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Good.Lab's Feedback on the Implementation of California's Senate Bills 253 and 261

Dear California Air and Resources Board,

On behalf of Good.Lab, a sustainability software and services provider based in California, advising companies on greenhouse gas (GHG) emissions management, climate-related risks assessment, and compliance with evolving ESG regulations, we appreciate the opportunity to provide feedback on the implementation of California's Climate Rule Senate Bills 253 and 261 (now under SB219), which represent a significant step toward critical climate accountability and transparency.

As a company that works with clients across industries to measure, report, and reduce emissions and assess climate risks and opportunities, we recognize the importance of these policies in driving sustainable business practices. We support the formation of these bills under CARB's leadership. Our comments aim to ensure that CARB's implementation approach minimizes compliance burdens on reporting companies while maximizing the intended transparency and climate impact.

Good.Lab appreciates CARB's leadership in implementing these critical climate disclosure regulations. We believe that a pragmatic, flexible, and globally relevant approach to reporting will enable companies to comply effectively while achieving the transparency goals of SB 219. As a California-based sustainability company, we are committed to supporting businesses in meeting their climate disclosure obligations, whether voluntary or mandated. We look forward to California's climate rule bringing more transparency and consistency to reporting in the US.

In addition to the responses below on behalf of Good.Lab. We welcome the opportunity to provide further input and collaborate with CARB in this important effort.

Submitted by: Good.Lab https://getgoodlab.com/

Signed: Good.Lab CSO Ted Grozier

Ted Grozier

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General Applicability

1. SB 253 and 261 both require an entity that "does business in California" to provide specified information to CARB. This terminology is not defined in the statutes

a. Should CARB adopt the interpretation of "doing business in California" found in the Revenue and Tax Code section 23101?

Response: Adopting the definition from Revenue and Tax Code section 23101 provides a clear, established legal framework that can reduce confusion. This definition defines how companies are considered to be doing business in the state and reflects that companies are benefitting from being in the state and should disclose their climate risks and emissions. However, CARB should ensure this definition is clear for distinct types of businesses, be they online or physical sales, etc.

b. Should federal and state government entities that generate revenue be included in the definition of a "business entity" that "does business in California?"

Response: If a federal or state government entity is generating revenue in the state of California, we believe that it should be considered as a business entity doing business in California, as they are benefiting from California residents. Therefore, the public deserves to know the climate risks and emissions of those entities.

c. Should SB 253 and 261 cover entities that are owned in part or wholly owned by a foreign government?

Response: Considering foreign companies are not covered under SB 253 and 261, it may make little sense for entities owned or part-owned by foreign governments to report.

d. Should entities that sell energy or other goods and services in California through a separate market, like the energy imbalance market or extended day-ahead market, be covered?

Response: If U.S. entities benefit from selling energy goods or services on the California market via any separate indirect market, they should still be covered by SB 253 and 261, as they benefit from the California market and should come under its regulations.

2. What are your recommendations on a cost-effective manner to identify all businesses covered by the laws (i.e., that exceed the annual revenue thresholds in the statutes and do business in California)?

a. For private companies, what databases or datasets should CARB rely on to identify reporting entities? What is the frequency by which these data are updated, and how is it verified?

Response: We do not have a specific opinion on this matter.

b. In what way(s) should CARB track parent/subsidiary relationships to assure companies doing business in California that reports under a parent are clearly identified and included in any reporting requirements?

Response: We do not have a specific opinion on this matter.

General: Standards in Regulation

3. *CARB is tasked with implementing both SB 253 and 261 in ways that would rely on protocols or standards published by external and potentially non-governmental entities.*

a. How do we ensure that CARB's regulations address California-specific needs and are kept current, and stay in alignment with standards incorporated into the statute as these external standards and protocols evolve?

Response: CARB should ensure alignment with existing standards, such as the GHG Protocol, TCFD, and ISSB while ensuring they are adapted to fit California's specific needs (e.g., wildfire risks). A California-specific standard should be created and aligned with the structure of the ISSB as the baseline. It should also be regularly reviewed and updated to align with global standards as they evolve.

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

Response: The ISSB has become the global baseline for sustainability reporting and is interoperable with most other major reporting standards and frameworks. By aligning with ISSB standards, CARB ensures that reporting will be aligned with other global reporting mandates and reduces duplicative reporting.

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

Response: Yes, to ensure consistency and comparability, companies should use the same reporting method year over year. However, companies should be allowed flexibility based on the evolution of external standards.

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General: Data Reporting

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

Response: Several factors go into the cost of compliance:

- Sector and company size
- Climate reporting maturity
- Level of assurance (limited or reasonable)
- Existing data collection processes and expertise

To assess the cost of compliance, CARB should consider these factors along with research conducted by ERM on the cost of climate disclosure for the SEC's climate rule[1] and from Duke that looked at the voluntary costs of climate disclosure in line with the TCFD[2].

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

Response: Give companies the option to report directly to CARB, CDP, or publicly in line with internationally recognized standards like the TCFD and ISSB to reduce reporting burdens and duplicative efforts.

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

Response: If CARB does contract out a reporting service, we believe it should be a non-profit, like CDP, to ensure impartiality and avoid conflicts of interest.

SB 253: Climate Corporate Data Accountability Act

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

Response: To ensure clarity and consistency in reporting, CARB should standardize and give clear direction on aspects of Scope 1, 2, and 3 emissions that are open to interpretation in the GHG Protocol, such as operational boundaries, Scope 3 boundaries, offsets, avoidance, emissions factors, and use of estimates and whether market-based or location-based is needed for Scope 2.

8. *SB 253 requires that reporting entities obtain "assurance providers." An assurance provider is required to be third-party, independent, and have extensive experience in measuring, analyzing, reporting, or attesting in accordance with professional standards and applicable legal and regulatory requirements.*

a. For entities required to report under SB 253, what options exist for third-party verification or assurance for scope 3 emissions?

Response: SB 253 requires independent assurance providers with expertise in emissions reporting and attestation, the assurance firm should be accredited with the International Standard on Quality Management 1 or an equivalent. Accounting firms are well-suited to meet these rigorous standards while ensuring compliance with professional and regulatory requirements.

Scope 3 emissions pose unique challenges due to limited visibility into global supply chains. Assurance providers must account for these limitations by incorporating estimates, as permitted under GHG Protocol Scope 3 standards, to ensure a reliable and credible verification process.

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

Response: The ISSA 5000 is considered the global baseline for sustainability assurance and should be the standard used to define limited and reasonable assurance under SB 253. The current definition of "reasonable assurance" under California's Mandatory Reporting Regulation (MRR) is acceptable but should be expanded upon based on the guidance in ISSA 5000.

9. How should voluntary emissions reporting inform CARB's approach to implementing SB 253 requirements? For those parties currently reporting scopes 1 and 2 emissions on a voluntary basis:

c. What frequency (annual or other) and time period (1 year or more) are currently used for reporting?

Response: Most companies reporting Scope 1 and 2 emissions do so annually, in line with financial reporting or the submission timelines of their chosen reporting framework. Consideration should be given to companies that have fiscal years that do not align with the calendar year. These should be allowed to report based on their preferred 12-month period.

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

Response: All data from the previous year should be able to be collected within six months of the end of the fiscal year.

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

Response: Good.Lab offers a software platform that helps companies accurately calculate their Scope 1, 2, and 3 emissions for reporting, but there are many other platforms available.

SB 261: Climate-Related Financial Risk Disclosure

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

Response: Companies should be given the first half of the year to compile all their risks, opportunities, and other data in line with TCFD recommendations and an additional period for review and assurance. We recommend that the disclosure deadline be at the end of Q3 in the reporting year (September 30).

11. *Should CARB require a standardized reporting year (i.e., 2027, 2029, 2031, etc.), or allow for reporting any time in a two-year period (2026-2027, 2028-2029, etc.)?*

Response: CARB should require a standardized reporting year (e.g., 2027, 2029, 2031, etc.) to ensure consistency and comparability across reporting entities, streamline the review process, reduce the risk of delays or misaligned timelines, and simplify data aggregation in climate risk reports.

12. *SB 261 requires entities to prepare a climate-related financial risk report biennially. What, if any, disclosures should be required by an entity that qualifies as a reporting entity (because it exceeds the revenue threshold) for the first time during the two years before a reporting year?*

Response: Entities should be required to submit their first report in the next standardized reporting year after exceeding the revenue threshold. This ensures consistency with the standardized reporting cycle and provides adequate time for the entity to prepare its climate-related financial risk disclosures. It also avoids mid-cycle reporting, which could create confusion and inconsistencies in CARB's review process.

13. *Many entities that are potentially subject to reporting requirements under SB 261 are already providing other types of climate financial risk disclosures*

f. What other types of existing climate financial risk disclosures are entities already preparing?

Response: Many entities are already preparing climate financial risk disclosures through frameworks such as CDP, ISSB, and TCFD. Additionally, some entities comply with mandated frameworks, such as the EU Corporate Sustainability Reporting Directive (CSRD), UK Climate-Related Financial Disclosure

Regulations, and others.

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

Response: Entities typically use TCFD-aligned reporting and integrate climate risks into their financial disclosures.

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

Response: Many companies already align with TCFD. However, if there are any gaps, they are usually in the more complex aspects of TCFD, such as forward-looking information, scenario analyses, sector-specific data, and value chain disclosures.

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

Response: Yes, there are more than 30 jurisdictions now with some form of climate reporting regulation, most of which are built on the TCFD or the ISSB, which took over TCFD responsibilities in 2023.

Sources:

1. https://www.erm.com/about/news/survey-reveals-costs-and-benefits-of-climate-related-disclosure-for-companies-and-investors/
2. https://econ.duke.edu/sites/econ.duke.edu/files/documents/The%20Cost%20of%20Climate%20Disclosure.pdf?utm_source=chatgpt.com