

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

**Addendum to the Final Statement of
Reasons for Rulemaking**

Public Hearing Date: February 26, 2026

Agenda Item No.: 26-1-3

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I. General

This addendum to the Final Statement of Reasons (FSOR) for the rulemaking action entitled “Proposed California Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure Initial Regulation” (Cal. Code Regs., tit. 17, §§ 96070-96077) (referred to herein as the “Regulation”) updates the FSOR that the California Air Resources Board (CARB) initially submitted to the Office of Administrative Law (OAL) on May 20, 2026, for its review and approval. This FSOR Addendum updates the FSOR by identifying and explaining the limited modifications to the regulatory text that CARB made pursuant to the 15-Day Notice released on July 27, 2026. It updates the information and responds to the written comments submitted to CARB regarding the proposed modifications to the regulatory text, the procedures followed by CARB in proposing or adopting those modifications, or the documents that CARB added to the rulemaking record pursuant to Government Code section 11347.1.

On June 23, 2026, CARB withdrew the Regulation from OAL. CARB made limited changes to the proposed regulatory text to improve clarity and defer the initial year reporting deadline for Health and Safety Code section 38532 by three months, along with non-substantial corrections to grammar and punctuation. This addendum describes modifications made to the regulatory text pursuant to the 15-Day Notice released on July 27, 2026 and provides CARB’s responses to the public comments received during the 15-Day comment period that ended on August 11, 2026. CARB received written comments from 21 stakeholders during the 15-Day Notice comment period.

II. Modifications Made to the Original Proposal

i. Modifications Made in the Notice of Public Availability of Modified Text and Availability of Additional Documents and Information

The following section briefly describes the modifications made to the regulatory text, released for public comment on July 27, 2026. This section does not include all modifications to correct typographical or grammatical errors, changes in numbering or formatting, nor does it include all non-substantial revisions made to improve clarity. For more detailed information on each change and their purpose and rationale, see the Regulation’s 15-Day Notice on CARB’s website: <https://ww2.arb.ca.gov/rulemaking/2025/california-corporate-greenhouse-gas-reporting-and-climate-related-financial-risk>.

1. In subsection 96071(b)(4), Staff added “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 entities whose only activity within California consist of wholesale electricity transactions.

2. In subsection 96072(a)(1), Staff substituted the term “business entity” with “entity doing business” to clarify which organizational forms are included in the definition and to remove a circular reference.
3. In subsection 96072(a)(8), Staff added “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. In addition, Staff clarified 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. 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.
4. In subsection 96072(a)(10), Staff included the term “parent company,” 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.
5. In subsection 96072(a)(13), Staff clarified 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. The modifications do not expand applicability, as the changes also clarify that “revenue” will be evaluated at the individual business entity level.
6. In subsection 96072(a)(16), Staff revised 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 excluded subsection (a)(4) and subsection (a)(6) of section 95833 from this provision because they are not applicable to the Regulation. The revision does not modify which entities are eligible to submit a consolidated report as described in subsection 96076(a).
7. Staff revised the title of Subarticle 2 from “Fees” to “Fees and Reporting” to better reflect the sections under the subarticle.
8. In subsections 96074(a)-(d), Staff replaced the terms “entity”, “affected entity”, and “entities” with “each reporting entity and covered entity” to maintain consistency with defined terms in Section 96072.
9. In subsection 96074(a), Staff revised “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. In addition, Staff revised 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 within 30 calendar days after the reporting deadline.
10. In subsections 96074(b)-(c), Staff updated 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 added language to further clarify that fee payments may be consolidated at the parent company level. This modification 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 revised 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 modified 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.
14. Staff added 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 updated 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 excluded 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 revised 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 changed “reporting entities” to “each reporting entity” to maintain consistency with the language used in Health and Safety Code section 38532.
19. In subsection 96076(a), Staff changed 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 added 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.
21. In subsection 96076(a), Staff added 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 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 added 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.

ii. Non-Substantial Modifications

Subsequent to the modifications made to the regulatory text mentioned above, Staff identified the following additional non-substantial changes to the regulatory text to correct typographical or grammatical errors and change numbering or formatting to improve clarity:

1. In Section 96070, “sections 38532 and 38533 of the Health and Safety Code” was replaced with “Health and Safety Code sections 38532 and 38533,” “&” was replaced with “and,” and “section” was replaced by “Section.”
2. In subsection 96072(6), “sections 38532 and 38533 of the Health and Safety Code” was replaced with “Health and Safety Code sections 38532 and 38533.”
3. In subsections 96072(14) and 96072(15), “&” was replaced with “and” and “Section” was replaced with “section.”
4. In subsection 96076(c)(2), “the” was added in front of “reporting entity.”

The above-described modifications constitute non-substantial changes to the regulatory text because they correct typographical or grammatical errors and change numbering or formatting to improve clarity. These changes do not materially alter the requirements or conditions of the Regulation.

In Section 96073, the 15-Day regulatory text erroneously listed two subsections as “(a).” This error has been updated to the correct subsection headings “(a)” and “(b),” respectively.

iii. Revisions to Economic Impact Analysis

CARB made no modifications to the economic impact analysis.

III. Documents Incorporated by Reference

The Regulation does not incorporate by reference any additional documents.

IV. Additions and Modifications to the Original FSOR Summary of Comments and Agency Responses

Chapter IV of this FSOR Addendum contains all comments submitted during the 15-Day comment period that were directed at the proposed modifications to the regulatory text, along with CARB’s responses. CARB received a total of 21 comment letters in this comment period.

Written comments were received during the 15-Day comment period in response to the July 27, 2026, 15-Day Notice. Listed below are the organizations and individuals that provided comments during the 15-Day comment period. This chapter contains all comments submitted to CARB along with CARB’s responses.

The comments are coded according to the comment period in which they were received and the order in which they were received. Table 1 shows the coding abbreviation for each comment period. The format of the commenter code is the comment period abbreviation and the comment number with a dash between these elements. The text of each comment is further subdivided into individual sub-comments for each topic or concept expressed by the commenter. This is denoted by a decimal point and a number appended to the end of the commenter code in the comment and response portion of this chapter. Figure 1 shows this coding structure. The example represents the seventh sub-comment within the third comment letter submitted during the 15-Day comment period.

Figure 1 Example of Comment Code

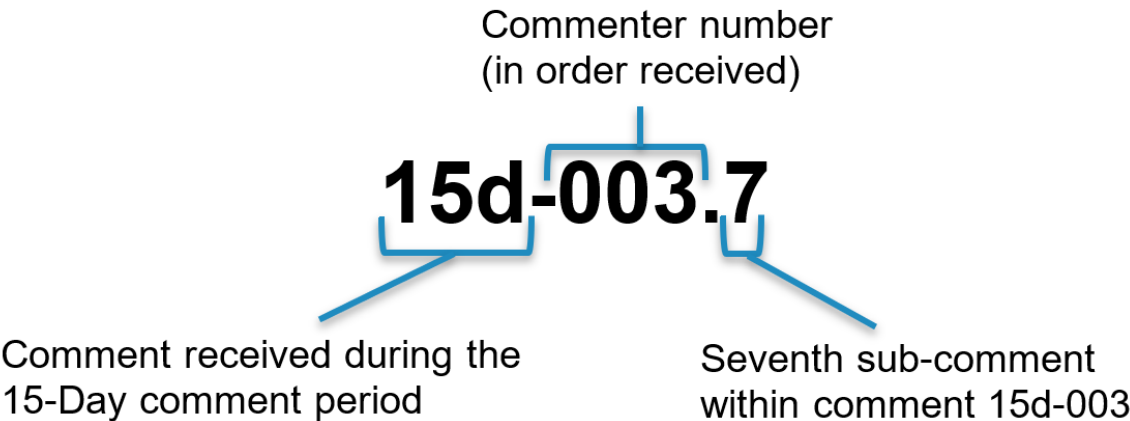


Table 1 contains the list of written comments received during the 15-Day comment period, including the name of the commenter, date the comment was received, affiliation of the commenter, and commenter code used in this FSOR Addendum.

Table 1. Written Comments Received During the 15-Day Comment Period

Commenter, Date	Affiliation	Commentor Code
Louis Gray, 07/27/2026	Individual	15d-001
Cheryl Militello, 07/27/2026	Individual	15d-002
Kevin Walsh, 07/27/2026	Individual	15d-003
Cheryl Militello, 07/29/2026	Individual	15d-004

Steve Walker, 08/07/2026	The J.M. Smucker Company	15d-005
Lillie Wightman, 08/10/2026	The American Waterways Operators	15d-006
Charles Franklin, 08/10/2026	American Chemistry Council	15d-007
Oscar Garcia, 08/11/2026	Neste	15d-008
Adarsh Srinivasan, 08/11/2026	International Emissions Trading Association	15d-009
Elyse Schupak, 08/11/2026	Public Citizen	15d-010
Sarah Pollo Moo, 08/11/2026	California Retailers Association	15d-011
Linda White, 08/11/2026	BMW	15d-012
Erin Potter Sullenger, 08/11/2026	Sequent Energy Management, LLC	15d-013
Sophie Ellinghouse, 08/11/2026	Western States Petroleum Association (WSPA)	15d-014
Amy Mmagu, 08/11/2026	Schneider Electric	15d-015
Elizabeth Esquivel, 08/11/2026	California Manufacturers & Technology Association (CMTA)	15d-016
Tim Carmichael, 08/11/2026	California Council for Environmental and Economic Balance (CCEEB)	15d-017
Arohi Sharma, 08/11/2026	NRDC	15d-018
Annebelle Klein, 08/11/2026	American Coatings Association	15d-019
Evan WR Edgar, 08/11/2026	Edgar & Associates Inc	15d-020
Jonathan Kendrick, 08/11/2026	California Chamber of Commerce	15d-021

CARB has summarized and responded to the written comments on the proposed modifications to the regulatory text. These comment summaries and responses are sorted by subject matter listed below.

The following notes about the comments and responses provide further information about how the comments are structured and labeled:

- Comments with common themes are generally grouped together and responded to holistically.
- In verbatim comment excerpts, CARB has not corrected or noted errors in the original (for example, by adding “[sic]”). The formatting of comment excerpts may differ from the formatting of the original comment.
- Emphasis added to comments were generally omitted.

- In-line ellipses are used to bridge between portions of a sentence or paragraph that express related topics or concepts. Ellipses on a standalone line are used to bridge between sections of a comment letter/comment transcript that express related topics or concepts.
- Footnotes in comments are included at bottom of each comment.
- In general, CARB has noted where it made changes in response to the comment. CARB has also noted where it either did not make changes or the comment was outside the scope of the rulemaking and therefore not subject to response pursuant to Government Code section 11346.9(a)(3).

i. Comment Responses

A General Support

A-1 Multiple Comments: General Support for Regulation and Proposed Modifications

Comment: 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. (15d-009.2)

Comment: 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. (15d-011.1)

Comment: 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. (15d-015.1)

Comment: 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). (15d-016.1)

Agency Response: No changes were made in response to these comments. CARB acknowledges the commenters' support for Health and Safety Code sections 38532 and 38533, the Regulation, the proposed modifications, and its associated components.

B Revenue Definition Clarification

B-1 Multiple Comments: Suggestions to Add Additional Clarity

Comment: 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.

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. (15d-006.1)

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

"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." (15d-014.11)

Agency Response: No changes were made in response to these comments. The modifications to section 96072(a)(13) of the Regulation address the concerns raised by the commenters and provide sufficient clarity regarding how revenue is evaluated. Applicability is evaluated at the individual business entity level, and each business entity must independently meet the applicable criteria to be in scope. A subsidiary's revenue and sales in California are considered only for that subsidiary in determining applicability and are not aggregated with or attributed to a parent company, regardless of unitary filing status.

The modifications to section 96076(a) of the Regulation provide sufficient clarity regarding consolidated reporting. While consolidated reporting at the parent company level is permitted to reduce reporting burden for reporting entities, it does not alter which business entities are subject to the Regulation or their corresponding fee obligations. A parent company may submit a consolidated report on behalf of its in-scope subsidiaries to minimize duplication of effort.

Regarding the comment on whether a parent company may assess the applicability of its subsidiaries on their behalf, the Regulation does not prohibit a parent company from conducting such an assessment. However, each business entity is ultimately responsible for determining whether it is subject to the Regulation based on the applicability provisions in the regulatory text.

Regarding the definition of doing business in California, please refer to Agency Response C-1.

B-2 Unique Comment: Modify Revenue Definition to Refer to California-Generated Revenue Only

Comment: 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: [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. (15d-019.3)

Agency Response: No changes were made in response to this comment. The Regulation aligns with the definition of “gross receipts” set forth in section 25120(f)(2) of the California Revenue and Taxation Code to define “revenue,” which is intended to be used to assess each business entity’s total global revenue rather than California-generated revenue. California-specific activity is evaluated separately under the “doing business in California” criteria. The Regulation aligns with relevant provisions of section 23101 of the California Revenue and Taxation Code to define “doing business in California.” This approach ensures that the Regulation remains focused on business entities with a meaningful economic nexus to California through substantial sales,

place of organization, or domicile and avoids capturing business entities with potentially marginal operations in California. Accordingly, only U.S.-based business entities that meet the revenue threshold and are doing business in California are required to report and pay fees.

The modifications to sections 96072(a)(8) and 96072(a)(13) of the Regulation provide further clarity regarding how “doing business in California” and “revenue” are evaluated, respectively, but do not expand applicability. The Regulation remains aligned with the statutory intent of capturing large business entities that participate in California’s market.

B-3 Unique Comment: Intercompany Transaction Exclusion Application Across Different Corporate Structures

Comment: 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.

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. (15d-021.12)

³⁶ 15-Day Proposed Text at § 96072(a)(13).

Agency Response: No changes were made in response to this comment. Applicability is evaluated at the individual business entity level, and each business entity must independently meet the applicable criteria to be in scope. An entity's revenue is considered only for applicability and does not affect the fee payment amount or change reporting obligations. CARB will continue to evaluate how the intercompany-transaction exclusion interacts with different corporate structures, as it develops regulations for 2027 and beyond.

C Doing Business in California Clarification

C-1 Multiple Comments: Suggestions to Add Additional Clarity

Comment: 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.” (15d-014.10)

Comment: 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.

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. (15d-019.2)

Agency Response: No changes were made in response to these comments. The modifications to section 96072(a)(8) of the Regulation address the concerns raised by the commenters and provide sufficient clarity regarding how “doing business in California” is evaluated. Applicability is evaluated at the individual business entity level, and each business entity must independently meet the applicable criteria to be in scope. A subsidiary’s revenue and sales in California are considered only for that subsidiary in determining applicability and are not aggregated with or attributed to a parent company, regardless of unitary filing status.

The modifications to section 96076(a) of the Regulation provide sufficient clarity regarding consolidated reporting. While consolidated reporting at the parent company level is permitted to reduce reporting burden for reporting entities, it does not alter which business entities are subject to the Regulation or their corresponding fee obligations. A parent company may submit a consolidated report on behalf of its in-scope subsidiaries to minimize duplication of effort.

Regarding the comment on whether a parent company may assess the applicability of its subsidiaries on their behalf, the Regulation does not prohibit a parent company from conducting such an assessment. However, each business entity is ultimately responsible for determining whether it is subject to the Regulation based on the applicability provisions in the regulatory text.

C-2 Multiple Comments: Entities with Limited Operations in California

Comment: 1. Applicability and Scope

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. (15d-007.4)

Comment: 2) Establish a de minimis exemption based on the portion of a company's total revenue generated in California; (15d-013.2)

Comment: 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 (15d-013.3)

Comment: 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. (15d-014.12)

Agency Response: No changes were made in response to these comments. CARB considered the alternative definitions proposed by the commenters. No changes are necessary since the Regulation aligns with relevant provisions of section 23101 of the California Revenue and Taxation Code to define "doing business in California." CARB determined that aligning with the existing, well-established definition of "doing business in California" provides greater certainty and consistency than a novel program-specific operational nexus standard, which would require business entities to apply a new, potentially duplicative standard that may lack the clarity of the well-established standard in the Regulation.

Consistent with established tax law, business entities exceeding the threshold for sales in California are considered to have a significant economic presence, even if they are neither organized nor commercially domiciled in California. The modifications to section 96072(a)(8) of the Regulation provide further clarity regarding how to assess whether a business entity is doing business in California, but do not expand applicability, as the Regulation remains focused on business entities with a meaningful economic nexus to California through substantial sales, place of organization, or domicile and avoids capturing business entities with potentially marginal operations in California.

The Regulation and the controlling statutes are consistent with applicable constitutional and statutory authorities and requirements. The regulatory requirements are narrowly tailored to achieve the purposes of Health and Safety Code sections 38532 and 38533. This includes restricting applicability to U.S.-based business entities that meet the revenue threshold and are doing business in California. Applicability is non-discriminatory and limited to business entities with a meaningful economic nexus

to California. The Regulation adopts well-known applicability requirements already codified in California law. Using these applicability provisions ensures that the Regulation applies only to business entities with substantial economic connections to California, and ensures that the Regulation is not unduly burdensome in relation to the state's substantial interest in obtaining accurate climate-related disclosure information necessary to implement the statutes.

C-3 Unique Comment: Suggestion of Two-Year Look Back Period and exclusion of wholesale natural gas sales for “Doing Business in California”

Comment: 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. (15d-013.4)

Agency Response: No changes were made in response to this comment. While CARB considered applying a two-year lookback to sales in California for determining “doing business in California,” similar to the approach used for calculating “gross receipts” for determining “revenue,” the statutory revenue thresholds are set at a significantly higher level than the sales in California threshold under section 23101 of the California Revenue and Taxation Code. For example, the 2025 inflation-adjusted sales in California threshold was \$757,070, which is approximately 0.15% of the lowest applicable revenue threshold of \$500 million.

The two-year lookback for revenue was included to address potential fluctuations or one-time changes at that higher threshold level. CARB determined that applying the same approach to the sales in California threshold is unwarranted because fluctuations in revenue may be substantially greater in magnitude, making a two-year lookback appropriate to reduce the effect of significant year-to-year fluctuations or one-time revenue spikes. In contrast, the California-specific sales threshold is substantially lower and its fluctuations do not warrant the same approach for determining whether an entity is “doing business in California.”

Regarding the exclusion of wholesale sales of natural gas, please refer to Agency Response I-1.

D Subsidiary Definition Clarification

D-1 Unique Comment: Propose Modification of Subsidiary Definition

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

“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. (15d-014.6)

Agency Response: No changes were made in response to this comment. CARB respectfully disagrees with the assertion that the included sentence introduces unnecessary ambiguity or conflicts with existing frameworks for organizational boundaries. The sentence in section 96072(a)(16) of the Regulation provides necessary context and descriptive clarity regarding the fundamental nature of a parent-subsidiary relationship. The definitions of “parent” or “parent company” and “subsidiary” in the Regulation are based on definitions used in the Cap-and-Invest Program, a program CARB has implemented since 2013 (Title 17, California Code of Regulations, section 95833). Aligning the definitions of “parent” or “parent company” and “subsidiary” within CARB’s broader programs allows for consistent identification of entities within corporate structures.

The modifications to section 96072(a)(16) of the Regulation were intended to provide further clarity regarding the determination of a parent-subsidiary relationship, which is relevant only for purposes of consolidated reporting and fee payment, as described in sections 96076(a) and 96074(b) of the Regulation, respectively. The parent-subsidiary relationship does not determine the organizational boundaries that may be used for reporting purposes, and the modifications were not intended to address or establish such organizational boundaries.

E Business Entity Definition

E-1 Unique Comment: Request for Business Entity Definition Refinement

Comment: 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 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.” (15d-021.2)

¹⁸ Health & Saf. Code §§ 38532(b)(2), 38533(a)(4); 15-Day Proposed Text at §§ 96072(a)(5), (11).

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).

Agency Response: No changes were made in response to this comment. Fees remain the same for each reporting entity regardless of whether it avails itself of a consolidated fee payment or not. Further, Section 96076 of the Regulation provides reporting entities several avenues for reporting in 2026 if not using a consolidated report. All reporting entities may either submit a report covering Scope 1 and Scope 2 emissions; submit Scope 1 and Scope 2 emissions from the reporting entity’s prior fiscal year that can be determined from information the reporting entity already possessed or was already collecting on or before December 5, 2024 (including a parent company’s report in the possession of the reporting entity that includes Scope 1 and Scope 2 emissions from the reporting entity’s prior fiscal year); or the reporting entity may submit a statement on the reporting entity’s company letterhead indicating that the reporting entity is not submitting a report because the reporting entity did not possess Scope 1 or Scope 2 emissions information and was not collecting information on or before December 5, 2024.

F Health and Safety Code Section 38532 Report Consolidation Clarification

F-1 Multiple Comments: Support for Proposed Modifications

Comment: 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. (15d-006.5)

Comment: 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. (15d-021.6)

²⁸ Health & Safety Code §§ 38532(c)(2)(A)(iii) and 38533(b)(2).

Agency Response: No changes were made in response to these comments. CARB acknowledges the commenters' support for the proposed modifications.

Regarding the definition of "business entity," please refer to Agency Response E-1.

F-2 Multiple Comments: Request for Additional Clarity in Proposed Modifications

Comment: 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. (15d-007.5)

Comment: 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):

“§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, the subsidiary is not required to prepare a separate report. (15d-014.7)

Agency Response: No changes were made in response to these comments. The modifications to section 96076(a) of the Regulation provide sufficient clarity regarding the circumstances under which consolidated reporting is permitted. While consolidated reporting at the parent company level is permitted to reduce reporting burden for reporting entities, it does not alter which business entities are subject to the Regulation. As set forth in section 96076(a) of the Regulation, a subsidiary that qualifies as a reporting entity is not required to prepare a separate report if reporting is consolidated at the parent company level.

CARB respectfully disagrees that further revisions to section 96076(a) of the Regulation are necessary to explicitly state that consolidated reports may include emissions from out-of-scope subsidiaries. The current regulatory language, as written, provides a clear standard for the reporting requirements of each reporting entity and allows for the inclusion of emissions from out-of-scope subsidiaries in consolidated reports.

G Fee Consolidation Clarification

G-1 Multiple Comments: Support for Proposed Modifications

Comment: Payment and Collection

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. (15d-006.4)

Comment: Fee Assessment and Parent-Level Reporting

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. (15d-016.9)

Agency Response: No changes were made in response to these comments. CARB acknowledges the commenters' support for the proposed modifications.

H Fee Determination Notice and Assessment Date

H-1 Unique Comment: Oppose Proposed Modifications

Comment: 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.

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. (15d-021.8)

³⁰ See Exhibit A, pp. 13-14.

Agency Response: No changes were made in response to this comment. The revision in section 96074(c) of the Regulation from "receipt of the fee determination notice" to "fee determination notice date" was intended to provide a consistent interpretation of the deadline for remitting the annual fee and to better harmonize with

the related provision in section 96074(b) of the Regulation. Relying on the fee determination notice date provides a clear, objective, and standardized deadline across all reporting entities and covered entities, whereas tracking the actual date of receipt for each reporting entity and covered entity would create significant administrative burden and uncertainty for CARB.

Regarding the request to extend the payment period to 120 days, CARB recognizes that reporting entities and covered entities may need to complete internal reviews and payment processing prior to remittance. However, the 60-day period was chosen because it balances the needs of the reporting entities and covered entities to complete their internal reviews and process payments with CARB's need to cover its actual and reasonable costs. Furthermore, this timeframe has precedent with the AB 32 Cost of Implementation Fee Regulation. The 60-day timeframe provides a reasonable timeframe for reporting entities and covered entities to process payments following the fee determination notice date.

Regarding the suspension of late fees and penalties while a business entity is pursuing a timely, good-faith question: Health and Safety Code sections 38532(f) and 38533(f) mandate that CARB establish late fees through regulation. Establishing late fees and penalties helps ensure that fees are paid in time to fund program administration and implementation. This fee allows CARB to recover additional administrative costs that would potentially be incurred due to delayed payments from noncompliant reporting entities and covered entities that fail to demonstrate good faith compliance efforts. CARB further notes that reporting entities and covered entities that fail to report and pay the required fee may be subject to separate violations consistent with applicable statutory authority and the Regulation. However, during the initial implementation phase, CARB is focused on supporting reporting entities and covered entities in achieving compliance and encouraging them to demonstrate first-year good-faith compliance efforts.

H-2 Unique Comment: Request to Change Fee Assessment Date

Comment: 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. (15d-021.4)

²⁷ See CARB, Notice of Public Availability of Modified Text, p. 4 (July 27, 2026).

Agency Response: No changes were made in response to this comment. The revision to the deadline for issuing a written fee determination notice from September 10 to December 10 in section 96074(a) of the Regulation was made consistent with the revised November 10 reporting deadline described in section 96076(a) of the Regulation and the schedule for assessing fees 30 calendar days after the reporting deadline. The commenter's proposed change to the fee determination notice date would only be necessary if the reporting deadline were deferred to December 31. Because the modifications to section 96076(a) of the Regulation establish November 10 as the reporting deadline, a corresponding change to the deadline for issuing a written fee determination notice is unnecessary. Should future modifications to the Regulation affect the timing of reporting or fee assessment, CARB will evaluate whether corresponding changes to the applicable deadlines are necessary.

I Wholesale Electricity Exemption

I-1 Multiple Comments: Propose Exemption for Natural Gas Transactions

Comment: 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; (15d-013.1)

Comment: 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.

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. (15d-013.5)

Comment: 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. (15d-013.6)

Agency Response: No changes were made in response to these comments. In the January 30, 2024 letter from Senator Wiener and Senator Stern, published in the Senate Daily Journal (<https://leginfo.legislature.ca.gov/faces/pubSenDailyJrn2.xhtml?type=doc&sessionyear=20232024&pagenum=3057&sessionnum=0&fileid=996>), the authors explicitly stated their intent to exclude business entities whose only activity within California consists of wholesale electricity transactions that occur in interstate commerce. The authors also clarified that wholesale electricity transactions that occur in interstate commerce and CAISO-administered markets were not intended to constitute “doing business in California” for purposes of Health and Safety Code sections 38532 and 38533. CARB determined that the exclusion of such entities and transactions is appropriate and received feedback in the record supporting these exclusions. However, the letter does not reference entities whose only business in California consists of wholesale natural gas transactions or indicate that similar exclusions were intended for such transactions. After careful consideration of this issue, the modifications to the Regulation do not extend the exemptions and exclusions applicable to wholesale electricity transactions that occur in interstate commerce to wholesale natural gas transactions.

The commenter expressed concern that failure to exempt wholesale marketing of natural gas sales burdens the cost of the fuel used for electric generation in California. This issue is beyond the scope of the modifications made to the Regulation through the 15-Day Notice.

J Removal of Health and Safety Code Section 38580

J-1 Unique Comment: Support for Proposed Removal

Comment: Enforcement Authority

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. (15d-016.7)

Agency Response: No changes were made in response to this comment. CARB acknowledges the commenter's support for the proposed modifications.

K Calendar Day Clarification

K-1 Unique Comment: Effect of Calendar Day Proposal on Fee Enforcement

Comment: 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.

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 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. (15d-021.9)

³¹ 15-Day Proposed Text at §§ 96074(b)-(c), 96075(a), (c).

³² See our prior comments on this issue in Exhibit A, p. 11.

Agency Response: No changes were made in response to this comment. Regarding the concern that the Regulation does not state whether a payment deadline falling on a weekend or holiday moves to the next business day, CARB determined that additional clarification in the regulatory text is unnecessary. Under existing California law, including Government Code section 6707 and Civil Code section 11, when the last day to file a document or perform a legally required administrative act falls on a Saturday, Sunday, or state holiday, the act may be performed on the next business day with the same legal effect. In addition, the 60-day payment period provides ample time and sufficient notice for reporting entities and covered entities to process payments. A mandatory, additional cure period or past-due notice would undermine the standardized deadline; however, as noted, CARB will exercise enforcement discretion and consider good-faith compliance efforts during the initial implementation phase.

Regarding the concerns on late fees: Health and Safety Code sections 38532(f) and 38533(f) mandate that CARB establish late fees through regulation. Establishing late fees and penalties helps ensure that fees are paid in time to fund program administration and implementation. This also allows CARB to recover additional administrative costs that would potentially be incurred due to delayed payments from noncompliant reporting entities and covered entities that fail to demonstrate good faith compliance efforts. Identifying a late fee payment and assessing a violation for each calendar day that noncompliance continues to occur are common enforcement mechanisms used to address noncompliance and to provide an incentive for quickly returning to compliance. CARB further notes that reporting entities and covered entities that fail to report and pay the required fee may be subject to separate violations consistent with applicable statutory authority and the Regulation. However, during the initial implementation phase, CARB is focused on supporting reporting entities and covered entities in achieving compliance and encouraging them to demonstrate first-year good-faith compliance efforts.

In addition, because applicability determinations are made by each business entity, a formal dispute process for both applicability status and fee assessment is unnecessary.

L Recordkeeping Clarification

L-1 Unique Comment: Suggestion to Change Types of Records to Keep

Comment: 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.

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 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. (15d-021.11)

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).

Agency Response: No changes were made in response to this comment. CARB adopted language aligned with the California Revenue and Taxation Code to determine applicability. The modifications to section 96074(d) of the Regulation provide further clarity, and the Regulation remains aligned with the statutory intent of capturing large business entities that participate in California's market. Large business entities participating in California's market have access to their California tax records.

The information needed to determine applicability is already available to business entities as part of financial records and maintained in the ordinary course of business for business and tax purposes; the recordkeeping requirement simply requires reporting entities and covered entities to retain those records, which they are likely already doing consistent with existing standard business practices.

L-2 Unique Comment: Suggestion to Limit Applicability of Recordkeeping Requirements

Comment: 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. (15d-014.8)

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.

Agency Response: No changes were made in response to this comment. Given that each business entity is responsible for determining their applicability under Health and Safety Code sections 35832 and 35833, CARB includes the recordkeeping provision in the Regulation as an essential piece to support information retention necessary for implementation of the program. CARB retains the authority to request records as needed.

To minimize the burden on reporting entities and covered entities, the Regulation relies on established definitions from the California Revenue and Taxation Code, which are already widely used by business entities that file corporate tax filings in California. The information needed to determine applicability is already available to business entities as part of financial records and maintained in the ordinary course of business for business and tax purposes; the recordkeeping requirement simply requires reporting entities and covered entities to retain those records, which they are likely already doing consistent with existing standard business practices.

M Three Month Deadline Deferral

M-1 Multiple Comments: Support for Three Month Deadline Deferral

Comment: 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. (15d-006.2)

Comment: We would also like to thank CARB for giving regulated entities more time to submit this new and rather complex report for 2026. (15d-008.3)

Comment: 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. (15d-012.2)

Comment: 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. (15d-014.2)

Comment: 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. (15d-015.2)

Agency Response: No changes were made in response to these comments. CARB acknowledges the commenters' support for the proposed modifications.

M-2 Multiple Comments: Request for Different Reporting Deadline

Comment: 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. (15d-006.3)

Comment: 5. Timing and Compliance Readiness

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. (15d-007.11)

Comment: 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. (15d-017.7)

Comment: 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.

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. (15d-019.5)

Comment: 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 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-subsidiary 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). (15d-021.3)

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).

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).

Agency Response: No changes were made in response to these comments. CARB respectfully disagrees that reporting entities will not have sufficient time to comply with the Regulation due to the timing of Office of Administrative Law (OAL) review. On May 20, 2026, CARB submitted the Regulation and associated rulemaking documents to OAL. CARB subsequently withdrew the Regulation to propose limited changes to clarify certain requirements and defer the reporting deadline from August 10, 2026, to November 10, 2026. On June 24, 2026, CARB notified the public of the three-month deferral of the reporting deadline. This three-month deferral provides reporting entities additional time to prepare for and comply with the first-year reporting requirements following the formal adoption of the Regulation by OAL. In addition, the first-year reporting requirements have been publicly available, thoroughly discussed, and well established throughout the public rulemaking process, including through multiple public workshops, the 45-Day public comment period, the February 26, 2026 Board hearing, and the 15-Day Notice of Public Availability of Modified Text. The modifications to the Regulation provide additional compliance flexibility and clarify

existing requirements and definitions rather than establish new requirements. CARB has thus provided substantial advance information to the public regarding first-year reporting requirements and reporting entities have had an opportunity to prepare for their submissions while the rulemaking process is ongoing.

To further support first-year implementation, CARB added language to the regulatory text providing reporting entities additional flexibility in satisfying the first-year reporting requirements. As provided in section 96076(b) of the Regulation, reporting entities may submit their prior fiscal year's Scope 1 and Scope 2 emissions that can be determined from information they already possessed or were collecting on or before December 5, 2024. Reporting entities that did not possess or were not collecting Scope 1 or Scope 2 emissions on or before December 5, 2024, may instead submit a statement on company letterhead indicating that they are not submitting a report because they did not possess or were not collecting such information on or before December 5, 2024. These first-year reporting options reduce the burden associated with preparing a submission and provide reporting entities with additional flexibility during the initial implementation period. For these reasons, CARB determined that maintaining the November 10, 2026, deadline rather than adopting the alternative deadlines proposed by the commenters provides sufficient time for reporting entities while also ensuring orderly sequencing for subsequent program administration tasks, such as the issuance of fee determination notices.

One commenter requested that CARB defer the reporting deadline to 2027. However, Health and Safety Code section 38532(c)(2)(A)(i)(I) requires reporting entities to begin reporting Scope 1 and Scope 2 emissions in 2026. Accordingly, deferring the initial reporting deadline to 2027 would be inconsistent with this statutory requirement.

M-3 Unique Comment: Request for Clarification

Comment: To support orderly compliance, we respectfully request that CARB:

- 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.
- 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. (15d-015.3)

Agency Response: No changes were made in response to this comment. The Regulation establishes the reporting deadline for 2026. While CARB acknowledges the desire for entities to be able to align their internal reporting calendars, subsequent deadlines for 2027 and beyond will be considered in an upcoming rulemaking.

Regarding concerns about the timing of the Office of Administrative Law (OAL) review process, please refer to Agency Response M-2.

N Reporting Requirements Clarification

N-1 Multiple Comments: Support for Proposed Reporting Requirements Clarification

Comment: 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. (15d-006.6)

Comment: 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. (15d-007.6)

Comment: 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. (15d-008.1)

Comment: We also appreciate that CARB is not deviating from existing reporting regimes as doing so will create additional burden and exposures for regulated entities. (15d-008.4)

Comment: 2. First-Year Reporting Flexibility (December 5, 2024 Data or Letterhead Statement)

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. (15d-015.4)

Comment: 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. (15d-016.3)

Comment: First-Year Implementation Flexibility

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. (15d-016.5)

Comment: 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)). (15d-017.1)

Comment: 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 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. (15d-017.2)

Comment: 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. (15d-021.5)

Comment: 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 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 (15d-021.7)

²⁹ 15-Day Proposed Text at § 96076(b).

Agency Response: No changes were made in response to these comments. CARB acknowledges the commenters' support for the proposed modifications.

N-2 Multiple Comments: Request to Maintain Alignment with Existing Disclosure Frameworks

Comment: 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. (15d-007.2)

Comment: 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. (15d-017.9)

Comment: C. CARB Should Conform Reporting with the Greenhouse Gas Protocol and Avoid Developing a California-Specific Standard

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, particularly in light of concerning trends in pre-rulemaking activities for the next phase of climate disclosure rulemaking. (15d-021.13)

³⁷ See Health & Saf. Code §§ 38532(c)(2)(A)(ii) and 38532(c)(2)(D)(i); 15-Day Proposed Text at § 96076(a).

Agency Response: No changes were made in response to these comments. The modifications to section 96076(a) of the Regulation added Health and Safety Code section 38532(c)(2)(A)(ii) as an applicable requirement for Scope 1 and Scope 2 emissions reports due on November 10, 2026, which points directly to the statutory direction that reports be in conformance with the Greenhouse Gas Protocol standards and guidance. In addition, to further support first-year implementation, CARB added language to the regulatory text providing that reporting entities may submit their prior fiscal year's Scope 1 and Scope 2 emissions that can be determined from information they already possessed or were collecting on or before December 5, 2024. These

provisions provide reporting entities with the flexibility to submit reports that are aligned with existing disclosure frameworks, thereby reducing duplicative reporting.

Reporting requirements for 2027 and beyond will be considered in an upcoming rulemaking. In developing those requirements, CARB will consider alignment and interoperability with existing reporting requirements and frameworks while ensuring consistency with the reporting requirements set forth in Health and Safety Code section 38532.

N-3 Multiple Comments: Request For Additional Clarity Regarding Good-Faith Efforts

Comment: 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") will be applied across the diverse companies subject to this regulation. (15d-008.5)

Comment: 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. (15d-016.6)

Agency Response: No changes were made in response to these comments, because the regulatory text does not use the term "good faith." However, as part of the regulatory proposal, modifications to Section 96076 of the Regulation specify and clarify the reporting requirements for reporting entities.

N-4 Multiple Comments: Request for Additional Clarity in Proposed Modifications

Comment: 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. (15d-007.8)

Comment: 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. (15d-007.9)

Comment: Neste hopes the newly proposed 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. (15d-008.2)

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

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 (15d-014.4)

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>.

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

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. (15d-014.5)

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/determineorganizational-boundaries>. Accessed August 2026.

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

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. (15d-014.13)

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>.

Comment: 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

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. (15d-014.14)

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.

Comment: To reduce inconsistent application, we request that CARB:

- 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. (15d-015.5)

Comment: 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. (15d-017.8)

Agency Response: No changes were made in response to these comments. The modifications to Section 96076 of the Regulation provide sufficient clarity and flexibility regarding the first-year reporting requirements. For 2026 reporting, section 96076(b) of the Regulation provides reporting entities the option to submit their prior fiscal year’s Scope 1 and Scope 2 emissions that can be determined from information they already possessed or were collecting on or before December 5, 2024. This provision allows reporting entities to rely on their existing emissions information and reporting practices that were in place on or before December 5, 2024, including methodologies, organizational boundary approaches, and existing reports or reporting formats, thereby minimizing duplicative reporting burden. Reporting entities that did not possess or were not collecting Scope 1 or Scope 2 emissions on or before December 5, 2024, may instead submit a statement on company letterhead indicating that they are not submitting a report because they did not possess or were not collecting such information on or before December 5, 2024. CARB is not prescribing a mandatory model form for company letterhead to provide reporting entities administrative flexibility. CARB clarifies that the Scope 1 and Scope 2 reporting template published by CARB in October 2025 is optional for 2026 reporting and is intended to serve as a

resource for reporting entities to organize and submit their Scope 1 and Scope 2 emissions information.

CARB respectfully disagrees that additional regulatory language regarding limited assurance requirements on Scope 1 and Scope 2 emissions for 2026 reporting is necessary. Section 96076(b) of the Regulation establishes the alternative reporting options available for 2026 reporting and identifies the information reporting entities may submit in lieu of the requirements specified in section 96076(a) of the Regulation. For a reporting entity that did not possess or was not collecting such information on or before December 5, 2024, there may be no information that an assurance engagement would verify. Reporting requirements for 2027 and beyond will be considered in an upcoming rulemaking. In developing those requirements, CARB will consider alignment and interoperability with existing standards and frameworks while ensuring consistency with the reporting requirements set forth in Health and Safety Code section 38532.

One commenter states that the modified reporting requirements mean that all reporting entities will be subject to the 2026 fee requirements, rather than only those reporting entities that possessed or were collecting Scope 1 and Scope 2 emissions information on or before December 5, 2024. CARB clarifies that the modifications to Section 96076 of the Regulation provide further clarity regarding the reporting requirements for the first reporting year but do not change which business entities are subject to the Regulation, their fee payment obligations, or the fee structure used to assess fees. The fee structure described in Section 96073 of the Regulation remains unchanged and continues to assess a flat fee across all reporting entities subject to the fee requirements, regardless of whether a reporting entity submits Scope 1 and Scope 2 emissions or a statement on company letterhead for the first reporting year. In addition, CARB remains committed to exercising enforcement discretion to support a smooth phase-in and good-faith compliance during the initial implementation period.

O General Concern

O-1 Unique Comment: Encourage Finalization and Continuation of Rulemaking Activities

Comment: 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. (15d-009.1)

Agency Response: No changes were made in response to this comment. The Board approved the resolution to adopt the Regulation on February 26, 2026. CARB will continue to take the necessary steps to finalize the Regulation in addition to proceeding with subsequent rulemaking, which will address emissions reporting requirements for 2027 and beyond.

O-2 Multiple Comments: General Concern with the Regulation

Comment: 4. Implementation and Administration

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. (15d-007.10)

Comment: 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. (15d-016.12)

Comment: 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. (15d-016.2)

Comment: 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. (15d-021.16)

Agency Response: No changes were made in response to these comments. Specific concerns raised by the commenters are addressed in the applicable Agency Responses throughout this document.

O-3 Multiple Comments: Legal Concerns with the Regulation

Comment: 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. (15d-007.1)

Comment: 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. (15d-007.3)

Comment: 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. (15d-014.1)

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

Comment: 7. CARB should remove all provisions 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 261.¹³ 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. (15d-014.16)

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>.

Comment: 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 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 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. (15d-021.1)

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.

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).

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>.

Comment: 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. (15d-021.15)

Agency Response: No changes were made in response to these comments. The Regulation and the controlling statutes are consistent with applicable constitutional and statutory authorities and requirements. The regulatory requirements are narrowly tailored to achieve the purposes of Health and Safety Code sections 38532 and 38533. This includes restricting applicability to U.S.-based business entities that meet the revenue threshold and are doing business in California. Applicability is non-discriminatory and limited to business entities with a meaningful economic nexus to California. The Regulation adopts well-known applicability requirements already codified in California law. Using these applicability provisions ensures that the Regulation applies only to business entities with substantial economic connections to California, and ensures that the Regulation is not unduly burdensome in relation to the state's substantial interest in obtaining accurate climate-related disclosure information necessary to implement the statutes.

In addition, while the Regulation establishes the framework by which fees will be assessed under Health and Safety Code sections 38532 and 38533, and defines key terms such as (1) revenue, and (2) doing business in California, to clearly determine which business entities will be subject to the Regulation, it does not establish any reporting requirements for Health and Safety Code section 38533. The reporting requirements of Health and Safety Code section 38533 are established in statute and do not require a separate rulemaking.

On November 18, 2025, the Ninth Circuit Court of Appeals issued an order temporarily enjoining enforcement of Health and Safety Code 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

or for failing to pay the fee. CARB will provide further information on compliance, including an alternate date for reporting, as appropriate, after the appeal is resolved.

Regarding comments concerning the Standardized Regulatory Impact Assessment (SRIA), this Regulation is not a major regulation requiring a SRIA under Government Code section 11346.3. The SRIA threshold is evaluated based on the economic impact of the specific regulation being adopted (here, a first-year reporting deadline and essential associated provisions), not the hypothetical compliance costs associated with implementing the underlying statutes in future years (which will involve a future rulemaking for post-2026 reporting, for which a SRIA was prepared). The Regulation being finalized here establishes fees, foundational definitions, and a first-year reporting deadline for Health and Safety Code section 38532. The modifications made in the 15-Day Change provide further clarity regarding these existing provisions and requirements but do not materially change the scope or requirements of the Regulation or impose new costs. Therefore, the only non-negligible direct costs imposed by this Regulation remains to be the program fees, which total approximately twenty million dollars annually, well below the fifty-million-dollar annual threshold for a major regulation.

CARB respectfully disagrees with the comment asserting that this Regulation imposes substantial costs associated with determining applicability, recordkeeping, reporting, and other compliance requirements. First, costs associated with determining applicability are negligible as the Regulation relies on objective, well-established criteria that are based on existing California Revenue and Taxation Code and existing corporate tax reporting practices, which provide a clear and administrable basis for determining applicability for reporting and fee payment requirements. The information needed to determine applicability is already available to business entities as part of financial records and maintained in the ordinary course of business for business and tax purposes. Second, costs associated with the recordkeeping requirements are negligible because reporting entities and covered entities, by definition, file corporate tax filings in California, and the recordkeeping requirements simply require them to retain existing records consistent with standard business practices. Third, costs associated with the first-year reporting requirements are negligible because Section 96076 of the Regulation allows reporting entities to submit their prior fiscal year's Scope 1 and Scope 2 emissions that can be determined from information they already possessed or were collecting on or before December 5, 2024. Reporting entities that did not possess or were not collecting Scope 1 or Scope 2 emissions information on or before December 5, 2024, may instead submit a statement on company letterhead indicating that they are not submitting a report because they did not possess or were not collecting such information on or before December 5, 2024.

P Out of Scope

P-1 Unique Comment: Against Separate Fees for Subsidiaries

Comment: 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. (15d-016.10)

Agency Response: No changes were made in response to this comment. This comment is out of scope of the modifications made to the Regulation through the 15-Day Notice. CARB nevertheless provides the following response for informational purposes. CARB considered this alternative per-report fee structure. However, CARB determined that this alternative is inconsistent with statutory language.

Health and Safety Code sections 38532 and 38533 explicitly require that each "reporting entity" and "covered entity" pay an annual fee to the State Board, and the Regulation follows such statutory direction. Consistent with how applicability is assessed at the individual business entity level to determine whether a business entity is in scope, fee assessment follows the same approach. Fee liability is tied to each individual business entity's applicability, rather than to the number of reports submitted. While consolidated reporting at the parent company level is permitted to reduce reporting burden for reporting entities and covered entities, it does not alter which business entities are subject to the Regulation or their corresponding fee obligations.

P-2 Unique Comment: Applicability Dispute

Comment: 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. (15d-017.4)

Agency Response: No changes were made in response to this comment. This comment is out of scope of the modifications made to the Regulation through the 15-Day Notice. CARB nevertheless provides the following response for informational purposes. Each business entity is responsible for determining whether it is in scope. The Regulation relies on objective, well-established criteria that are based on existing

California Revenue and Taxation Code and existing corporate tax reporting practices, which provide a clear and administrable basis for determining applicability for reporting and fee payment requirements.

Because applicability determinations are made by each business entity, a formal dispute process for both applicability status and fee assessment is unnecessary. CARB remains committed to supporting a smooth phase-in and good-faith compliance during the initial implementation period.

P-3 Unique Comment: Legal Defense Fees in Required Revenue Definition

Comment: 8. CARB should remove legal defense fees from the definition of “required revenue.”

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.” (15d-014.17)

Agency Response: No changes were made in response to this comment. This comment is out of scope of the modifications made to the Regulation through the 15-Day Notice. CARB nevertheless provides the following response for informational purposes. The Regulation is consistent with applicable law, including constitutional, statutory, and other requirements. As demonstrated by the record and as required by Health and Safety Code sections 38532 and 38533, the fee amount is no more than necessary to cover the actual and reasonable costs of the governmental activity, and the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity.

CARB respectfully disagrees with the argument that the fee amounts cannot cover legal defense costs. Legal defense is an essential part of program administration and implementation, as any program may face legal challenge and incur legal costs in carrying out the program. Litigation challenges to agency actions in recent years have

increased substantially and in this instance, there is already litigation pending. Furthermore, legal defense costs are a normal part of program implementation fee amounts, including in CARB's AB 32 Cost of Implementation Fee Regulation. (See 17 California Code of Regulations section 95203(a)(2).) Given legal defense costs are directly related to implementing the statutory programs, given that legal challenges can be a considerable agency cost burden for new statutory programs, given there is litigation already pending, and given the established practice of including them as part of program implementation costs, the inclusion of legal defense costs in the fee is necessary.

P-4 Unique Comment: Exemption Request for Paint and Coatings Industry

Comment: 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 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. (15d-019.1)

Agency Response: No changes were made in response to this comment. This comment is out of scope of the modifications made to the Regulation through the 15-Day Notice. CARB nevertheless provides the following response for informational

purposes. Health and Safety Code sections 38532 and 38533 define key applicability-related terms of “reporting entity” and “covered entity.” As approved by CARB, categorical exemptions are only established for entities that are either not profit-seeking or subject to existing corporate climate disclosure requirements to limit duplicative reporting efforts in greenhouse gas (GHG) emissions and climate risk reporting. The paint and coatings industry operators that meet the applicable revenue thresholds, doing business in California criteria, and U.S.-based requirement remain subject to Health and Safety Code sections 38532 and 38533.

These climate reporting disclosures are new in scope and distinct from existing air quality or toxics reporting and fee requirements applicable to the paint and coatings industry. While CARB seeks to streamline program implementation and coordinates extensively with other state agencies and the air districts where feasible to minimize administrative burden and duplicative requirements, this Regulation addresses specific climate-related disclosure objectives as mandated by Health and Safety Code sections 38532 and 38533. The Regulation is information-based and does not require any actual mitigation of GHG emissions.

P-5 Multiple Comments: Fee Assessment Concerns

Comment: 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. (15d-017.3)

Comment: 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.

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. (15d-019.4)

Agency Response: No changes were made in response to these comments. These comments are out of scope of the modifications made to the Regulation through the 15-Day Notice. CARB nevertheless provides the following response for informational purposes. Initial estimates set forth in the rulemaking package of the number of reporting entities and covered entities and associated fee levels were based on the best available data at the time of publication, to provide the public with the best available information at that time. Each business entity is ultimately responsible for determining whether it is subject to the Regulation based on the applicability provisions in the regulatory text. CARB will issue a detailed, updated fee calculation and associated invoicing following the November 10, 2026, reporting deadline. This approach ensures that CARB has sufficient information and capacity to identify reporting entities and to establish and administer fees in a manner consistent with statutory requirements. As set forth in section 96075(d) of the Regulation, CARB may also contract with outside entities to assist with any data gaps encountered.

Regarding comments concerning Proposition 26, CARB clarifies that the Administrative Procedure Act requires agencies to explain the applicable statutes that authorize the regulatory proposal. In any event, CARB respectfully disagrees these comments concerning Proposition 26, and no changes are needed. As demonstrated

by the record and as required by Health and Safety Code sections 38532 and 38533, the fee amount is no more than necessary to cover the actual and reasonable costs of the governmental activity, and the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity. Any excess revenue is not permanently retained, as the rollover would be factored into the budget for the following year. The fee structure only reimburses actual and reasonable costs, as the amount of money spent each year is the sum adopted by the Legislature. Therefore, the fee is not a tax under California law.

One commenter requested that CARB delay fee collection until 2027. However, Health and Safety Code sections 38532 and 38533 require CARB to assess annual fees for both reporting entities and covered entities beginning in 2026. Consistent with this statutory direction, CARB will assess fees in 2026 as required.

Health and Safety Code sections 38532 and 38533 require that each "reporting entity" and each "covered entity" pay an annual fee to the State Board for program administration and implementation, without regard to the reporting entity's or covered entity's California-based emissions. The Regulation implements this statutory direction.

Regarding the per-report fee structure, please refer to Agency Response P-1.

P-6 Unique Comment: Fiscal Year Cutoff Date

Comment: 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.

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 (15d-014.3)

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-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.

Agency Response: No changes were made in response to this comment. This comment is out of scope of the modifications made to the Regulation through the 15-Day Notice. CARB nevertheless provides the following response for informational purposes. The November 10, 2026, deadline was established to ensure that all reporting entities have at least nine months from the close of their respective fiscal year end to prepare and submit first-year reports, consistent with Section 96076 of the Regulation. The proposed February 1 fiscal year-end cutoff supports this minimum preparation window across reporting entities with varying fiscal year ends. In addition, Health and Safety Code section 38532(c)(2)(A)(i) requires that reporting entity submits its prior fiscal year's Scope 1 and Scope 2 emissions starting 2026.

To further support first-year implementation, the modifications to Section 96076 of the Regulation allow reporting entities to submit their prior fiscal year's Scope 1 and Scope 2 emissions that can be determined from information they already possessed or were collecting on or before December 5, 2024. Reporting entities that did not possess or were not collecting Scope 1 or Scope 2 emissions information on or before December 5, 2024, may instead submit a statement on company letterhead indicating that they are not submitting a report because they did not possess or were not collecting such information on or before December 5, 2024. This provides reporting entities with flexibility on submission of reports and reduces compliance burden.

P-7 Unique Comment: Recommendation of Good-Faith Mechanisms

Comment: 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. (15d-021.10)

³³ Health & Safety Code §§ 38532(f)(2)(A) and 38533(f)(2).

Agency Response: No changes were made in response to this comment. This comment is out of scope of the modifications made to the Regulation through the 15-Day Notice. CARB nevertheless provides the following response for informational

purposes. It is unnecessary to codify statutory penalty mitigation factors directly into the Regulation since Health and Safety Code sections 38532 and 38533 already outline the statutory parameters for assessing penalties and require the consideration of all relevant circumstances. CARB will consider these statutory criteria when exercising enforcement discretion and determining appropriate penalties. In addition, pursuant to the transparency requirements established by Senate Bill 1402 (Dutton, Chapter 413, Statutes of 2010), CARB is mandated to consider eight statutory factors when measuring the severity of a violation when imposing administrative or civil penalties across any of its programs, as outlined in CARB's existing enforcement policy. CARB will consider these statutory criteria and overarching mandates when exercising enforcement discretion and determining appropriate penalties. CARB remains committed to supporting a smooth phase-in and good-faith compliance during the initial implementation period.

Regarding the request for a formal, time-bound review process, written notice of nonpayment, and an opportunity to cure before penalties begin, the current regulatory structure is sufficient. The 60-day timeframe provides a reasonable timeframe for reporting entities and covered entities to review assessments, complete internal administrative processes, and remit payment following the fee determination notice date. The 60-day period balances the needs of the reporting entities and covered entities to complete their internal reviews with the agency's need to have its actual and reasonable costs covered. Furthermore, this timeframe and enforcement structure have precedent with the AB 32 Cost of Implementation Fee Regulation.

P-8 Unique Comment: Concerns Regarding Enforcement Authority

Comment: 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. (15d-016.8)

Agency Response: No changes were made in response to this comment. This comment is out of scope of the modifications made to the Regulation through the 15-Day Notice. CARB nevertheless provides the following response for informational purposes. CARB respectfully disagrees with the assertion that the enforcement provisions exceed its statutory authority. Health and Safety Code sections 38532 and 38533 expressly direct CARB to undertake rulemaking to implement and enforce the

programs created by those statutes. In addition, Health and Safety Code section 41513 explicitly authorizes the State Board to bring a civil action in the name of the people of the State of California to enjoin any violation of any rule, regulation, or order of the State Board. Because the Regulation is a rule or regulation of the State Board, Health and Safety Code section 41513 provides clear, express authority to seek injunctive relief to ensure compliance. The Regulation incorporates this administrative enforcement mechanism, which is consistent with other well-established regulatory programs across CARB. CARB clarifies that such injunctive actions will only be considered in limited circumstances.

Regarding the assessment of penalties based on each day of an alleged violation, treating each calendar day of noncompliance as a separate violation is a standard, established administrative enforcement mechanism utilized by CARB across its regulatory programs. This approach ensures that enforcement is equitable, provides a continuous incentive for prompt compliance, and appropriately addresses ongoing administrative lapses.

P-9 Unique Comment: Insurance Company Exemption

Comment: 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.

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 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. (15d-010.1)

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).

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

⁴ Id. at Slide 36.

Agency Response: No changes were made in response to this comment. This comment is out of scope of the modifications made to the Regulation through the 15-Day Notice. CARB nevertheless provides the following response for informational purposes. CARB acknowledges the concerns raised by the commenter. In section 96071(b) of the Regulation, CARB exempted business entities subject to regulation by the Department of Insurance in this state, or that are in the business of insurance in any other state, from Health and Safety Code section 38532 for 2026 emissions reporting. The insurance exemption was appropriate for 2026, recognizing that requiring business entities in the business of insurance to report to CARB would have yielded no new emissions information being reported to California state agencies.

The approximately 1,700 entities in the business of insurance operating in California with more than \$100 million in underwriting are already required by the California Department of Insurance (CDI) to respond to the National Association of Insurance Commissioners (NAIC) survey on climate-related financial risk (<https://content.naic.org/sites/default/files/inline-files/2022RevisedStateClimateRiskSurvey.pdf>), which includes questions related to Scope 1, Scope 2, and Scope 3 emissions. For the subset of those entities that would have been subject to the Regulation, any insurer already collecting Scope 1 and Scope 2 emissions information for CDI would have simply submitted that same information to CARB. Without regulatory exemption in this first year, that business entity in the business of insurance would have been required to pay a fee to submit

this duplicative data to CARB. Any insurer not collecting data would have been covered by the Enforcement Notice (and not required to submit reporting to CARB in 2026), while also being required to pay the fee.

Following public feedback and Board discussion, the Board adopted the Regulation with no changes at the February 2026 CARB Board meeting. Based on public input, the Board's Resolution was amended to direct CARB to "coordinate with the California Department of Insurance in order to evaluate and propose future regulatory requirements, as appropriate, to include business entities in the business of insurance within the scope of Health and Safety Code section 38532, provided that they are not otherwise required to submit that emissions data to the California Department of Insurance."

The commenter argues that CARB lacks legal authority to exclude business entities in the business of insurance from 2026 emissions reporting. CARB respectfully disagrees. First, Health and Safety Code sections 38532 and 38533 expressly direct CARB to undertake rulemaking to implement and enforce the programs created by those statutes – which is precisely what CARB has done in the Regulation. (See Health and Safety Code sections 38532 and 38533.) Health and Safety Code section 38532 expressly authorizes CARB to "adopt or update any other regulations that it deems necessary and appropriate to implement this section." (Health and Safety Code section 38532(c)(4).) Health and Safety Code sections 39600 and 39601 also direct CARB to do such acts as may be necessary for the proper execution of CARB's powers and duties, and direct CARB to adopt regulations necessary for the proper execution of the powers and duties granted to CARB.

Here, many aspects of the statutory programs created by Health and Safety Code sections 38532 and 38533 necessitate further specificity and clarity through rulemaking – including the programs' applicability provisions. As part of the Regulation, CARB developed detailed applicability provisions and certain categories of business entities to which the Regulation is not applicable. These provisions are necessary to clearly identify which business entities are and are not subject to the Regulation. CARB developed additional provisions describing "revenue", "doing business in California", and other key applicability provisions, as well as specifying that the Regulation does not apply to certain entity types, including non-profit or charitable organizations; Federal, State and local government entities and government majority-owned entities; business entities whose only activity in California consists of wholesale electricity transactions; business entities whose only business in California is compensation or payroll expenses; and certain specified business entities in the business of insurance. (See proposed section 96071(b) of the Regulation.) These exemption categories for first-year (2026) Scope 1 and Scope 2 emissions reporting were identified by CARB as necessary for proper implementation of the programs created by Health and Safety Code sections 38532 and 38533.

CARB respectfully disagrees with the argument that exempting insurers from reporting under Health and Safety Code section 38532 is contrary to legislative intent. Neither

Health and Safety Code section 38532 nor the bill enacting it (SB 253) includes any provisions specific to insurers. Similarly, nothing in any of the ten available legislative analyses for SB 253 indicates legislative intent regarding insurers. In developing the Regulation, CARB reasonably sought to treat insurers consistently across the two programs that are the subject of this rulemaking, promoting regulatory consistency. Notably, the rest of the Regulation treats similar entity types the same across the greenhouse gas (GHG) reporting program under Health and Safety Code section 38532 and the climate-related financial risk reporting program under Health and Safety Code section 38533. In other words, the other exemptions and applicability provisions (beyond the statutory revenue thresholds) apply the same across those two programs. CARB's development of the Regulation is focused on 2026 reporting. CARB determined that for reporting year 2026, no additional Scope 1 and Scope 2 emissions information would be obtained from business entities in the business of insurance, as such entities would simply provide the same information to CARB as they would already report to CDI. Health and Safety Code section 38532(c)(2)(D)(i) states that the emissions reporting be structured in a way that minimizes duplication of effort. CARB is continuing to evaluate the program's applicability to business entities in the business of insurance for reporting years 2026 and beyond. As part of this effort, CARB will evaluate the existing NAIC survey reporting requirements under CDI in further considering whether to require the insurance industry to report their GHG emissions in future reporting years. As indicated at the February 2026 CARB Board meeting, CARB is open to receiving input across the entirety of CARB's newly initiated 2027 rulemaking concerning this same program, including revising the definitions and exemptions that were put forward as part of the Regulation.

P-10 Unique Comment: Liability Concerns

Comment: 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. (15d-014.15)

Agency Response: No changes were made in response to this comment. This comment is out of scope of the modifications made to the Regulation through the 15-Day Notice, as CARB did not include language limiting liability for reported information. CARB nevertheless provides the following response for informational purposes. CARB views its Regulation as providing increased transparency for California consumers, investors, and other stakeholders.

P-11 Unique Comment: Scope 3 Emissions in the Waste Sector

Comment: 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:

* Accessible table:

Scope	Emission Type	Data Sources	2018 Amount
Scope 1	Landfill Methane	CARB	8700000 MTCO ₂ e
Scope 1	Compost Emissions	CARB	400000 MTCO ₂ e
Scope 1	Fleet Emissions	CleanFleet.Net/TCR	825000 MTCO ₂ e
Scope 1	Shipping Emissions	Edgar & Associates, Inc.	1930000 MTCO ₂ e
Scope 2	Electrical Emissions	Edgar/TCR	124000 MTCO ₂ e
Scope 3	Avoided Emissions (Recycling and Composting)	WARM/CalRecycle	43980000 MTCO ₂ e
$\frac{\text{Avoided GHG Emissions (Scope 3)}}{\text{Direct GHG Emissions (Scope 1 and 2)}} = \frac{43980000}{11979000} = 3.7 \times$			

- 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.

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.

† Accessible table:

Scope	Emission Type	Calculated 2018 Emissions	Projected 2030 Emissions
Scope 1	Landfill Methane	8700000 MTCO ₂ e	3700000 MTCO ₂ e
Scope 1	Compost Emissions	400000 MTCO ₂ e	1060000 MTCO ₂ e
Scope 1	Fleet Emissions	825000 MTCO ₂ e	450000 MTCO ₂ e
Scope 1	Shipping Emissions	1930000 MTCO ₂ e	1800000 MTCO ₂ e
Scope 2	Electrical Emissions	124000 MTCO ₂ e	62000 MTCO ₂ e
Scope 3	Avoided Emissions (Recycling and Composting)	43980000 MTCO ₂ e	69780000 MTCO ₂ e
$\frac{\text{Avoided GHG Emissions (Scope 3)}}{\text{Direct GHG Emissions (Scope 1 and 2)}} = \frac{43980000}{11979000} = 3.7 \times \frac{69780000}{7072000} = 9.9 \times$			

'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. (15d-020.1)

Agency Response: No changes were made in response to this comment. This comment regarding Scope 3 emissions reporting is out of scope of the modifications made to the Regulation through the 15-Day Notice. CARB nevertheless provides the following response for informational purposes. The Regulation focuses on 2026 reporting and does not establish any Scope 3 emissions reporting requirements. Regulatory provisions regarding Scope 3 emissions reporting will be considered in an upcoming rulemaking.

P-12 Unique Comment: Recommend 90-Day Fee Payment Timeline

Comment: 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. (15d-017.5)

Agency Response: No changes were made in response to this comment. This comment is out of scope of the modifications made to the Regulation through the 15-Day Notice. CARB nevertheless provides the following response for informational purposes. CARB recognizes that reporting entities and covered entities may need to complete internal reviews and payment processing prior to remittance. However, the 60-day period was chosen because it balances the needs of the reporting entities and covered entities to complete their internal reviews and process payments with CARB's need to cover its actual and reasonable costs. Furthermore, this timeframe has precedent with the AB 32 Cost of Implementation Fee Regulation. The 60-day timeframe provides a reasonable timeframe for reporting entities and covered entities to process payments following the fee determination notice date.

P-13 Unique Comment: Request Fee Process Clarification

Comment: 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. (15d-016.11)

Agency Response: No changes were made in response to this comment. This comment is out of scope of the modifications made to the Regulation through the 15-Day Notice. CARB nevertheless provides the following response for informational purposes. Initial estimates set forth in the rulemaking package of the number of reporting entities and covered entities and associated fee levels were based on the best available data at the time of publication, to provide the public with the best available information at that time. Each business entity is ultimately responsible for

determining whether it is subject to the Regulation based on the applicability provisions in the regulatory text. CARB will issue a detailed, updated fee calculation and associated invoicing following the November 10, 2026, reporting deadline. This approach ensures that CARB has sufficient information and capacity to identify reporting entities and to establish and administer fees in a manner consistent with statutory requirements.

P-14 Multiple Comments: Subsequent Health and Safety Code Section 38523 Rulemaking

Comment: 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 (15d-007.7)

Comment: We encourage CARB to create a mechanism to address company specific questions, especially as assurance requirements go into effect. (15d-008.6)

Comment: 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. (15d-008.7)

Comment: 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. (15d-009.3)

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

Comment: 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. (15d-009.4)

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-progressupdate-white-paper>

Comment: 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. (15d-011.3)

Comment: 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.

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. (15d-012.1)

Comment: CARB should also recognize group-level assurance where it covers the relevant emissions data under accepted assurance standards.

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. (15d-012.3)

Comment: 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.

- 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. (15d-015.6)

Comment: Accordingly, CMTA respectfully requests that CARB:

- 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. (15d-016.4)

Comment: 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 (15d-018.1)

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_lands/.

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>.

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:eDsB0-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).

Comment: 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.

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. (15d-021.14)

³⁸ See CARB, SB 253 Public Workshop: California Corporate Greenhouse Gas Reporting Program, slide 13 (Mar. 23, 2026).

Agency Response: No changes were made in response to these comments. These comments are out of scope of the modifications made to the Regulation through the 15-Day Notice. CARB nevertheless provides the following response for informational purposes. CARB acknowledges these technical insights and will consider them during an upcoming rulemaking focusing on reporting requirements for 2027 and beyond pursuant to Health and Safety Code section 38532. In developing those requirements, CARB will consider alignment and interoperability with existing standards and frameworks while ensuring consistency with the reporting requirements set forth in Health and Safety Code section 38532.

P-15 Unique Comment: Separate Violations Per Day and Administrative Penalty Caps

Comment: 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. (15d-017.6)

Agency Response: No changes were made in response to this comment. This comment is out of scope of the modifications made to the Regulation through the 15-Day Notice. CARB nevertheless provides the following response for informational purposes. CARB confirms that the late fee penalty provision is necessary to deter noncompliance and that a late fee penalty provision feature is consistent with other fee regulations implemented by CARB. The fee component of the Regulation is essential to implementation of the overall statutory program, as reflected in the statute's direction that CARB "shall set the fee...in an amount sufficient to cover the state board's full costs of administering and implementing" the program. (See Health and Safety Code section 38532(c)(2)(G)(ii).) Health and Safety Code sections 38532(f) and 38533(f) mandate that CARB establish late fees through regulation. Establishing late fees and penalties helps ensure that fees are paid in time to fund program administration and implementation. This also allows CARB to recover additional administrative costs that would potentially be incurred due to delayed payments from noncompliant reporting entities and covered entities that fail to demonstrate good faith compliance efforts. Identifying a late fee payment and assessing a violation for each day that noncompliance continues to occur are common enforcement mechanisms used to address noncompliance and to provide an incentive for quickly returning to compliance.

CARB's regulatory and associated enforcement authority is specified in the Health and Safety Code. As noted above, Health and Safety Code sections 38532 and 38533 direct CARB to undertake rulemaking to implement and enforce the programs created by those statutes – which CARB has done in the Regulation. (See Health and Safety Code sections 38532 and 38533.) Health and Safety Code section 38532 expressly authorizes CARB to “adopt or update any other regulations that it deems necessary and appropriate to implement this section.” (Section 38532(c)(4).) Health and Safety Code sections 39600 and 39601 also direct CARB to do such acts as may be necessary for the proper execution of CARB's powers and duties, and direct CARB to adopt regulations necessary for the proper execution of the powers and duties granted to CARB. The Regulation's penalty structures and calculation methods appropriately refer to applicable statutes and established case law to provide transparency and an effective deterrent to noncompliance. Max penalty amounts are found in the underlying statutes of Health and Safety Code sections 38532 and 38533 and will be imposed and recovered through the administrative hearing process pursuant to Articles 3 and 4 of Subchapter 1.25 of Chapter 1 of Division 3 of Title 17 of the California Code of Regulations. As with all CARB enforcement actions, CARB works to ensure that any penalties sought are equitable and consistent with applicable law and CARB's Enforcement Policy.

CARB further notes that reporting entities and covered entities that are subject to the Regulation that fail to report and pay the required fee may be subject to separate violations consistent with applicable statutory authority and the Regulation. However, during the initial implementation phase, CARB is focused on supporting reporting entities and covered entities in achieving compliance and encouraging them to demonstrate first-year good-faith compliance efforts.

P-16 Unique Comment: Workshop Comment Period

Comment: 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. (15d-011.2)

Agency Response: No changes were made in response to this comment. This comment addresses the public comment process and timelines associated with pre-rulemaking public workshops for an upcoming rulemaking and is out of scope of the modifications made to the Regulation through the 15-Day Notice. CARB nevertheless provides the following response for informational purposes.

CARB values stakeholder engagement and notes that feedback gathered during public workshops informs Staff in developing future regulatory proposals. CARB maintains active consultation with a robust group of stakeholders, including reporting entities, investors, consumer interest stakeholders, environmental justice stakeholders, the Attorney General's Office, and other government stakeholders. Stakeholders will have further opportunities to review proposals and submit formal public comments during subsequent rulemaking actions for the program.

P-17 Unique Comment: Request for Reporting Data Based on Calendar Year

Comment: 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.

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. (15d-005.1)

Agency Response: No changes were made in response to this comment. This comment is out of scope of the modifications made to the Regulation through the 15-Day Notice. CARB nevertheless provides the following response for informational purposes. Health and Safety Code section 38532 explicitly requires the reporting period to be the reporting entity's prior fiscal year. Regarding the concerns about reporting boundary changes and base year recalculations, these will be considered in future rulemaking.

P-18 Unique Comment: Use of Data

Comment: 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. (15d-014.9)

Agency Response: No changes were made in response to this comment. This comment is out of scope of the modifications made to the Regulation through the 15-Day Notice. CARB nevertheless provides the following response for informational

purposes. CARB is committed to implementing Health and Safety Code section 38532 in a manner that fulfills the statutory goals of providing increased transparency for California consumers, investors, and other stakeholders. While CARB has a process for considering confidential business information, air pollution emissions data itself is public under California Government Code section 7924.510. Consistent with legislative intent, the reported emissions will be made publicly available to provide a comprehensive view of corporate greenhouse gas emissions and climate-related financial risks.