By contrast, primary field-level data enables more accurate emissions quantification, allowing CARB to identify top-emitting supply chains and farms, compare across companies, and evaluate farm-level nitrogen interventions.¹⁴ Incorporating primary data will also help CARB direct its limited public resources to the companies and areas of highest impact, which is especially important given California's ongoing budget constraints.¹⁵ At the same time, CARB would gain access to a richer dataset capable of supporting more sophisticated, predictive modeling.

As summarized in the recent state of the science report, the highest quality MMRV nitrous oxide systems require greater investment, coordination, and data.¹⁶ The recommendations in this comment letter are an important first step toward improving emissions management, understanding nitrogen flows, and supporting the development of future Tier 3 models.

Conclusion

SB 253 presents CARB with an opportunity not only to improve corporate climate disclosure, but also to strengthen California's broader greenhouse gas accounting framework.¹⁷ The agricultural sector remains one of the largest sources of N₂O emissions, yet California already has a valuable source of field-level nitrogen management data through the ILRP.

NRDC respectfully urges CARB to require agricultural reporting entities to incorporate ILRP nitrogen balance data into Scope 3 emissions disclosures. By utilizing existing primary data,

CARB can establish a stronger foundation for SB 253 implementation and ensure corporate disclosures better reflect the realities of California’s agricultural landscape, another one of CARB’s stated goals.¹⁸

Thank you for your consideration of these comments, and please reach out if you have any questions or would like to discuss any of the issues in this letter.

Sincerely,

J.P. Rose
Director, Soil Health
Natural Resources Defense Council

Arohi Sharma
Senior Policy Analyst
Natural Resources Defense Council

Julia Kirkland
Soil Health Fellow
Natural Resources Defense Council

¹ SB-253 Climate Corporate Data Accountability Act. Accessed August 5, 2026.

https://leginfo.ca.gov/faces/billTextClient.xhtml?bill_id=202320240SB253.

² California State Water Resources Control Board. 2023. Order WQ 2023-0081: In the Matter of Review of General Waste Discharge Requirements for Discharges from Irrigated Lands (Order No. R3-2021-0040). Order WQ 2023-0081 (SWRCB/OCC Files A-2751(a)-(B)). California State Water Resources Control Board.

https://www.waterboards.ca.gov/public_notices/petitions/water_quality/docs/2023/wqo2023-0081.pdf.

³ Rose, J. P., Daniel Rath, Arohi Sharma, Maya Korb, and Matt Kaplan. 2026. The Nitrogen Pollution Crisis: Fertilizer Overuse Is Poisoning America’s Water, Air, and Ecosystems. Natural Resources Defense Council.

https://www.nrdc.org/sites/default/files/2026-05/Nitrogen_Pollution_R_26-05-B_04.pdf.

⁴ “2022 Scoping Plan Documents | California Air Resources Board.” n.d. Accessed August 5, 2026. <https://ww2.arb.ca.gov/our-work/programs/ab-32-climate-change-scoping-plan/2022-scoping-plan-documents>; IPCC Global Warming Potential Values. 2024. Version 2.0. Greenhouse Gas Protocol. <https://ghgprotocol.org/sites/default/files/2024-08/Global-Warming-Potential-Values%20%28August%202024%29.pdf>.

⁵ “Current California GHG Emission Inventory Data | California Air Resources Board.” n.d. Accessed August 5, 2026.

<https://ww2.arb.ca.gov/ghg-inventory-data>.

⁶ Rath, Daniel, Rachel Opitz, Matt Kaplan, et al. 2026. Ag Nitrous Oxide MMRV Roadmap 2026.Pdf. May 13.

<https://osf.io/vkepc>.

⁷ “Irrigated Lands Regulatory Program | Central Valley Regional Water Quality Control Board.” n.d. Accessed August 5, 2026.

https://www.waterboards.ca.gov/centralvalley/water_issues/irrigated_land/.

⁸ California Air Resources Board. 2026. “SB 253 Public Workshop: California Corporate Greenhouse Gas Reporting Program.” July 21. https://ww2.arb.ca.gov/sites/default/files/2026-07/SB_253_Presentation_July_2026.pdf.

⁹ Rath, Daniel. 2025. Scientific Literature Review for Questions Posed to the Upcoming Second Statewide Agricultural Expert Panel. With Community Water Center, California Coastkeeper Alliance, California Rural Legal Assistance, Inc., et al. Natural Resources Defense Council (NRDC).

¹⁰ “Total Nitrogen Applied (TNA) Report / Irrigation and Nutrient Management Plan (INMP) Summary Report | Central Coast Regional Water Quality Control Board.” n.d. Accessed August 5, 2026.

https://www.waterboards.ca.gov/rwqcb3/water_issues/programs/ilp/tna_inmp.html.

¹¹ Dhaliwal, Jashanjeet Kaur, Dinesh Panday, G. Philip Robertson, and Debasish Saha. 2025. “Machine Learning Reveals Dynamic Controls of Soil Nitrous Oxide Emissions from Diverse Long-Term Cropping Systems.” *Journal of Environmental Quality* 54 (1): 132–46. <https://doi.org/10.1002/jeq2.20637>; Rath, Daniel, Rachel Opitz, Matt Kaplan, et al. 2026. Ag Nitrous Oxide MMRV Roadmap 2026.Pdf. May 13. <https://osf.io/vkepc>.

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- ¹² Matthews, H. Scott, Chris T. Hendrickson, and Christopher L. Weber. 2008. "The Importance of Carbon Footprint Estimation Boundaries." *Environmental Science & Technology* 42 (16): 5839–42. <https://doi.org/10.1021/es703112w>; "What Is ESG Reporting? A Comprehensive Guide | SAP." n.d. Accessed June 9, 2026. <https://www.sap.com/resources/esg-reporting-guide>.
- ¹³ Jahn, Beate, Sarah Friedrich, Joachim Behnke, et al. 2022. "On the Role of Data, Statistics and Decisions in a Pandemic." *Advances in Statistical Analysis* 106 (3): 349–82. <https://doi.org/10.1007/s10182-022-00439-7>.
- ¹⁴ Nitrogen modeling for soil management: *Journal of Soil and Water Conservation*: Vol 57, No 6. (n.d.). Retrieved July 15, 2026, from https://www.tandfonline.com/doi/abs/10.1080/00224561.2002.12457474?casa_token=7843SVFCLgEAAAAA:cDsB0-qxg0jBV9Xt5vmGydgDepmjrc-usqN3iSV1OyH0XesMe-70dJkekORCsRxMerFOxAA8O9k.
- ¹⁵ World Bank. n.d. "Data-Driven Development." Text/HTML. Accessed August 5, 2026. <https://www.worldbank.org/en/topic/digital/publication/data-driven-development>.
- ¹⁶ Rath, Daniel, Rachel Opitz, Matt Kaplan, et al. 2026. *Ag Nitrous Oxide MMRV Roadmap 2026*. Pdf. May 13. <https://osf.io/vkepc>.
- ¹⁷ World Resources Institute & World Business Council for Sustainable Development. 2011. *Corporate Value Chain (Scope 3) Accounting and Reporting Standard: Supplement to the GHG Protocol Corporate Accounting and Reporting Standard*. Washington, D.C.: WRI/WBCSD, Chapter 7, p. 77. https://ghgprotocol.org/sites/default/files/standards/Corporate-Value-Chain-Accounting-Reporting-Standard_041613_2.pdf
- ¹⁸ California Air Resources Board. 2026. "SB 253 Public Workshop: California Corporate Greenhouse Gas Reporting Program." July 21. https://ww2.arb.ca.gov/sites/default/files/2026-07/SB_253_Presentation_July_2026.pdf; Rath, Daniel, Rachel Opitz, Matt Kaplan, et al. 2026. *Ag Nitrous Oxide MMRV Roadmap 2026*. Pdf. May 13. <https://osf.io/vkepc>; Rath, Daniel. 2025. *Scientific Literature Review for Questions Posed to the Upcoming Second Statewide Agricultural Expert Panel*. With Community Water Center, California Coastkeeper Alliance, California Rural Legal Assistance, Inc., et al. Natural Resources Defense Council (NRDC).



August 11, 2026

Courtney Prideaux Smith

Principal Deputy Executive Officer
Clerks' Office
California Air Resources Board
1001 I Street
Sacramento, CA 95814

RE: Comments in Response to Modified Text – Proposed California Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure Initial Regulation

Dear Ms. Smith:

The American Coatings Association (ACA) submits the following comments to the California Air Resources Board (CARB or Board) regarding the agency's Modified Text – Proposed California Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure Initial Regulation (Proposed Regulation) for the Climate Corporate Data Accountability Act (SB 253) and the Climate-Related Financial Risk Act (SB 261). ACA is a voluntary, nonprofit trade association working to advance the needs of the paint and coatings industry and the professionals who work in it. The organization represents paint and coatings manufacturers, raw materials suppliers, distributors, and technical professionals. ACA serves as an advocate and ally for members on legislative, regulatory, and judicial issues, and provides forums for the advancement and promotion of the industry and coatings science. ACA appreciates the opportunity to comment and looks forward to working with CARB throughout the rulemaking process.

ACA provides the following recommendations to alleviate any undue burden imposed on the paint and coatings industry.

1. Businesses within the paint and coatings industry should be exempt from the reporting requirements of SB 253 and SB 261.

Under section 96071(b) of the Proposed Regulation, CARB has proposed that the following entities be exempt from SB 253's and SB 261's reporting requirements: (1) non-profit or charitable, tax-exempt organizations; (2) businesses subject to regulation by California's Department of Insurance, and insurance businesses in other states; (3) government bodies as well as companies that are majority-owned by government bodies; (4) businesses whose activity in the state of California consists solely of wholesale electricity transactions occurring in interstate commerce; and (5) businesses whose activity in the state of California derives solely from employee compensation or payroll expenses, including teleworking employees.

Businesses in the paint and coatings industry should be exempt from the reporting requirements of SB 253 and SB 261 as they are already subject to a plethora of reporting requirements in air quality and toxics regulations in the state. Regulations governing the industry include statewide requirements under the Board as well as the



019.1

Office of Environmental Health Hazard Assessment, the Department of Toxic Substances Control, and the state's thirty-five local Air Districts (e.g., South Coast Air Quality Management District (SCAQMD), Bay Area Air Quality Management District, etc.). For instance, the Board imposes fees on certain architectural coatings manufacturers and consumer product manufacturers for volatile organic compound emissions in the state of California. Many of the same companies are also subject to fees assessed by the SCAQMD. The Proposed Regulation's reporting requirements and fee assessments will negatively impact the paint and coatings industry by piling on additional reporting obligations and fees to companies operating in California. Accordingly, given CARB's existing oversight of the paint and coatings industry in California, ACA urges the Board to exempt businesses within the paint and coatings industry.

2. The proposed definition for the term 'doing business in California' should clearly indicate that it refers to either the sales of a parent company or a subsidiary company.

019.2

Under section 96072(a)(8) of the Proposed Regulation, CARB has proposed that the term 'doing business in California' refers to entities that meet certain criteria within the state's Revenue and Taxation Code. Section 23101(b)(2) of California's Revenue and Taxation Code provides that an entity does business in the state of California if the taxpayer's sales in the state exceed the lesser of five hundred thousand dollars or twenty-five percent of the taxpayer's total sales. CARB's proposal fails to clarify whether the term 'doing business in California' refers to either the sales of a parent company or a subsidiary company. Without clarification, there is no certainty as to the meaning of this provision and how it applies to specific corporate relationships and structures. Companies in the paint and coatings industry utilize many different corporate structures and application of this provision may determine whether certain entities are covered and must report. Accordingly, ACA urges CARB to clarify its proposed definition of 'doing business in California' so that companies with varying structures understand the scope of the requirements.

3. The proposed definition for the term 'revenue' should clearly indicate that it refers to revenue generated in the state of California.

Under section 96072(a)(13) of the Proposed Regulation, CARB has proposed that the term 'revenue' have the same meaning as the term 'gross receipts.' California's Revenue and Taxation Code defines the term 'gross receipts' as the following:

019.3

[T]he gross amounts realized (the sum of money and the fair market value of other property or services received) on the sale or exchange of property, the performance of services, or the use of property or capital (including rents, royalties, interest, and dividends) in a transaction that produces business income, in which the income, gain, or loss is recognized (or would be recognized if the transaction were in the United States) under the Internal Revenue Code, as applicable for purposes of this part. Amounts realized on the sale or exchange of property shall not be reduced by the cost of goods sold or the basis of property sold.

CARB's proposal unfairly burdens members of the paint and coatings industry by failing to clarify whether the term 'gross receipts' refers to a company's global gross income or state gross income. Without clarification, the term 'gross receipts' refers to a company's global gross income. Companies with over \$1 billion or \$500 million in gross receipts, no matter the actual size of the entity's business activities in California, will be forced to comply with SB 253's and SB

261's reporting requirements and fee assessments. Accordingly, ACA urges CARB to revise its proposed definition for the term 'revenue' and clarify that only entities' state gross income will be considered.

4. CARB's data collection process has not been properly utilized to calculate the proposed fee assessment.

SB 253 and SB 261 authorize CARB to assess an annual fee to reporting and covered entities for the implementation and administration of the Climate Corporate Data Accountability Act and the Climate-Related Financial Risk Act. Under section 96073(c) and (d), CARB has proposed issuing a flat fee per entity, which means that an entity's annual fees under SB 253 and SB 261 will be calculated by dividing the annual program cost by the total number of reporting and covered entities.

019.4

ACA is concerned that CARB's proposed fee assessment will require members of the paint and coatings industry to pay an annual fee that is disproportionate to the company's actual performance in the state of California (e.g., based off the company's GHG emissions, etc.). It does not appear that the Board's standard data collection process is being implemented appropriately in the rulemaking for SB 253 and SB 261. Accordingly, ACA recommends that CARB take the necessary steps to conduct an evaluation or survey of reporting and covered entities' activities in the state of California prior to assessing any annual fee requirements.

5. Extend CARB's proposed reporting deadline under SB 253 to November 10, 2027, at the earliest.

Under section 96076(a) of the Proposed Regulation, CARB has proposed a November 10, 2026 reporting deadline. Given the rulemaking schedule, a November deadline for reporting does not provide enough time for paint and coatings companies to develop the necessary report. The deadline should be extended by a year.

019.5

Looking forward in the rulemaking process, upon Board approval, the Proposed Regulation will be re-sent to the state's Office of Administrative Law (OAL) for review. The OAL will have thirty working days to approve or disapprove the Proposed Regulation. Consequently, the final regulations for SB 253 could come as late as winter 2026. Without any relevant existing guidance or final regulations for SB 253 in place, ACA is concerned that members of the paint and coatings industry will be forced to hastily develop their Scope 1 and Scope 2 GHG emissions report by the November 10, 2026 deadline. Accordingly, ACA urges CARB to extend the proposed reporting deadline under section 96076(a) of the Proposed Regulation to November 10, 2027, at the earliest.

Thank you for your consideration of ACA's comments. Please do not hesitate to contact me should you have any questions and/or require further clarification.

Sincerely,

A handwritten signature in black ink, appearing to read 'Annebelle Klein', with a large, stylized initial 'C' or 'K' at the beginning.

Annebelle Klein

Environmental Policy Counsel, Government Affairs
American Coatings Association
901 New York Ave NW, Ste 300 W
Washington, DC 20001
aklein@paint.org | 202.893.3949



August 11, 2026

Lauren Sanchez, Chair
California Air Resource Board
Sacramento, CA 95814

RE: 15-day – Proposed California Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Discloser Initial Regulation – Waste Sector on Scope 3 Emissions

Dear Chair Sanchez;

020.1

The Climate Corporate Data Accountability Act requires United States (U.S.) based entities with more than \$1 billion in annual revenue that do business in California to annually report all GHG emissions including direct emissions (Scope 1), indirect emissions from consumed energy (Scope 2), and indirect upstream and downstream GHG emissions (Scope 3, starting for reporting year 2027). **Our comments will focus on Scope 3 emissions from the Waste Sector starting in 2027 where the absolute best practice for modeling Scope 3 waste and recycling emissions is to use the EPA GHG Emission Factors Hub for corporate inventory baselines, and where the Waste Sector continues to support the CARB definition of Net-Zero Greenhouse Gas (GHG) definitions.**

The AB 32 Scoping Plan First Update was adopted on May 15, 2014, by the CARB and includes the Net-Zero GHG concept. To achieve Net-Zero, the direct GHG emissions from the Waste Sector would have to be fully offset by avoided GHG emissions. Avoided GHG emissions are reductions in life-cycle GHG emissions that would occur because waste is shifted from landfilling to alternative non-disposal pathways. Based upon available California data, coupled with best practices in GHG modeling, Edgar & Associates estimated that the Waste Sector in 2018 had avoided 3.7 times more GHGs than have been emitted, with about 44 million metric tons of GHG being avoided through recycling, composting and renewable energy. By 2030, following several state mandates such as AB 341, SB 1383, LCFS and RPS, the Waste Sector could be 9.9 times Net-Zero GHG avoiding a total of about 70 million metric tons of GHGs.

Edgar & Associates, Inc. is an environmental engineering company and lobbying firm based in Sacramento specializing in solid waste management, recycling, composting, and renewable energy issues. Edgar & Associates, Inc. acts as technical adviser and consultant to companies involved with all aspects of materials management services including collection, hauling, processing, recycling, composting, and landfilling. Edgar & Associates, Inc., assists in the

deployment of technologies and in obtaining grant funding to commercialize low carbon systems. Since its inception, we have assisted companies and their franchise cities and jurisdictions prepare for greater levels of waste diversion and the lowest carbon footprint possible. Edgar & Associates has prepared verifiable GHG Footprints for over 10 companies representing over 100 calendar years of Scope 1, Scope 2 and Scope 3 emissions, and prepared the Net-Zero GHG Report for the Waste Sector in 2021 using 2018 data.

Waste Sector Net-Zero GHG Report of 2021 using Scope 3 emissions

In pursuit of reducing GHG emissions, businesses and local government leaders must measure their impact on climate change. The GHG footprint of an organization refers to the amount of GHG that is emitted during the creation and delivery of products or services. Measuring the GHG impacts of a company, or even a state, has become increasingly important, as states pave the way to battle climate change through a range of regulatory and policy measures. Specifically, the Waste Sector can use GHG impact assessments to determine their progress toward Net-Zero GHG emissions. The Waste Sector is uniquely positioned to assist in meeting the State's targets in both its direct emissions inventory, and in its ability to avoid GHG emissions through recycling, composting and generation of renewable energy in benefitting every sector of the State's economy.

Net-Zero GHG emissions for the Waste Sector has been defined by CARB, in their 2014 Scoping Plan First Update, and will be utilized herein. To meet Net-Zero GHG, one's avoided GHG emissions must be greater than, or equal to, one's operational GHG emissions. By analyzing the operational versus avoided emissions, it will be possible to demonstrate that the Waste Sector within California has already achieved Net-Zero GHG status in the year 2018, far ahead of the 2030-2035 goal. Based upon available California data, coupled with best practices in GHG modeling, it is estimated that the Waste Sector has avoided 3.7 times more GHGs than have been emitted.

Table 1. Net-Zero GHG 2018 Analysis Summary (Edgar)

Scope	Emission Type	Data Sources	2018 Amount	
Scope 1	Landfill Methane	CARB	8,700,000	MTCO ₂ e
Scope 1	Compost Emissions	CARB	400,000	MTCO ₂ e
Scope 1	Fleet Emissions	CleanFleet.Net/TCR	825,000	MTCO ₂ e
Scope 1	Shipping Emissions	Edgar & Associates, Inc.	1,930,000	MTCO ₂ e
Scope 2	Electrical Emissions	Edgar/TCR	124,000	MTCO ₂ e
Scope 3	Avoided Emissions (Recycling and Composting)	WARM/CalRecycle	43,980,000	MTCO ₂ e
$\frac{\text{Avoided GHG Emissions (Scope 3)}}{\text{Direct GHG Emissions (Scope 1 and 2)}} = \frac{43,980,000}{11,979,000} = 3.7x$				

The 2017 Scoping Plan Second Update defined a technologically feasible and cost-effective path to achieving California's 2030 GHG emissions reduction target of at least 40% below 1990 levels. Those strategies will be referenced herein to project what the Waste Sector could achieve by 2030, utilizing a Net-Zero GHG Analysis, with implementation of the following policies:

- Inclusion of the specific goals for 2030, from 2013 levels, with a 40% reduction in landfill methane by implementing SB 1383 to divert 75% of all organics from landfills by 2025.
- Increase renewable energy to 50% of the State's electricity consumption by 2030 and encourage on-site community scale development of renewable energy projects.
- The Low Carbon Fuel Standard (LCFS) is designed to reduce the carbon intensity of transportation fuels (e.g., diesel and gasoline) by 20% by 2030 while providing a range of low carbon and renewable alternatives, including the development of transportation fuel production at anaerobic digestion facilities to generate carbon negative transportation fuels; and
- Achieve the statewide recycling rate of 75% by 2030, instead of in 2020 where the statewide recycling rate is projected to be just 40%, down from 50% in 2014.

Should California implement the 2030 goals and policies of the 2017 Scoping Plan Second Update, it is estimated that the Waste Sector can avoid 9.9 times more GHGs than would have otherwise been emitted. From 2018 to 2030, the Waste Sector can increase their Net-Zero GHG standing by 267%, as California plans a carbon neutral future in 2045 with the upcoming 2027 Scoping Plan Fourth Update. The Waste Sector is leading the way now and will continue to in the future.

Table 2. Net-Zero GHG 2030 Analysis Summary (Edgar)

Scope	Emission Type	Calculated 2018 Emissions		Projected 2030 Emissions	
Scope 1	Landfill Methane	8,700,000	MTCO ₂ e	3,700,000	MTCO ₂ e
Scope 1	Compost Emissions	400,000	MTCO ₂ e	1,060,000	MTCO ₂ e
Scope 1	Fleet Emissions	825,000	MTCO ₂ e	450,000	MTCO ₂ e
Scope 1	Shipping Emissions	1,930,000	MTCO ₂ e	1,800,000	MTCO ₂ e
Scope 2	Electrical Emissions	124,000	MTCO ₂ e	62,000	MTCO ₂ e
Scope 3	Avoided Emissions (Recycling and Composting)	43,980,000	MTCO ₂ e	69,780,000	MTCO ₂ e
$\frac{\text{Avoided GHG Emissions (Scope 3)}}{\text{Direct GHG Emissions (Scope 1 and 2)}} = \frac{43,980,000}{11,979,000} = 3.7x \quad \frac{69,780,000}{7,072,000} = 9.9x$					

AB 32 Scoping Plan - Avoided Emissions Goals

AB 32 was signed into law in 2006 and is a statewide goal of reducing greenhouse gas emissions to 1990 levels by the year 2020. The AB 32 Scoping Plan, adopted in 2008 by CARB, included mandatory commercial recycling with a target of avoiding 5 MMTCO₂ in 2020. AB 341 (Chesbro, 2011) was adopted into law which requires recycling services be offered for businesses with more than 4 cubic yards of solid waste services per week, and for multi-family residencies with more than 5 units. Recycling reduces the demand for raw or virgin materials, while re-manufacturing with recycled materials generally reduces overall energy use. Recycling also results in increased carbon sequestration by forests since fewer trees need to be harvested for wood and paper products. Additionally, well-managed composting ultimately results in increased soil carbon storage, and end use of compost results in reduced demand for water, fertilizer, and other soil inputs. Organic woody materials that are not used for composting are used in the production of biomass energy, which reduces the demand for fossil fuels.

'Net-Zero' GHG Emissions by Mid-term (2030 to 2035)

The AB 32 Scoping Plan First Update was adopted on May 15, 2014, by the CARB and includes the Net-Zero GHG concept as copied below. Net-Zero has been defined by the CARB as when an organization's avoided indirect emissions offset their operational emissions. By reporting the progression of operational vs avoided emissions, it is possible to demonstrate that the Waste Sector has achieved this goal already. To meet Net-Zero, one's avoided GHG emissions must be greater or equal to one's operational GHG emissions.

Achieving Net-Zero GHG Emissions from the Waste Sector by Mid-term

Beyond 2020, additional reductions in GHG emissions from the Waste Sector will be needed to achieve a Net-Zero GHG emissions goal. To achieve these reductions, even greater diversion of organics and other recyclable commodities from landfills must be realized and further expansion and enhancement of the alternative non-disposal pathways must be developed. In addition, greater emphasis will need to be placed on reducing the volume of waste generated, recycling/reusing products at the end-of-life and remanufacturing these materials into beneficial products. To achieve Net-Zero, the direct GHG emissions from the Waste Sector would have to be fully offset by avoided GHG emissions. Avoided GHG emissions are reductions in life-cycle GHG emissions that would occur because waste is shifted from landfilling to alternative non-disposal pathways.

AB32 Scoping Plan – First Update May 2014

Life-Cycle GHG Emissions Best Practices in Modeling

The absolute best practice for modeling Scope 3 waste and recycling emissions is to **use the EPA GHG Emission Factors Hub for corporate inventory baselines and restrict the EPA WARM Model**

strictly to scenario comparisons and material strategy decisions. For accounting Scope 3 emissions (Waste Generated in Operations), best practice requires using the absolute emissions values from the [EPA GHG Emission Factors Hub](#). Under the GHG Protocol, "avoided emissions" (such as the massive life-cycle benefits of recycling over virgin production modeled by WARM) they must be reported separately. The EPA specifically states that WARM is not designed to provide baseline greenhouse gas inventory data because it uses a streamlined life-cycle assessment approach that incorporates avoided upstream emissions in which CARB defined in their AB 32 Scoping Plan First Update in 2014.

Join CARB's Listening Session 4: Energy, Utilities, Transportation, Logistics & Waste Management

CARB has invited reporting entities, stakeholders and interested parties to participate in virtual listening sessions to provide input to CARB staff on the California on August 26, 2026, in which we plan to attend and discuss this letter. This session invites companies involved in generating electricity, renewable energy, water and gas utilities, transportation, freight, airlines, rail, shipping, and waste management.

Should you have any questions, please contact me at 916-444-5345.

Sincerely,

A handwritten signature in black ink, appearing to read "Evan WR Edgar".

Evan WR Edgar
Regulatory Affairs Engineer

cc; Zoe Heller, CalRecycle

California Chamber of Commerce (Jonathan Kendrick)

Attached please find the California Chamber of Commerce's comments on the July 27, 2026, Notice of Public Availability of Modified Text and 15-Day Proposed Regulation Text.

August 11, 2026

Clerks' Office
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Submitted Electronically to CARB Comment Portal

Re: CalChamber Comments on 15-Day Changes to the Proposed California Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure Initial Regulation

The California Chamber of Commerce (CalChamber)¹ appreciates the opportunity to comment on the California Air Resources Board's (CARB) modifications to the proposed regulations implementing the Climate Corporate Data Accountability Act and the Climate-Related Financial Risk Act (the 15-Day Modifications).

We submit the following comments² to identify areas where further revisions to the proposed regulatory package can reduce compliance burden and provide needed clarity.

I. The 15-Day Modifications Do Not Cure the Rulemaking's Failure to Comply with SRIA Requirements

The regulatory package under the 15-Day Modifications remains procedurally deficient because CARB has not prepared the Standardized Regulatory Impact Assessment (SRIA) required for a "major regulation."³ Under the Administrative Procedure Act (APA), a proposed regulation that will have an economic impact on California businesses and individuals exceeding \$50 million in any 12-month period is a major regulation and requires a SRIA economic analysis to be performed and submitted to the Department of Finance.⁴

In responding to the 45-day comments, CARB asserted that the only non-negligible direct costs imposed by this rulemaking are approximately \$20.8 million in annual program fees. CARB reasoned that the broader costs of complying with SB 253 and SB 261 arise from the statutes themselves or will result from a future rulemaking addressing post-2026 reporting requirements.⁵ The 15-Day Modifications do not revisit that conclusion. Instead, CARB continues to exclude the substantial costs associated with this

¹ CalChamber represents a broad and diverse cross-section of California employers, including manufacturers, retailers, logistics providers, technology companies, energy producers, and service providers, many of whom would be directly affected by the proposed rule package.

² CalChamber is currently a party to a lawsuit filed in federal court challenging the constitutionality of SB 253 and SB 261. As we explain in *Chamber of Commerce of the United States of America et al. v. Randolph*, No. 2:24-cv-00801-ODW-PVC (C.D. Cal.), SB 253 and SB 261 unconstitutionally compel companies to speak on a controversial topic, in clear violation of their First Amendment rights, impermissibly burden interstate commerce, and further violate constitutional and statutory limitations on California's ability to regulate beyond its borders. While these comments do not cure any of the defects at issue in the CalChamber lawsuit, they are provided by the undersigned in the hopes of reducing the burden on reporting entities in the event CARB implements these laws.

³ See attached Exhibit A for our prior comments on the 45-day package.

⁴ See Government Code §§ 11342.548 and 11346.3(c); Cal. Code Regs., tit. 1, § 2000(g).

⁵ See CARB, *Final Statement of Reasons, Appendix A—Summary of Comments and Agency Response*, pp. 160–161; *Initial Statement of Reasons*, pp. 19–20.

rulemaking's determinations regarding applicability, reporting, recordkeeping, and compliance requirements.

That exclusion cannot be reconciled with the substance or economic effect of either the initial regulatory package or the 15-Day Modifications. Under the proposed regulations, CARB is making substantive determinations as to who must comply,⁶ who is exempt from compliance,⁷ how California business activity and revenue must be determined,⁸ which corporate relationships qualify for consolidated reporting and fee payment,⁹ what supporting records must be retained,¹⁰ the timing and calculation of fees,¹¹ and when and in what form the first Scope 1 and Scope 2 reports must be submitted.¹² The 15-Day Modifications reinforce and, in several respects, make more specific these regulatory requirements.

The decisions CARB is making establish the regulated universe and determine the compliance paths affected companies must follow. CARB's threshold determinations as to who must comply and who is exempt go well beyond the statutory language.¹³ Companies will incur costs in determining whether they have obligations as a reporting entity or covered entity under the proposed regulations. Once they are brought into that universe either through their own determination or a CARB fee determination notice, companies must then devote internal and external resources to analyzing applicability across their corporate structure, interpreting California tax and corporate-control standards used in the regulation, developing or modifying emissions-accounting systems, collecting and reconciling data from global operations, retaining supporting records, obtaining legal and professional assistance as needed, and ultimately preparing public disclosures. While SB 253 and SB 261 establish the requirement to disclose, CARB's proposed regulations supply the critical rules that determine which businesses incur these costs and how extensive those costs will be. The proposed regulations therefore do far more than merely establish an administrative mechanism for collecting fees as suggested by CARB. They directly trigger, define, and shape the compliance expenditures companies must make.

These are the types of regulatory implementation choices the SRIA process is designed to evaluate. Government Code section 11346.3 expressly provides that regulatory analyses are intended to inform agencies and the public of the economic consequences of regulatory choices.¹⁴ Department of Finance regulations similarly define "economic impact" to include all direct, indirect, and induced costs imposed on enterprises located in or doing business in California.¹⁵ CARB cannot, and should not, avoid performing that analysis by merely stating that the compliance costs driven by its decision-making are solely attributable to statute.

While the 15-Day Modifications contain some changes that may alter first-year costs for some regulated entities, they do not eliminate those costs. CARB's own prior analysis at public workshops demonstrates that the omitted costs are more than sufficient to trigger the SRIA requirement. CARB previously

⁶ *Notice of Public Availability of Modified Text*, Appendix A-1: 15-Day Proposed Regulation Text (July 27, 2026) (15-Day Proposed Text) at §§ 96071(a) and 96072.

⁷ 15-Day Proposed Text at § 96071(b).

⁸ 15-Day Proposed Text at §§ 96072 (a)(7), (8), and (13).

⁹ 15-Day Proposed Text at §§ 96072(a)(5), (8), (10), (11), (13), and (16); 96074(b); and 96076(a).

¹⁰ 15-Day Proposed Text at § 96074(d).

¹¹ 15-Day Proposed Text at § 96074.

¹² 15-Day Proposed Text at § 96076.

¹³ Contrast Health and Safety Code §§ 38532(b)(2) and 38533(a)(4) with 15-Day Proposed Text at § 96071(b).

¹⁴ Government Code § 11346.3(e).

¹⁵ Cal. Code Regs., tit. 1, § 2000(e), (g).

estimated that more than 2,000 entities would be subject to SB 253.¹⁶ After accounting for CARB's estimated \$20.8 million in annual fees, the \$50 million threshold would be crossed if aggregate non-fee economic impacts exceeded \$29.2 million. Even considering only the approximately 2,000 SB 253 reporting entities estimated by CARB, and disregarding compliance costs incurred by the larger universe of entities subject to SB 261, that would require non-fee costs of less than approximately \$14,600 per SB 253 reporting entity. That amount is less than 18 percent of CARB's own illustrative estimate of \$82,278 in average annual Scope 1 and Scope 2 reporting costs per entity identified by CARB at its March 2026 public workshop.¹⁷ Based on CARB's own numbers, which CalChamber believes significantly underestimate the cost of compliance, the proposed regulatory package will easily exceed the SRIA threshold.

The 15-Day Modifications provide some reporting flexibilities that may impact first-year costs for some entities, but CARB has offered no analysis demonstrating that those changes reduce aggregate economic impacts below the SRIA threshold. Nor do those flexibilities eliminate the costs of determining applicability, evaluating compliance pathways, maintaining supporting records, gathering and reviewing emissions data, and preparing a compliant submission. On this record, CARB's determination that the regulation is not major cannot reasonably rest on the assumption that all non-fee compliance costs are zero.

CARB's planned SRIA for a future climate-disclosure rulemaking does not cure the omission in this regulatory package. The economic impacts imposed or shaped by the regulations currently under consideration must be evaluated as part of this rulemaking. Dividing the development of implementing regulations across successive regulatory packages should not allow CARB to exclude costs imposed by the initial package or defer meaningful economic review until after foundational applicability, recordkeeping, fee, and first-year reporting requirements are already in effect. A later SRIA also cannot retroactively provide the public with an opportunity to evaluate less burdensome alternatives before the present requirements take effect.

CARB should therefore refrain from finalizing or resubmitting the modified regulation until it has completed an APA-compliant SRIA that accounts for the full economic impact of the proposed regulations and evaluates less burdensome alternatives. Proceeding without that analysis denies both the agency and the public a meaningful opportunity to evaluate the regulation's economic consequences. This choice leaves the rulemaking procedurally deficient.

II. The Definition of "Business Entity" Undermines New Concepts for Consolidated Reporting and Payment

We appreciate CARB's efforts in the 15-Day Modifications to clarify the rules for consolidated reporting and fee payments. SB 253 and SB 261 limit the definitions of "reporting entity" and "covered entity" to entities formed under U.S. law.¹⁸ It therefore makes sense for CARB to include that limitation in the corresponding regulatory definitions because those terms determine which entities are directly subject to

¹⁶ See CARB, *SB 253/261/219 Public Workshop: Regulation Development and Additional Guidance*, slide 19 (Aug. 21, 2025).

¹⁷ See California Air Resources Board, *SB 253 Public Workshop: California Corporate Greenhouse Gas Reporting Program*, March 23, 2026, slides 35–36 (estimating an illustrative average annual Scope 1 and Scope 2 reporting cost of \$82,278 per entity), available at <https://ww2.arb.ca.gov/sites/default/files/2026-03/SB%20253%20March%202026%20Workshop%20Slides%20Final.pdf>.

¹⁸ Health & Saf. Code §§ 38532(b)(2), 38533(a)(4); 15-Day Proposed Text at §§ 96072(a)(5), (11).

the laws. The same limitation does not make sense, however, in the broader definition of “business entity,” which CARB also uses to define parent-subsidiary relationships and eligibility for consolidation.

Section 96072(a)(1) defines “business entity” as an entity formed under the laws of a U.S. state, the District of Columbia, or Congress. Sections 96072(a)(10) and (16) then define both “parent company” and “subsidiary” by reference to that term.¹⁹ Read together, these 15-Day Modification provisions mean that a foreign-organized company cannot qualify as a parent company under the regulation. A qualifying U.S. entity it owns therefore may not be treated as its subsidiary for purposes of consolidated reporting or fee payment.

This could create significant problems for multinational companies. A foreign parent may already prepare a global emissions report covering several U.S. subsidiaries. Because the parent is not organized under U.S. law, however, the proposed definitions could prevent those subsidiaries from relying on the consolidated report. The same problem could prevent the foreign parent from making a single consolidated fee payment for its qualifying subsidiaries.

That result is not required by SB 253 or SB 261. The statutes limit which entities are directly subject to their requirements, but they separately allow reports to be consolidated at the parent-company level and do not limit where that parent company may be organized.²⁰ The U.S.-formation requirement should determine whether an entity is itself a reporting or covered entity. It should not determine whether an in-scope entity may satisfy its obligations through a consolidated report prepared by its parent company.

Preventing consolidation by foreign parents would create unnecessary California-specific reporting and administrative burdens. U.S. subsidiaries could be required to separate their information from an existing global report and prepare additional disclosures solely for California. Multinational groups could also be required to make separate fee payments for each qualifying subsidiary.

CARB can address this issue without expanding the universe of entities subject to SB 253 or SB 261 by providing a definition of “business entity” that does not have a U.S.-formation requirement while preserving U.S.-formation requirements for “reporting entities” and “covered entities.”

III. The First-Year SB 253 Reporting Deadline Should Be Extended to December 31, 2026

The original 45-day package’s August 10th initial SB 253 reporting deadline was both unrealistic in terms of regulatory process and created the potential for severe compliance bottlenecks by forcing companies to compete for a limited pool of compliance service providers on a very short time frame.²¹ In our comments on the 45-day package, we recommended that CARB set a December 31, 2026 deadline to help at least mitigate some of those concerns.²² The 15-Day Modifications set a November 10, 2026 reporting deadline.²³

However, because the regulation is not yet final, reporting entities may still have only a few weeks to understand the final requirements and prepare their submissions before the new November 10, 2026, deadline. CARB withdrew the rulemaking package from the Office of Administrative Law on June 23, and the comment period on the 15-Day Modifications does not close until August 11.²⁴ CARB must then

¹⁹ 15-Day Proposed Text at §§ 96072(a)(1), (10), and (16).

²⁰ Health and Safety Code §§ 38532(c)(2)(A)(iii) and 38533(b)(2).

²¹ See *Exhibit A*, pp. 2-3.

²² *Ibid.*

²³ 15-Day Proposed Text at § 96076.

²⁴ See CARB, *Notice of Public Availability of Modified Text*, pp. 1, 5–6 (July 27, 2026).

respond to comments, determine whether further changes are needed, and resubmit the package for review. Reporting entities therefore do not know when the regulation will become effective or how much time they will have between a final regulation and the November 10 reporting deadline.

Once the regulation is final, companies must apply the revised definitions of “doing business in California” and “revenue,” evaluate parent-subsidary relationships and eligibility for consolidated reporting, identify the applicable fiscal year, and select the appropriate first-year reporting option.²⁵ This requires factual determinations, internal review, and approval. Companies relying on existing emissions information must determine what information they possessed or were collecting as of December 5, 2024, and then process that data for reporting. Companies submitting a statement instead must confirm that they qualify for that option. These decisions cannot be made with confidence until the regulation is final.

Extending the deadline to December 31, 2026, would provide at least some relief from this unworkable schedule. Health and Safety Code section 38532 requires reporting to begin in 2026 on a date determined by CARB; it does not require an earlier deadline.²⁶ CARB should therefore replace “November 10, 2026” with “December 31, 2026” in section 96076(a) and (b), while preserving the February 1 cutoff in section 96076(c).

CARB should also make a conforming change to the initial fee-notice date in section 96074(a). The 15-Day Notice explains that CARB moved that date to December 10 to preserve a schedule under which fees are assessed 30 calendar days after the reporting deadline.²⁷ If the reporting deadline is moved to December 31, the initial fee determination notice should correspondingly be issued by January 30, 2027. Otherwise, the fee notice would precede the reporting deadline and disrupt the sequencing CARB relied upon in selecting December 10. This limited first-year extension would give companies a more reasonable opportunity to understand the final regulation and make an appropriate submission without delaying implementation beyond 2026.

IV. CARB Should Retain the 15-Day Modifications Providing First-Year Reporting Flexibility

CARB should retain the 15-Day Modifications confirming that Scope 3 reporting is not required in 2026, authorizing consolidated reporting and fee payments at the parent-company level, and placing the first-year reporting safe harbor directly in the regulation. Together, these changes help reduce some of the initial reporting year burden being placed on reporting and covered entities.

The consolidated reporting provision implements the statutory direction to allow a subsidiary that qualifies as a reporting or covered entity to submit the parent company’s consolidated report.²⁸ This, along with language that allows fee payments to be consolidated at the parent-company level, helps lessen administrative burdens on the regulated community. As discussed in Section II, CARB should revise the definition of “business entity” to ensure that subsidiaries of foreign parents can use these provisions, but it should retain the underlying consolidation framework.

CARB should also retain proposed section 96076(b). That provision allows a reporting entity to submit Scope 1 and Scope 2 information that it possessed or was collecting as of December 5, 2024, or, if it had no such information, to submit a statement explaining that fact.²⁹ Including these options in the

²⁵ See 15-Day Proposed Text at §§ 96072(a)(8), (10), (13), (16), and 96076(a)-(c).

²⁶ Health & Safety Code § 38532(c)(2)(A)(i)(I).

²⁷ See CARB, *Notice of Public Availability of Modified Text*, p. 4 (July 27, 2026).

²⁸ Health & Safety Code §§ 38532(c)(2)(A)(iii) and 38533(b)(2).

²⁹ 15-Day Proposed Text at § 96076(b).

regulation provides greater certainty than relying on enforcement discretion alone. It gives companies a defined regulatory pathway for 2026 and ensures that the first-year options cannot be withdrawn or changed without public notice and rulemaking

V. The Payment Period Should Run from Actual Receipt, Not the Date of the Notice

Under the 15-Day Modifications, Section 96074(c) changes the trigger for the payment deadline from “receipt of the fee determination notice” to the “fee determination notice date.” That change reduces, rather than improves, certainty for the recipient. A notice may be delayed, directed to the wrong corporate address or even the wrong company, or received by personnel who are not responsible for compliance. This is particularly true in the early years of the program when the universe of reporting and covered entities is not yet truly defined. Measuring the period from a date selected by CARB can consume a material portion of the company’s review period before the company has actual notice of the assessment.

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This change is particularly concerning because the regulation still does not provide a clear process to challenge an applicability determination or fee calculation. As explained in our 45-day comments, companies may need time to review revenue calculations, corporate relationships, and the basis for CARB’s assessment.³⁰ Starting the clock before a company receives the notice increases the risk that late fees and penalties will begin while the company is still conducting a good-faith review.

CARB should restore receipt as the event that starts the payment period. It should also extend the period to 120 days and suspend late fees and penalties while a company is pursuing a timely, good-faith question or dispute regarding its status or fee calculation.

VI. Calendar-Day Clarifications Reinforce the Need for a Fairer Process

The 15-Day Modifications specify that the payment period consists of 60 “calendar days” and that each “calendar day” of nonpayment may be treated as a separate violation.³¹ Although CARB describes these changes as clarifications, they resolve any ambiguity in the strictest possible direction. Every weekend and holiday counts toward the payment deadline, and every calendar day after that deadline may create additional penalty exposure.

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The practical consequences are significant. The regulation does not state whether a payment deadline that falls on a weekend or holiday moves to the next business day. It also does not require CARB to provide a past-due notice or an opportunity to cure before penalties begin. A company that discovers a payment problem on a Friday could therefore accumulate several separate violations before the appropriate personnel, banks, or government offices reopen on Monday.

The calendar-day language is particularly concerning because the regulation creates multiple consequences for the same missed payment. Section 96074(c) authorizes a late fee, while section 96075(c) treats each calendar day of nonpayment as a separate violation that may carry an additional penalty. Liability may therefore continue to grow each day even when the missed payment results from a delivery problem, an internal processing delay, or a good-faith dispute over whether the company is covered or the fee was calculated correctly.

The absence of a formal review process makes this structure especially unfair. Determining whether a company is subject to SB 253 or SB 261 may require difficult judgments about California business

³⁰ See Exhibit A, pp. 13-14.

³¹ 15-Day Proposed Text at §§ 96074(b)-(c), 96075(a), (c).

activity, revenue, exemptions, and corporate relationships. The fee may also depend on whether CARB correctly identified the company and its subsidiaries. Yet the regulation provides no clear way to challenge those determinations, obtain a written decision, or pause the payment deadline while CARB reviews a good-faith dispute.³² A company must therefore choose between paying an amount it may not owe and allowing potential penalties to accumulate each calendar day while it seeks clarification.

This highlights how daily penalties are poorly suited to an administrative fee obligation. A late payment is a single administrative lapse; it does not cause new harm each day in the same way that an ongoing emissions violation might. Treating every weekend and holiday as an additional offense can quickly produce liability that bears little relationship to the underlying conduct. Even subject to the statutory annual penalty caps, treating each calendar day as a separate violation can produce liability that bears little relationship to the underlying administrative lapse.

CARB should provide that a payment deadline falling on a weekend or holiday moves to the next business day. It should also establish a time-bound review process, require written notice of nonpayment, and provide a reasonable opportunity to cure before daily penalties begin. These protections are consistent with the statutory penalty framework. Health and Safety Code sections 38532 and 38533 require CARB to consider all relevant circumstances when imposing a penalty, including the entity's past and present compliance and whether and when it took good-faith measures to comply.³³ The modified regulation should codify those mandatory factors and provide that a timely, good-faith challenge suspends the payment deadline and any late fees or penalties until CARB issues a reasoned written response. The entity should then receive a reasonable period to pay any amount determined to be due. If CARB retains daily penalties, they should begin only after that cure period expires.

021.10

VII. Additional Targeted Revisions Are Needed

A. The Recordkeeping Requirement Should Allow Records Other Than California Tax Records

The 15-Day Modifications require each reporting entity and covered entity to retain California tax records demonstrating that it meets the revenue and doing-business thresholds. Those records must be retained for five years and provided to CARB upon request.³⁴ The regulation incorrectly assumes that every entity will have separate California tax records containing the required information.

021.11

That assumption may not always be correct. Members of a corporate group may satisfy their California filing obligations through a combined report, with the relevant records maintained by a parent or another group member rather than by each entity. Partnerships, LLCs, and other business forms may use different tax returns that do not calculate revenue using CARB's corporate gross-receipts definition.

Because CARB substituted "business entity" for "taxpayer" in the doing-business test,³⁵ regulatory coverage is already decoupled from tax-filing status.

A reporting or covered entity may therefore have financial statements, sales records, or other reliable business records demonstrating its revenue and California activity, but no separate California tax document containing that information. The regulation should not require an entity to create tax records

³² See our prior comments on this issue in [Exhibit A](#), p. 11.

³³ Health & Safety Code §§ 38532(f)(2)(A) and 38533(f)(2).

³⁴ 15-Day Proposed Text at § 96074(d); CARB, *Notice of Public Availability of Modified Text*, p. 4 (July 27, 2026).

³⁵ 15-Day Proposed Text at § 96072(a)(8).

that it is not otherwise required to prepare or expose it to a violation because a particular California tax document does not exist.

CARB should eliminate the addition of the phrase “California tax” from section 96074(d) to allow reporting and covered entities to retain and produce any tax, financial, or other business records reasonably sufficient to demonstrate that they meet the applicable revenue and doing-business thresholds. CARB should also clarify that records maintained by a parent company or another affiliate may satisfy the requirement if they are available for the reporting or covered entity. This would give CARB the information needed to verify applicability without imposing a recordkeeping obligation that some entities cannot satisfy.

B. The Intercompany-Transaction Exclusion Should Apply Consistently Across Corporate Structures

The 15-Day Modifications appropriately exclude certain intercompany transactions when determining an entity’s revenue. However, the proposed revisions to section 96072(a)(13) limit that exclusion to transactions between “business entities” in the same California combined reporting group.³⁶ That limitation is too narrow because a California combined reporting group is a tax-defined concept that may not include every affiliated entity under common control or included in the same consolidated financial statements.

021.12 The proposed approach may therefore treat economically similar corporate groups differently based solely on their California tax structure. A U.S. entity may conduct transactions with an affiliate that is included in the same consolidated financial statements but not in the same California combined reporting group. Those transactions are generally eliminated from consolidated financial statements prepared under generally accepted accounting principles or International Financial Reporting Standards because they do not represent revenue earned from outside the corporate group. Under the modified regulation, however, they may be counted toward the U.S. entity’s revenue and could cause it to exceed the applicable reporting threshold.

The U.S.-formation restriction in the definition of “business entity” creates an additional problem. Section 96072(a)(1) limits that term to entities formed under U.S. law, while section 96072(a)(13) excludes only transactions between “business entities.” A transaction involving a foreign-organized affiliate therefore may not qualify for the exclusion, even when the foreign affiliate is included in the same consolidated financial statements or, in some circumstances, the same California combined reporting group. This could artificially increase the revenue attributed to a potential reporting or covered entity merely because another member of its corporate group was formed outside the United States.

CARB should revise section 96072(a)(13) to exclude transactions between entities under common control when those transactions are eliminated from consolidated financial statements prepared under GAAP or IFRS. These changes would prevent internal corporate transactions from distorting the revenue calculation without expanding the universe of entities directly subject to SB 253 or SB 261.

C. CARB Should Conform Reporting with the Greenhouse Gas Protocol and Avoid Developing a California-Specific Standard

021.13 Modifications to Section 96076(a) seek to implement SB 253’s requirement that reporting entities measure and report their Scope 1 and Scope 2 emissions in conformance with the Greenhouse Gas Protocol standards and guidance.³⁷ This addition in the 15-Day Modifications should be retained,

³⁶ 15-Day Proposed Text at § 96072(a)(13).

³⁷ See Health & Saf. Code §§ 38532(c)(2)(A)(ii) and 38532(c)(2)(D)(i); 15-Day Proposed Text at § 96076(a).

particularly in light of concerning trends in pre-rulemaking activities for the next phase of climate disclosure rulemaking.

CARB's recent workshop materials contemplate mandatory reporting templates beginning in 2027 and identify potential requirements outside the scope of Greenhouse Gas Protocol requirements such as the disaggregation of emissions.³⁸ If a template requires calculations, organizational boundaries, or levels of detail beyond what is included in the Greenhouse Gas Protocol, it would effectively create even more of a separate California reporting standard. Companies could be required to recalculate emissions, reconfigure existing systems, maintain parallel reporting processes, and reconcile differences between their California disclosures and reports prepared for other jurisdictions. This would increase costs and regulatory burden on reporting entities.

021.14

CARB should confirm that companies will continue to be able to satisfy the program by reporting in accordance with the Greenhouse Gas Protocol requirements and can submit reports prepared for other jurisdictions that meet the statutory requirements of SB 253 and SB 261. Any future templates should be optional and should avoid imposing additional California-specific requirements, such as requirements to disclose detailed disaggregation of emissions. Any material change in reporting methodology should also be developed through formal rulemaking, with meaningful stakeholder engagement and sufficient time for companies to update their systems.

VIII. Conclusion

Although the 15-Day Modifications address several first-year implementation concerns, significant issues remain. CARB should not finalize the regulation without completing the required SRIA and accounting for the economic impacts created or shaped by this rulemaking.

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CARB should also revise the applicability and intercompany-transaction provisions, extend the initial reporting deadline, preserve alignment with the Greenhouse Gas Protocol, and establish less unfair procedures for fee notices, disputes, late payments, and penalties.

021.16

If you have any questions or would like to discuss the above comments, please feel free to reach out to me at jonathan.kendrick@calchamber.com.

Sincerely,



Jon Kendrick
Policy Advocate
California Chamber of Commerce

JK:nr

³⁸ See CARB, *SB 253 Public Workshop: California Corporate Greenhouse Gas Reporting Program*, slide 13 (Mar. 23, 2026).

EXHIBIT A

CalChamber Comments on the 45-Day Package

[15 Pages Follow]

February 9, 2026

Lauren Sanchez
Chair
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Re: Comments on Proposed California Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure Initial Regulation

Ms. Sanchez:

The California Chamber of Commerce (CalChamber),¹ and the undersigned, appreciate the opportunity to comment on the California Air Resources Board's (CARB) proposed regulations implementing the Climate Corporate Data Accountability Act (SB 253) and the Climate-Related Financial Risk Act (SB 261).

We submit the following comments² to identify areas where revisions to the regulatory package can help to at least reduce compliance burden and provide needed clarity.

I. This Regulatory Package Triggers SRIA Requirements Under the APA

The current regulatory proposal is procedurally deficient because CARB has improperly bypassed the requirement to conduct a Standardized Regulatory Impact Assessment (SRIA). Under the Administrative Procedure Act and Government Code Section 11346.3(c), any "major regulation" must be preceded by a SRIA submitted to the Department of Finance.³ A "major regulation" is defined as having an economic impact on California business enterprises and individuals exceeding \$50 million in any 12-month period.⁴ The ISOR incorrectly characterizes this rulemaking as "not major," claiming the highest annual cost is approximately \$20.8 million.⁵ This figure is fundamentally flawed because it primarily accounts only for the administrative fees expected to be collected under the regulation. **It entirely ignores the substantial and unavoidable direct compliance costs that will be borne by the entities this rulemaking determines must comply with SB 253 and SB 261.**

¹ CalChamber represents a broad and diverse cross-section of California employers, including manufacturers, retailers, logistics providers, technology companies, energy producers, and service providers, many of whom would be directly affected by the proposed rule package.

² CalChamber is currently a party to a lawsuit filed in federal court challenging the constitutionality of SB 253 and SB 261. As we explain in *Chamber of Commerce of the United States of America et al. v. Randolph, No. 2:24-cv-00801- ODW-PVC (C.D. Cal.)*, SB 253 and SB 261 unconstitutionally compel companies to speak on a controversial topic, in clear violation of their First Amendment rights, impermissibly burden interstate commerce, and further violate constitutional and statutory limitations on California's ability to regulate beyond its borders. While these comments do not cure any of the defects at issue in the CalChamber lawsuit, they are provided by the undersigned in the hopes of reducing the burden on reporting entities in the event CARB implements these laws.

³ See Government Code § 11346.3(c).

⁴ See Government Code § 11346.3(c) and Cal. Code Regs. Tit. 1, § 2000.

⁵ Initial Statement of Reasons (ISOR) at pp. 19-20.

As the ISOR repeatedly notes, defining terms such as “doing business in California,” “revenue,” “parent,” and “subsidiary” establishes the universe of who must comply with SB 253 and SB 261 and who is excluded.⁶ Such determinations control the scale and economic impact of these disclosure programs.

The economic reality of the proposed regulation far exceeds the \$50 million threshold of a “major regulation.” CARB has acknowledged that thousands of entities will be subject to SB 253 and SB 261.⁷ For individual entities, these costs are expected to reach hundreds of thousands of dollars per year.⁸ Across the thousands of reporting and covered entities, the cumulative impact of data collection, internal hiring and systems upgrades, external consultants and legal review, and the procurement of third-party assurance will reach hundreds of millions of dollars annually. By failing to quantify these direct costs to the California economy, CARB has not performed the rigorous macroeconomic analysis required by law, including the impact on job creation, business elimination, and the state’s overall competitive disadvantage.

It is therefore concerning that CARB has advanced this rulemaking without preparation of a SRIA. As the Legislative Analyst’s Office and Cal/OSHA have both observed, the SRIA process improves the quality of regulatory analysis and helps surface implementation challenges early.⁹ Given the significant economic impacts associated with the proposal, this rule should not be finalized without a SRIA.

To remedy this procedural error, CARB should suspend the current rulemaking and conduct a formal SRIA, as mandated by Government Code Section 11346.3, that reflects the actual compliance burden and economic impact of the proposed rulemaking and evaluates cost-effective alternatives. Proceeding without this data denies the public and the regulated community a meaningful opportunity to comment on the true economic consequences of the proposal and leaves the regulation vulnerable to challenge.

II. Need for SB 253 Reporting Flexibility and Recognition of Increasing Data Complexity

The proposed regulation establishes an initial August 10th reporting deadline for all reporting entities to submit the emissions data required under SB 253. CARB proposed this deadline for consistency with the verification deadline under CARB’s Mandatory Reporting Regulation (MRR).¹⁰ The ISOR justifies the August 10th deadline by claiming that aligning with the MRR will streamline greenhouse gas reporting for

⁶ See, e.g., ISOR at p. 5 (“This section’s purpose is to define the scope of applicability for the Proposed Regulation by identifying which business entities are subject to the regulation and to establish which entities are exempted, even if they may otherwise meet the applicability criteria”); See also, ISOR at p. 7 (“Health and Safety Code sections 38532 and 38533 do not provide a definition for ‘doing business in California’, which is needed to establish which entities are subject to the fee”), ISOR at p. 8 (“Health and Safety Code sections 38532 and 38533 do not provide a definition for ‘revenue’, which is also needed to establish which entities are subject to this fee regulation”), ISOR at p. 9 (“A clear definition of ‘doing business in California’ is necessary to determine which entities fall within the scope of the fee regulation authorized by Health and Safety Code sections 38532 and 38533”), and ISOR at p. 11 (“The inclusion of the terms ‘Parent’ and ‘Subsidiary’ is necessary to establish the scope of corporate relationships relevant to reporting obligations under the regulation and ensures consistent identification of entities within corporate structures.”)

⁷ See, e.g., “SB 253/261/219 Public Workshop: Regulation Development and Additional Guidance,” August 21, 2025, at slide 19 (providing initial estimates of over 4,000 covered entities under SB 261 and over 2,000 covered entities under SB 253).

⁸ See, e.g., SEC File No S7-10-22, “The Enhancement and Standardization of Climate-Related Disclosures for Investors” (estimating ranges of hundreds of thousands of dollars of compliance costs for each reporting entity for a rule that did not even include the notoriously difficult reporting required for Scope 3).

⁹ See Legislative Analyst’s Office, “Improving California’s Regulatory Analysis,” at p. 12 (February 3, 2017) and Cal/OSHA “Initial Statement of Reasons, Public Hearing,” at p. 56 (September 15, 2016).

¹⁰ ISOR, at p. 15.

entities that must comply with both.¹¹ However, the deadline provides very little in the way of streamlining. SB 253 requires reporting for the **prior fiscal year** of entity-level global emissions. In contrast, MRR requires reporting for the **prior calendar year** and is focused on facility-specific emissions, emissions associated with imported electricity, and emissions associated with the combustion of fuels sold in California. SB 253 and MRR collect very different data sets measured over different periods of time.

Alignment in name only does not constitute streamlining and the effect of an August 10th reporting deadline creates an artificial compliance bottleneck. Forcing thousands of companies to compete for the currently limited pool of compliance service providers simultaneously will lead to severe capacity constraints and inflated costs without improving data quality. **CARB should give the maximum amount of time in the calendar year for entities to perform their 2026 reporting by setting an initial reporting deadline of December 31, 2026, while preserving the February 1st cutoff date proposed in the regulatory package for determining which fiscal year to apply.**

After 2026, an August 10th reporting deadline will become a greater problem as assurance requirements transition from "limited" to "reasonable" assurance, a much more rigorous and time-consuming process. Furthermore, the technical and administrative burden of these disclosures is expected to grow as reporting and assurance standards evolve. Revisions to the GHG Protocol's treatment of Scope 2 emissions reporting are currently under consideration and may make Scope 2 reporting increasingly complex. This burden will be compounded significantly when Scope 3 reporting requirements join the mandate. Scope 3 disclosure requires the collection and verification of data from an entity's entire upstream and downstream value chain which is information often outside the reporting entity's direct control and notoriously difficult to quantify. As these even more complex reporting layers are phased in, the time required to gather, verify, and assure this data will necessarily increase. In future years, a rigid August deadline fails to account for the prolonged data-collection cycles required for these expansive indirect emission reporting requirements.

We recommend that CARB adopt one of the following two alternative reporting structures after 2026:

Alternative 1: Rolling Deadline Based on Fiscal Year End

Under this approach, CARB adopts a "rolling" submission schedule where reports are due exactly twelve months following the close of an entity's individual fiscal year. This model provides the greatest degree of equity, ensuring that every reporting entity has an identical window of time to finalize and assure its data regardless of its accounting cycle. This "rolling" approach would distribute the demand for specialized technical and assurance services throughout the calendar year, lowering costs and ensuring that each report reflects the most recent and accurate data available for that specific enterprise. Given the impending complexity of Scope 2 updates and the addition of Scope 3, providing deadline flexibility is essential.

Alternative 2: Unified December 31 Deadline with Fiscal Year Cutoff

This approach preserves the existing framework in Section 96076(b), which uses a February 1st cutoff to determine the applicable reporting year, but replaces the August 10th submission date with a uniform December 31st deadline. Under this method, companies with fiscal years ending on or before February 1st would report data from that most recently completed fiscal year, while those ending after February 1st would report from the fiscal year ending in the prior calendar year. Using a December 31st deadline is more consistent with how emissions data are typically reviewed and assured in practice and gives reporting entities more time to report as the requirements become more onerous. Increasing the time period between the February 1st cutoff and the reporting deadline also helps space out demand for technical and assurance services.

¹¹ *Ibid.*

III. The Proposed Fee Structure Exceeds CARB's Statutory Authority Under Health and Safety Code Sections 38532 and 38533 and Raises Serious Constitutional Concerns

The methodology for calculating and assessing implementation fees in Subarticle 2 of the proposed regulations raises substantial legal concerns. As designed, the fee framework exceeds CARB's fee authority under Health and Safety Code sections 38532 and 38533 and exhibits the characteristics of an unauthorized tax under Article XIII A of the California Constitution and a compelled subsidy of government advocacy and restraint on petition, in violation of the First Amendment to the United States Constitution.

A. Inclusion of Legal Defense Costs Exceeds CARB's Fee Authority Under Health and Safety Code Sections 38532 and 38533

Health and Safety Code sections 38532 and 38533 authorize CARB to assess fees solely for the purpose of recovering the reasonable costs of implementing and administering the statutory greenhouse gas reporting and disclosure programs. Nothing in these provisions authorizes CARB to recover the costs of defending regulations against judicial challenge.

The statutory scheme is narrowly focused on program implementation, such as establishing reporting requirements, collecting and reviewing disclosures, and administering compliance mechanisms. By contrast, defending the validity of a regulation in court is a general governmental function that serves the interests of the State as sovereign, not a cost of administering a reporting program attributable to regulated entities.

By defining "Required Revenue" to include the "legal defense of this article," CARB exceeds the fee authority delegated to it by the Legislature. Agencies may not expand their fee authority by regulation beyond the limits established in statute.¹² Where a statute authorizes fees to recover implementation and administration costs, the agency may not use that authority to shift unrelated governmental expenses, such as litigation defense, onto regulated parties.¹³

B. The Fee Structure Also Likely Constitutes an Unauthorized Tax Under Proposition 26

The proposed implementation fee exceeds the constitutional limits on regulatory fees and likely constitutes an unauthorized tax under Article XIII A, section 3(b) of the California Constitution, as amended by Proposition 26.

1. Proposition 26 Presumes State-Imposed Charges Are Taxes Unless a Narrow Exception Is Satisfied

Proposition 26 establishes a broad constitutional presumption: ***any levy, charge, or exaction imposed by the State is a "tax" unless the government affirmatively demonstrates that the charge falls within a narrow exception.*** One such exception allows charges imposed solely to recover the reasonable costs of regulation, including costs incident to issuing permits, conducting inspections and audits, and administrative enforcement and adjudication.¹⁴ An agency has the burden of demonstrating that the costs are administrative in nature and the charge recovers no more than the reasonable costs of regulatory activity.¹⁵ Failure to meet this condition means a charge is a tax regardless of how an agency labels it.

¹² See Government Code Sections 11342.1 and 11342.2.

¹³ See, e.g., *Sinclair Paint Co. v. State Bd. of Equalization* (1997) (*Sinclair Paint*), 15 Cal.4th 866, 875–876.

¹⁴ Cal. Const., art. XIII A, § 3(b)(3).

¹⁵ Cal. Const., art. XIII A, § 3(d).

The proposed regulation defines “Required Revenue” to include the “legal defense of this article.” Legal defense of a regulation is not an administrative regulatory activity; it is adversarial litigation undertaken on behalf of the State as sovereign. Proposition 26’s exception for administrative adjudication does not extend to defending regulations in court.

California courts have held that a regulatory fee is valid only if it is imposed to mitigate or defray the costs of the regulatory program itself, not to fund general governmental functions.¹⁶ Defending the legality of a regulation is a general governmental responsibility that benefits the State broadly and cannot be attributed to the specific costs of administering the regulatory program itself. By incorporating litigation defense of the regulatory package into the fee base, the proposed regulation severs the required reasonable nexus between the charge and permissible regulatory costs, effectively rendering the charge a tax.

2. The Fee Is Not “No More Than Necessary” to Cover Regulatory Costs

Even apart from litigation defense, the structure of the fee fails Proposition 26’s requirement that charges be no more than necessary to recover reasonable regulatory costs.¹⁷

First, the regulation imposes a mandatory 10 percent contingency adjustment to Total Required Revenue to account for speculative “unforeseen costs.”¹⁸ This preemptive surcharge is not tied to documented expenses and is imposed regardless of whether such costs materialize and effectively builds a surplus into the fee structure. “Fee” structures that include speculative buffers or built-in surpluses untethered to actual costs run the risk of becoming a tax.¹⁹

Second, Section 96073(b) requires that any excess revenue be rolled forward indefinitely, with no mechanism for refunding overcollections to the entities that paid them. Sustained overcollection without refunds is a hallmark of a tax, not a fee. Where revenues materially exceed actual regulatory costs, the charge loses its “fee” character.²⁰

Together, the contingency surcharge and mandatory roll-over are likely to ensure that the program will routinely collect more than its actual costs and retain those funds permanently. That outcome is incompatible with Proposition 26’s requirement that regulatory fees be limited to actual and reasonable costs.

Because the proposed charge exceeds the regulatory-cost exception, it is a tax under Article XIII A. CARB, as an administrative agency, lacks authority to impose a tax by regulation. Taxes may be imposed only by the Legislature (or the electorate), subject to constitutional voting requirements.²¹ An agency cannot cure this defect by characterizing a tax as a “fee.” Nor can the agency rely on its general regulatory authority to expand fee recovery beyond what the Constitution and enabling statutes permit. Where a charge functions as a tax, it is invalid regardless of policy justification.

¹⁶ See, e.g., *Sinclair Paint*, 15 Cal.4th at 874–878.

¹⁷ Cal. Const., art. XIII A, § 3(d).

¹⁸ ISOR, at p. 12.

¹⁹ *California Farm Bureau Fed’n v. State Water Resources Control Bd.* (2011) 51 Cal.4th 421, 441; See also *Sinclair Paint*, 15 Cal. 4th at 878.

²⁰ *Ibid.*

²¹ Cal. Const., art. XIII A, § 3(a); *Sinclair Paint*, 15 Cal. 4th at 872-873;

C. Compelled Funding of the State's Legal Defense of this Regulation Raises First Amendment Concerns

1. Compelled Subsidization of Government Advocacy

In addition to exceeding CARB's statutory fee authority and the constitutional limits on regulatory fees, the requirement that regulated entities fund the State's legal defense of this regulation raises serious and independent concerns under the First Amendment to the United States Constitution.

The First Amendment protects not only the right to speak, but also the right to refrain from speaking and from being compelled to subsidize speech with which one disagrees.²² The Supreme Court has repeatedly held that compelled financial support for expressive activity, particularly advocacy on contested legal or policy issues, implicates core First Amendment interests.²³

Defending a regulation in court is inherently expressive and adversarial. It involves advancing legal and policy arguments intended to persuade a judicial audience regarding the legality and constitutionality of the State's regulatory choices. When the State requires regulated entities to finance that advocacy through mandatory fees, it compels those entities to subsidize speech that may directly conflict with their own views, interests, and legal positions. This concern is particularly acute where the regulated entities funding the State's legal defense may themselves be challenging the regulation or supporting challenges brought by others. In such circumstances, entities are forced to bankroll arguments deployed against their own claims in court.

2. Burden on the Right to Petition

The First Amendment separately protects the right "to petition the Government for a redress of grievances," including through access to the courts. Government actions that impose financial burdens on the exercise of this right are subject to heightened constitutional scrutiny.²⁴

The statutory overreach of the fee structure is compounded by serious First Amendment concerns. By requiring covered and reporting entities to fund the State's legal defense of this regulation, CARB compels regulated parties to subsidize governmental advocacy in proceedings where those same parties may be exercising their constitutional right to petition the courts for redress of grievances.

By embedding judicial defense costs of the regulation into the fee base, the proposed regulation effectively inhibits regulated entities from seeking judicial review. Regulated entities must challenge the regulation knowing that they are simultaneously funding the State's efforts to defeat those challenges. This structure creates a built-in disincentive to petition the courts and risks chilling meritorious claims. Courts have repeatedly held that government actions that penalize, retaliate against, or impose unjustified burdens on the exercise of the right to petition, whether directly or indirectly, raise serious First Amendment concerns and are subject to heightened constitutional scrutiny.²⁵

²² See *Janus v. AFSCME* (2018) 585 U.S. 878, 892; see also *Knox v. SEIU* (2012) 567 U.S. 298, 309.

²³ *United States v. United Foods, Inc.* (2001) 533 U.S. 405, 410–414.

²⁴ See *BE&K Construction Co. v. NLRB* (2002) 536 U.S. 516, 524–525; *California Motor Transport Co. v. Trucking Unlimited* (1972) 404 U.S. 508, 510–511.

²⁵ *California Motor Transport Co. v. Trucking Unlimited* (1972) 404 U.S. 508, 510–511; *BE & K Construction Co. v. NLRB* (2002) 536 U.S. 516, 524–526, 530.

3. Lack of Germaneness to Permissible Regulatory Purposes

Even in contexts where compelled fees are permitted, the Supreme Court has required that funded activities be *germane* to the regulatory purpose that justifies the fee.²⁶

Administrative implementation, compliance review, and agency-level enforcement may satisfy that germaneness requirement. Judicial defense of the regulation itself does not. Litigation defending the validity of a regulation does not advance day-to-day program administration. Instead, it serves the State's institutional interest in preserving its regulatory authority. That interest, however, should not be financed through compelled contributions from regulated entities who may oppose the regulation or seek judicial review of its legality.

Taken together, the fee structure risks creating a systemic chilling effect on judicial review. Judicial challenges play a critical role in testing the legality and constitutionality of administrative regulations. A regulatory scheme that requires challengers to fund the government's defense undermines that role and threatens to insulate agency action from meaningful scrutiny.²⁷ The words "including legal defense of this article" should be stricken from the proposed regulation.

D. The Fee Structure Creates a Substantial Risk of Overcollection

The proposed fee framework also includes an automatic annual adjustment tied to the Consumer Price Index (CPI). That inflation indexing, layered on top of a ten percent contingency adjustment, operates independently of actual program costs and therefore risks systematic overcollection in violation of both statutory fee authority and the constitutional limits on regulatory fees.

Regulatory fees must be calibrated to the agency's reasonable administrative costs. CARB's implementation costs for SB 253 and SB 261 are likely to be disproportionately high in the initial years as internal systems are developed, but those costs do not inherently track CPI over time. As systems mature and processes are standardized, many costs may remain flat or decline. An automatic CPI escalator applied to a prior year's revenue estimate, without reconciliation to actual cost experience, introduces a built-in upward ratchet disconnected from CARB's real expenditures.

That risk is magnified because CPI indexing is not the only upward pressure in the fee formula. When layered on top of mandatory contingency adjustments and a roll-forward mechanism that permanently retains excess revenue, the CPI adjustment functions as an automatic revenue escalator rather than a cost-recovery tool. The absence of any mandatory true-up or refund mechanism exacerbates this ratchet effect, effectively ensuring that overcollections are retained rather than corrected.

Article XIII A of the California Constitution, as amended by Proposition 26, requires that regulatory fees be no more than necessary to cover reasonable costs. An automatic CPI adjustment that is not reconciled to actual expenditures fails that standard. As the nexus between the charged fee and the agency's real regulatory costs erodes over time, the charge ceases to function as a lawful cost-recovery fee and instead takes on the characteristics of a revenue-raising tax.

The constitutional defect created by CPI indexing in this context is compounded by the absence of any mechanism to return excess collections to fee payors. Even where CPI-based increases result in revenues that materially exceed actual costs, the regulation provides no way to reconcile those overcollections. Instead, surplus funds are retained and carried forward, placing the entire risk of

²⁶ See *Keller v. State Bar of California* (1990) 496 U.S. 1, 13–14.

²⁷ See *City of Lakewood v. Plain Dealer Publishing Co.* (1988) 486 U.S. 750, 757–758 (laws that chill First Amendment activity are constitutionally suspect even absent proof of actual suppression).

forecasting errors on regulated entities, contrary to the settled principle that regulatory fees must reflect costs actually incurred by the agency.

To at least partially address the many statutory and constitutional requirements, CARB should:

- Limit any CPI adjustments to situations where CARB can demonstrate corresponding increases in actual program costs, rather than applying a generalized inflation index disconnected from the agency's actual reasonable costs;
- Pair any inflation adjustment with a mandatory reconciliation to actual expenditures, to ensure that fee levels remain calibrated to reasonable regulatory costs; and
- Provide for pro-rata refunds or credits where collections exceed costs, consistent with the requirement that fees recover no more than the reasonable costs of regulation.

As drafted, the CPI adjustment mechanism contributes to a fee structure that is not reliably tied to actual and reasonable regulatory costs and therefore further supports the conclusion that the proposed charge is likely to function as an unauthorized tax rather than a lawful regulatory fee.

IV. The Enforcement and Penalty Provisions Are Inconsistent With the Disclosure-Based Nature of SB 253 and SB 261

The proposed enforcement and penalty framework raises serious concerns regarding proportionality, due process, and consistency with CARB's delegated authority. As drafted, the provisions expose regulated entities to excessive and unpredictable liability for technical or administrative violations, even in the absence of harm, intent, or repeated noncompliance. These defects undermine fairness and unnecessarily increase compliance burden for reporting structures that even state agencies have struggled to implement.²⁸

A. Compounding Daily Penalties Are Disproportionate to the Underlying Violations

The regulation provides that "each day during any portion of which a violation occurs is a separate offense," including for payment and reporting violations. Applied to fee payment obligations, this structure means that a single missed or disputed payment can result in daily, compounding penalties until the issue is resolved.

This approach is disproportionate to the nature of the underlying conduct. Late payment or administrative error do not cause incremental harm on a day-by-day basis. Treating each day of nonpayment as a separate violation converts a single administrative lapse into potentially massive liability that bears no reasonable relationship to the severity of the violation.

Administrative penalties must be reasonably related to the gravity of the offense, the regulated entity's culpability, and the harm addressed.²⁹ A penalty scheme that allows liability to grow exponentially based

²⁸ Even an agency as well-resourced as the California State Teachers' Retirement System (CalSTRS) has warned that its past efforts at reporting Scope 3 emissions were inaccurate after it discovered a colossal climate data error. If even CalSTRS struggles with Scope 3, we must expect covered entities to struggle as well. See, e.g., Politico, "Why CalSTRS can't count", May 7, 2024, available at <https://www.politico.com/newsletters/the-long-game/2024/05/07/theres-a-climate-accounting-problem-00156501>).

²⁹ See, e.g., *United States v. Bajakajian* (1998) 524 U.S. 321, 334 ("The touchstone of the constitutional inquiry under the Excessive Fines Clause is the principle of proportionality: The amount of the forfeiture must bear some relationship to the gravity of the offense that it is designed to punish.")

solely on the passage of time, without regard to intent, materiality, or actual harm, raises serious concerns under principles of proportionality and due process.

B. Penalties Are Not Meaningfully Tied to Intent, Materiality, or Good-Faith Compliance

The proposed enforcement provisions do not meaningfully distinguish between willful misconduct and good-faith error, material violations and minor technical deficiencies, or first-time and repeat violations.

Absent clear mitigation standards, regulated entities face the same penalty exposure whether a violation results from intentional noncompliance or from reasonable disagreement, evolving guidance, or administrative oversight. This lack of differentiation discourages cooperative engagement with CARB, particularly during the early years of a complex, first-of-its-kind reporting regime. CARB's focus should be on helping entities come into compliance. Effective enforcement frameworks typically incorporate graduated penalties, safe harbors, cure periods, and explicit mitigation factors. The absence of these features here increases the risk of arbitrary outcomes and inconsistent enforcement.

C. Broad Discretion Without Clear Standards Raises Due Process Concerns

Several enforcement provisions vest broad discretion in CARB, including authority to determine when violations occur, assess daily penalties, impose late fees "sufficient" to cover additional costs, and determine whether and how penalties are mitigated.

While agencies necessarily exercise discretion in enforcement, due process requires that regulated entities have clear notice of the conduct that triggers penalties and the magnitude of potential liability. Open-ended standards and undefined penalty ranges prevent businesses from assessing compliance risk and create the appearance, and risk, of arbitrary enforcement.

Clear standards are especially important where penalties can accumulate rapidly and where the underlying obligations involve complex reporting judgments rather than bright-line conduct.

D. Enforcement Provisions Are Inconsistent With the Nature of the Program

SB 253 and SB 261 establish a corporate disclosure regime, not an emissions control or environmental harm program. The Legislature recognized this distinction and therefore expressly excluded Health and Safety Code section 38580, CARB's general administrative penalty provision for AB 32, from applying to these statutes.³⁰ That exclusion reflects a deliberate legislative judgment that traditional environmental penalty structures are ill-suited to the nature of the obligations created by SB 253 and SB 261.

Notwithstanding this clear statutory direction, the proposed regulations adopt an enforcement framework that mirrors the penalty regimes used for environmental harm and emissions violations. Concepts such as treating "each day" of noncompliance as a separate violation, allowing penalties to accrue continuously over time, and imposing escalating liabilities untethered to materiality or harm are hallmarks of statutes designed to deter ongoing pollution or physical environmental impacts. In those contexts, daily penalties serve a clear purpose: they reflect the fact that each day of excess emissions causes incremental environmental harm.

By contrast, the obligations imposed by SB 253 and SB 261 involve the preparation and submission of disclosures. A failure to disclose information on a given date does not create new or compounding environmental harm with each passing day. Applying a per-day, compounding penalty structure to disclosure violations therefore bears no reasonable relationship to the nature of the underlying conduct. Instead, it transforms a technical or administrative lapse into an open-ended liability exposure that

³⁰ Health and Safety Code §§ 38532(f) and 38533(f).

escalates solely by operation of time. The Legislature's decision to make section 38580 inapplicable to SB 253 and SB 261 reflects an understanding that disclosure violations should be addressed through measured, compliance-oriented remedies rather than punitive, harm-based penalties. CARB should not override that legislative judgment by importing environmental enforcement concepts through regulation.

The proposed regulatory package, however, expressly relies upon Section 38580 for the assessment of penalties.³¹ Where the Legislature has affirmatively excluded a penalty statute, CARB has no discretion to revive that authority through regulatory cross-references or generalized enforcement language. The proposed enforcement framework therefore exceeds CARB's delegated authority and is inconsistent with the express terms and structure of SB 253 and SB 261. The proposed penalty regime materially alters the balance struck by the Legislature by treating failures to disclose as if they were ongoing emissions violations. The proposed regulation should be revised to align penalties with the nature of the obligations imposed rather than relying on enforcement tools designed for environmental harm and expressly excluded by the Legislature.

We recommend that CARB revise the enforcement and penalty provisions to:

- Establish explicit cure periods for first-time or non-material violations;
- Incorporate mitigation factors that account for good-faith efforts, reliance on guidance, and prompt corrective action;
- Define clear limits or ranges for late fees and penalties to reduce uncertainty; and
- Align enforcement severity with actual harm, intent, and materiality.

These changes would reduce the risk of unintended or inequitable consequences.

V. The Proposed Auditing Provision Exceeds CARB's Statutory Authority and Raises Confidentiality and Due Process Concerns

The proposed auditing provision authorizes CARB's Executive Officer to contract with or consult outside entities, including the Franchise Tax Board (FTB) and the California Department of Tax and Fee Administration (formerly the Board of Equalization), to obtain data or services needed to audit fee remittances or unpaid fees, and to fund those auditing activities using fee revenues. As drafted, this provision exceeds CARB's delegated authority and lacks the necessary statutory and procedural guardrails.

First, while CARB may verify whether required fees have been accurately calculated and remitted, neither SB 253 nor SB 261 authorizes CARB to obtain or use confidential taxpayer information held by the Franchise Tax Board or the California Department of Tax and Fee Administration. Disclosure and use of tax return information are governed by strict confidentiality provisions in the Revenue and Taxation Code,³² which permit interagency sharing only where the Legislature has expressly authorized it.³³ Nothing in SB 253 or SB 261 provides such authorization. An administrative regulation cannot create access to confidential tax data where the Legislature has not done so.

³¹ See § 96075(a) of the proposed regulation.

³² See Rev. & Tax Code § 19542.

³³ In California, when the Legislature wants one agency to have access to another agency's tax data, it writes a specific "interagency sharing" provision (See Rev. & Tax. Code §§ 19551 – 19570). Here the statutes authorized CARB to collect "fees" and "reports," but they are silent on tax records. It is unclear what statutory authority exists, for CARB to collect tax records.

Second, the proposed language is overbroad in scope. It does not limit auditing activities to information reasonably necessary to verify fee applicability or fee amounts, nor does it define the permissible data sources, audit methods, or boundaries of inquiry. Absent clear limits, the provision could be read to authorize expansive financial audits or inquiries into unrelated business operations, which would exceed the narrow purpose of fee verification and raise due process concerns. Regulatory audits must be no more intrusive than necessary to administer the authorized program, and regulated entities are entitled to clear notice of the scope and basis of any audit.

For these reasons, the auditing provision should be revised to: (1) expressly limit audits to verification of fee remittances using information lawfully provided by the fee payer or otherwise publicly available; and (2) clarify that nothing in the regulation authorizes access to confidential tax information held by FTB or CDTFA absent express statutory authorization.

VI. The Regulations Should Provide a Clear and Fair Process for Entities to Challenge Covered-Entity Determinations

The proposed regulations do not provide a clear mechanism for companies to challenge CARB's determination that they are "covered entities" subject to the requirements and fees of SB 253 and SB 261. Given the significant compliance obligations, ongoing fee liability, and potential penalties associated with covered-entity status, the absence of a defined process to contest applicability raises serious due process and fairness concerns.

Determining whether an entity is covered under SB 253 or SB 261 involves complex legal and factual questions, including interpretation of "doing business in California," application of revenue thresholds, treatment of affiliated entities, application of exemptions under the proposed rule, and classification of parent–subsidiary relationships. Reasonable disputes are inevitable, particularly for companies with limited physical presence in California, unusual corporate structures, or non-recurring revenue events. Without a formal avenue to seek review or clarification, companies may be forced either to comply under protest, incurring substantial and potentially unrecoverable costs, or to risk enforcement actions and penalties while disputing their status.

Fundamental principles of administrative due process require that regulated entities have a meaningful opportunity to challenge threshold determinations that trigger regulatory obligations. Absent a review mechanism, CARB's initial applicability determinations function as unreviewable, de facto adjudications, despite the lack of any formal adjudicatory process. Providing a clear path to contest covered or reporting entity status would improve accuracy, reduce unnecessary compliance costs, and encourage cooperative engagement with CARB.

Accordingly, we recommend that CARB amend the regulations to establish a transparent, time-bound process allowing entities to challenge or seek confirmation of covered-entity determinations prior to the imposition of fees, reporting obligations, or penalties. At a minimum, the regulations should:

- Allow entities to submit a written challenge or request for determination regarding covered-entity status;
- Require CARB to provide a reasoned written response within a defined timeframe;
- Suspend fee and reporting obligations while a good-faith challenge is pending; and
- Provide clarity regarding whether and how determinations may be revisited in subsequent reporting years.

Incorporating such a process would enhance procedural fairness and reduce the risk of erroneous coverage determinations.

VII. Applicability Definitions Warrant Further Refinement to Avoid Overbreadth and Unintended Consequences

The proposed regulations adopt definitions of “doing business in California” and “revenue” that will determine which entities are subject to the requirements of SB 253 and SB 261. These threshold determinations are among the most consequential aspects of the rule package, as they define the scope of the regulated universe and drive both compliance obligations and fee liability. We believe these definitions would benefit from further refinement.

With respect to the definition of “doing business in California,” the proposed reliance on sales-based thresholds may sweep in entities with limited operational presence in the state. Companies that have no facilities, employees, or physical operations in California may nonetheless exceed sales thresholds based on national or global distribution patterns.

The proposed approach to determining whether an entity meets the statutory revenue threshold also raises concerns. Reliance on gross receipts, without regard to margins or extraordinary, non-recurring transactions, may disproportionately affect high-volume, low-margin industries such as retail, logistics, and wholesale trade. In these sectors, revenue is often a poor proxy for emissions profile, climate risk, or capacity to absorb new regulatory costs. Clarifying how one-time transactions or anomalous revenue spikes are treated would improve predictability and fairness.

Finally, the proposed regulations currently define the terms “parent” and “subsidiary,” but do not provide clear guidance on how reporting obligations are to be applied in practice across parent–subsidiary corporate structures. Absent such guidance, reporting entities lack a workable framework for determining whether and how disclosures should be made on a consolidated basis, at the subsidiary level, or both.

Without clear rules addressing how consolidated reporting is to be achieved, the proposed approach risks inconsistent interpretation, duplicative reporting, and unnecessary administrative burden. Clarifying parent–subsidiary applicability and reporting mechanics at the outset is essential to ensure consistent implementation and workable compliance as the program moves forward.

VIII. Implementation Would Benefit from Clear, Codified Safe Harbors

Given the novelty, scale, and complexity of the disclosure obligations under SB 253 and SB 261, the proposed regulations should include clear and enforceable safe harbors to protect good-faith actors and to avoid penalizing entities for circumstances beyond their reasonable control. Safe harbors are particularly appropriate where compliance depends on third-party data, evolving methodologies, and professional judgment rather than bright-line conduct.

Well-designed safe harbors do not undermine the integrity of the program. To the contrary, they promote more accurate reporting and encourage early and transparent engagement with CARB. Without such protections, the program risks punishing good-faith actors with unnecessary enforcement actions.

A. Safe Harbor for Good-Faith Use of Accepted Methodologies and Standards

The regulations should provide a safe harbor for entities that calculate and disclose emissions and climate-related financial risk using recognized, widely accepted methodologies employed to satisfy other national and international reporting requirements, including accepted versions of the GHG Protocol and other referenced frameworks. To preserve flexibility and minimize unnecessary duplication, CARB should

avoid requiring the use of prescriptive reporting templates or mandating adherence to a single methodology where multiple credible standards are already in widespread use.

Where an entity can demonstrate that it relied in good faith on CARB-approved or widely accepted methodologies, applied those methodologies consistently, and documented its assumptions and calculation methods, the entity should not be subject to penalties solely because CARB later revises its interpretive guidance or adopts updated standards or reporting formats. This protection is particularly important given the accepted versions of the GHG protocol at the time the laws were passed, the likelihood of future changes to Scope 2 accounting rules, the anticipated expansion to Scope 3 disclosures, and the use of differing global warming potential values across regulatory regimes.

A safe harbor of this kind is also consistent with the statutory directive to minimize duplication of effort by allowing reporting and covered entities to rely on disclosures prepared for other jurisdictions. That objective would be undermined by rigid templates or inflexible standard-setting that forces entities to re-map, re-calculate, or re-format substantively equivalent information solely to satisfy California-specific presentation requirements.

B. Safe Harbor for Reasonable Estimates and Data Gaps Outside the Entity's Control

Especially for Scope 2 and Scope 3 emissions and climate-related financial risk disclosures, reporting entities will often be required to rely on estimates, proxy data, and information provided by third parties across complex value chains. The regulations should include a safe harbor for reasonable estimates where primary data are unavailable despite good-faith efforts to obtain them.

That safe harbor should apply where an entity makes reasonable efforts to obtain accurate data, uses appropriate estimation techniques where direct data are unavailable or difficult to obtain, and transparently discloses the use of estimates and associated uncertainty. The regulations should also exempt information that may be prohibited from disclosure under applicable law, due to external confidentiality restrictions or obligations, or on national security grounds.

Critically, reporting entities should not be subject to penalties for inaccuracies that are attributable to incomplete, inconsistent, or unreliable third-party data, or to reasonable estimates derived from such data, where the entity does not control the underlying information and has complied with the applicable disclosure and documentation requirements.

C. Safe Harbor for Reliance on Qualified Third-Party Assurance Providers

The regulations should include a safe harbor for entities that rely on qualified, independent third-party assurance providers to review disclosures. Where an entity engages an assurance provider that meets CARB's qualification requirements and follows the provider's professional recommendations in good faith, the entity should not be exposed to penalties based on later disagreements over methodological interpretation.

Absent such a safe harbor, entities are placed in the untenable position of being second-guessed for relying on professional experts whose services the regulations themselves effectively require.

D. Safe Harbor for Early-Year Reporting

The initial reporting years under SB 253 and SB 261 will involve significant learning curves for both reporting entities and regulators. The regulations should include an explicit safe harbor, beyond the one-year flexibility provided by guidance for 2026, for early-year reporting errors that are promptly corrected upon identification. A limited, time-bound safe harbor would recognize the complexity of initial implementation and encourage transparency rather than discouraging disclosure out of fear of penalties.

Additionally, CARB has provided several enforcement notices and guidance documents. CARB should expressly include a safe harbor that prevents reporting and covered entities from being penalized for following such enforcement notice and guidance documents.

E. Safe Harbor and Extended Timeframe for Fee Payment

Finally, the proposed regulations require reporting and covered entities to remit program fees within 60 days, after which daily penalties may begin to accrue. Given the complexity of the applicability determinations, the magnitude of the fees, and the absence of a clear process to challenge reporting or covered-entity status or fee calculations, a 60-day payment window is unreasonably short and creates unnecessary risk of penalties for good-faith entities.

Determining the correct fee amount may require internal review of revenue calculations, corporate structure, and parent–subsidiary relationships. In some cases, CARB may not deliver the fee notice to the proper channel to ensure timely payment. In many cases, companies must also coordinate with outside counsel, accountants, or assurance providers to confirm that the fee assessment is accurate and consistent with the regulations.

A rigid 60-day deadline, combined with compounding daily penalties, effectively forces companies to pay under protest to avoid enforcement exposure even where there are legitimate disputes regarding applicability or fee calculation. That outcome undermines due process and discourages the careful review necessary to ensure accurate fee remittance.

We therefore recommend that CARB establish a safe harbor for fee payment that allows additional time for good-faith review and dispute resolution. The regulations should: (1) extend the initial fee payment deadline to at least 120 days from the date of invoicing or notice of assessment; (2) provide an automatic safe harbor from penalties where a covered entity is engaged in a good-faith review or challenge of its covered-entity status or fee calculation; (3) suspend accrual of penalties during the pendency of a timely, good-faith dispute or clarification request; and (4) allow entities to remit payment without penalty upon resolution of the dispute within a reasonable period.

Extending the payment window and incorporating a safe harbor would not impede CARB’s ability to administer the program or collect fees. Instead, it would reduce unnecessary disputes, prevent inadvertent noncompliance, and align the fee collection process with the disclosure-oriented nature of SB 253 and SB 261. A more flexible approach would also improve fairness and compliance outcomes while reducing the likelihood of avoidable enforcement actions.

IX. Conclusion

We appreciate the opportunity to comment on CARB’s proposed regulations implementing SB 253 and SB 261.

We urge CARB to revise the proposal before proceeding. At a minimum, CARB should complete the SRIA required for major regulations using a realistic accounting of direct compliance costs, adopt reporting timelines that reflect fiscal-year variability and growing data complexity, and ensure fees remain strictly limited to actual and reasonable implementation and administration costs authorized by Health and Safety Code sections 38532 and 38533. CARB should also narrow and clarify the enforcement, penalty, and audit provisions to align with the disclosure-based nature of these statutes and applicable statutory limits. Finally, CARB should add codified safe harbors for good-faith compliance (including a longer fee-payment window and tolling during good-faith disputes). Thank you for your consideration of these comments.

If you have any questions or would like to discuss the above comments, please feel free to reach out to me at jonathan.kendrick@calchamber.com.

Sincerely,



Jon Kendrick
Policy Advocate
California Chamber of Commerce

And on Behalf of the Following Organizations

African American Farmers of California
Agricultural Council of California
American Chemistry Council
Dairy Institute of California
Energy Infrastructure Council
California Chamber of Commerce
California Construction and Industrial Materials Association
California Cotton Ginners and Growers Association
California Dates Commission
California Grocers Association
California Hospital Association
California Independent Petroleum Association
California League of Food Producers
California Retailers Association
California Strawberry Commission
California Tomato Growers Association
Nisei Farmers League
Plumbing Manufacturers International
Specialty Equipment Market Association
Western Growers Association
Western Plant Health Association
Western Tree Nut Association
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