To: California Air Resources Board January 5, 2024

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

Thank you for this opportunity to submit feedback on the implementation of SB 253 and SB 261. As a former climate disclosure consultant and now educator at UCLA Extension, I have been following the progress of this legislation with much interest.

Below are my responses to the questions you posed:

**General: Applicability**

**1a.** Yes, for simplicity's sake, aligning the definition with the existing one in the Tax Code is a logical and efficient approach.

**1b.** Yes, I believe that all large entities—regardless of their legal or tax status—should be required to measure and disclose their GHG emissions and assess their climate risks. This would provide regulators and the public with the necessary visibility into these critical attributes, including both federal and state governments.

**1c.** Yes, I don't see any reason to make exceptions for those entities.

**1d.** Yes, I don't see any reason to make exceptions for those entities either.

**2a.** CARB can utilize data aggregators such as Bloomberg, S&P Global, and CB Insights to gather relevant information.

**2b.** If a subsidiary reports as part of a larger group, the responsibility should fall on the reporting entity to inform CARB about the parent company's reporting structure.

**General: Standards in Regulation**

**3a.** I believe the GHGP and TCFD standards effectively address California-specific needs. Since GHGP is currently undergoing substantial revisions, CARB must ensure that any updates are appropriately incorporated into reporting requirements for companies. The onus should be on companies to follow the latest available guidance.

**3b.** CARB should ensure interoperability between frameworks, as SB 253 and SB 261 already establish this. If a reporting entity submits a report under an equivalent framework, prepared with the same level of rigor, it should be allowed to use that report to meet its California filing obligations.

**3c.** Yes. For example, companies should have the flexibility to choose between the market-based or location-based method for Scope 2 accounting. Consistency in application will be essential.

**General: Data Reporting**

**4.** Compliance costs vary greatly depending on a range of factors, e.g. whether reporting is carried out in-house or outsourced, the company's industry and the complexity of its supply chain, its reporting maturity, use of carbon accounting software etc. Preparation of GHG inventory across all 3 scopes when outsourced can cost anywhere between $20,000 and $100,000. Research organizations such as Verdantix may be able to provide specific benchmarks.

**5.** Given that infrastructure and expertise already exists elsewhere, I would lean towards advocating for this activity to be contracted out.

**6.** The Climate Registry, CDP.

**SB 253: CCDAA**

**7.** I believe that generally CARB should retain flexibility, as many companies will either fulfill their obligations through filings made in other jurisdictions or will prepare disclosures aligned with the requirements of those jurisdictions.

I would recommend mandating the use of the Partnerships for Carbon Accounting Financials (PCAF) framework for financial institutions.

I would also like to offer a specific comment on financed emissions. Companies, regardless of sector, should account for all material categories of Scope 3 GHG emissions. For non-financial entities, this includes accounting for financed emissions (Scope 3, Category 15), if material. I recommend that CARB clarify this point, as the current Scope 3 standard is ambiguous and may lead companies to incorrectly assume that this category applies only to financial institutions.

**8a.** There isn't a shortage of providers of assurance services - from large accounting firms to small service providers.

**8b.** Using the existing MRR definition makes a lot of sense.

**9c.** Annual.

**9d.** Typically in the April-June timeframe after the end of the year (assuming calendar year end).

**9e.** There is a plethora of carbon accounting software providers (more than 100, in fact). Some names include Persefoni, Watershed, Workiva, Sweep and Greenly. Some companies still use

Excel spreadsheets but these will become inadequate once information has to be independently assured.

**SB 261: CRFRD**

**10.** A timeframe of 6 months after the second year of reporting is sufficient for companies to prepare and perform assurance.

**11.** A standardized reporting year would enable for higher comparability.

**12.** If I am not mistaken, this is a question about comparative disclosures. Given the tight timeframe for companies to report climate risks under SB 261 for the first time, I would recommend an exemption for producing comparative data.

**13f.** Reporting on climate risks to the CDP, often for the purposes of providing data to their investors and large customers.

**13g.** Very few entities disclose financial quantification of climate risks, as it is common for them to conclude such risks are not financially material. CARB needs to produce guidance on how companies should assess whether a risk is financially material. It can use federal case law and/or PCAOB pronouncements as a basis for such guidance.

**13h.**

- Out of 11 recommendations, most companies only report around 5 (according to the TCFD 2023 Status Report). CARB should mandate disclosure in accordance with all 11 recommendations, subject to materiality for certain disclosure pillars
- Quantification of financial risks is often missing
- Scenario analysis is often conducted by taking commonly used scenarios (e.g. IEA, NGFS) and picking the best case scenario and worst case scenario ("bookending"), without considering whether such scenarios are appropriate, and whether these scenarios use inputs and assumptions that align with management's beliefs. I recommend CARB mandates disclosure of the basis of scenario selection and the basis on which management obtained comfort with regards to assumptions and inputs
- Companies tend to take an idiosyncratic view of climate risks, often without considering the broader global picture (e.g., global GDP loss due to climate change) or the downstream and second-order effects (e.g., impacts on future insurance availability)

**13i.** I am not aware of any in the US.

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