March 21, 2025

Liane Randolph, Chair
California Air Resources Board
1001 I Street
Sacramento, CA 95814

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

Dear Chair Randolph:

The Outdoor Industry Association (OIA) and the California Outdoor Recreation Partnership (CORP) are pleased to submit feedback to inform implementation of California Climate-Disclosure Legislation: Senate Bills 253 and 261, as amended by SB 219. Please see the attached feedback. We look forward to continuing to work with the California Air and Resources Board on the implementation of these landmark laws. For any questions on the contents of this document, please contact Julie Brown, Director of Sustainable Business Innovation at OIA, at jbrown@outdoorindustry.org, and Lexie Gritlefeld, Director of CORP, at lexie@californiaoutdoor.org.

Sincerely,

Kent Ebersole
President
Outdoor Industry Association

Lexie Gritlefeld

Lexie Gritlefeld
Director
California Outdoor Recreation Partnership

About Outdoor Industry Association

Based in Boulder, Colo., with offices in Washington, D.C., Outdoor Industry Association (OIA) is a catalyst for meaningful change. A member-based collective, OIA is a passionate group of business leaders, climate experts, policy makers and outdoor enthusiasts committed to sustainable economic growth while protecting – and growing access to – the benefits of the outdoors for everyone. For more than 30 years, OIA has catalyzed a thriving outdoor industry by supporting the success of every member company across four critically aligned areas: market research, sustainability, government affairs, and inclusive participation. OIA delivers success for its members through education, events, and business services in the form of solutions and strategies, consultation, collaboration, and opportunities for collective action. For more information, visit outdoorindustry.org.

About the California Outdoor Recreation Partnership

California is home to the nation's largest active outdoor industry economy, contributing $81.5 billion spending annually and 545,448 direct jobs, while supporting active lifestyles, community health and wellness, and a shared love for California's majestic outdoors. California Outdoor Recreation Partnership (CORP) represents over 80 companies and organizations within California and advocates for policy and funding in support of the active outdoor recreation industry. CORP educates legislators about the role that our industry plays in improving economic opportunity, community health and welcoming a diversity of outdoor enthusiasts across our great state. In this capacity, we look forward to further working with you.

Please note: OIA and CORP's responses are noted by italicized font.

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?

Yes.

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

No, the government should be exempt. However, government contractors should be included in the definition of a "business entity" that "does business in California."

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

Yes.

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

Yes.

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?

As the California Franchise Tax Board, under the California Government Operations Agency, administers and collects state corporate franchise and income tax in California, we recommend that the Franchise Tax Board is in charge providing a list of corporate qualifiers.

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

CARB should actively work with the California Franchise Tax Board to track and manage parent/subsidiary relationships. CARB should also align with the European Union's Corporate Sustainability Reporting Directive's (CSRD) reporting guidelines to manage parent/subsidiary relationships.

General: Standards in Regulation

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

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

We recommend that CARB aligns the reporting requirements under SB 253 for emission scopes with the GHG Protocol's Corporate Standard, the globally accepted accounting method for greenhouse gas reporting. For SB 261, we recommend that CARB replaces the reference to the Task Force on Climate-Related Financial Disclosures (TCFD) with a reference to the International Sustainability Standards Board (ISSB), which is overseen by the International Financial Reporting Standards Foundation (IFRS). This is due to the fact that on October 12, 2023, the TCFD fulfilled its remit and disbanded, and transferred the monitoring of progress of companies' climate-related financial disclosures to the IFRS.

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

We recommend that CARB aligns the reporting structure with the reporting framework established under EU CSRD. This will allow for efficient, streamlined compliance, and will not over-burden companies with multiple reporting requirements that seek the same results.

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?

We recommend that CARB aligns the reporting structure with the reporting framework established under EU CSRD. This will allow for efficient, streamlined compliance, and will not over-burden companies with multiple reporting requirements that seek the same results.

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?

We are not aware of a publicly available dataset that identify the costs for voluntary reporting. However, anecdotally, GHG emissions disclosures and climate risk reporting are timely and financially costly undertakings. Companies are required to hire highly trained full-time employees to complete their annual greenhouse gas accounting, and also purchase expensive greenhouse gas accounting software. Companies often have to purchase multiple different types of software in order to capture the full extent of their corporate GHG footprint. Companies will also often have to hire external consultants to help them catalogue and analyze their data. The cost of independently verifying corporate greenhouse gas emissions is also time consuming and costly.

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

The state should require reporting directly to CARB, unless the federal government enacts legislation that supersedes this legislation. In that case, reporting should be directed to the federal government.

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

N/A

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?

We believe CARB should maintain direct alignment with the GHG Protocol, and align reporting requirements for scope 1, 2, and 3 with the reporting requirements in EU CSRD.

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

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

The options that exist for third-party verification or assurance are validation and verification bodies (VVB) and private consultants.

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?

CARB will want to ensure that any VVB conducting assurance over Scope 1-3 have the appropriate accreditation and that the VVB team, folks doing the work outside of just the lead verifier have all the necessary accreditations/trainings. Assurance requirements should be aligned with EU CSRD assurance requirements, to ensure consistency across reporting requirements.

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?

Companies in the outdoor industry that voluntarily report their scope 1 and 2 emissions do so on an annual basis. Some companies report on a calendar year cycle, and some report on a fiscal year cycle. Both should be accommodated.

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

Data tends to be available four to five months after the calendar year or fiscal year ends. For example, most companies in the outdoor industry analyze their previous year's greenhouse gas data in the next calendar year Q1, and have their data ready between March and May of the next year. However, this varies depending on the company's bandwidth and greenhouse gas accounting experience and sophistication. Data should be submitted within 6 months after the end of the calendar year or fiscal year. This timeline does <u>not</u> include assurance.

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

Most outdoor industry companies use the following software for voluntary reporting: Microsoft Excel, Worldly Tools/Higg Index Tools, the Change Climate Project's BEE Tool, Sphera, Watershed, Quantis, and more. Most companies are using a combination of multiple tools to calculate their emissions.

SB 261: Climate Related Financial Risk Disclosure

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

The necessary timeline is a year. For example, 2025 reports should be submitted by the end of the year in 2026.

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.)?

CARB should allow for reporting anytime in a two-year period.

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

The disclosures required should align with the EU CSRD's financial disclosures.

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?

Entities are reporting financial-related risk disclosures under EU CSRD.

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

Framework permitted under EU CSRD.

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

No feedback.

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?

We recommend that CARB aligns with climate-related financial risk disclosure framework in EU CSRD. We recommend that CARB replaces the reference to the Task Force on Climate-Related Financial Disclosures (TCFD) with a reference to the International Sustainability Standards Board (ISSB), which is overseen by the International Financial Reporting Standards Foundation (IFRS). This is due to the fact that on October 12, 2023, the TCFD fulfilled its remit and disbanded, and *transferred the monitoring of progress of companies' climate-related financial disclosures to the IFRS.*

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

We recommend that CARB align regulations for SB 253 and SB 261 with EU CSRD, in order to ease reporting burdens for companies and their suppliers. CARB should look at the European Sustainability Reporting Standards (ESRS) for alignment, which must be used by all companies reporting under CSRD by mid-2026. CARB should also look at the guidance on interoperability of ESRS and ISSB standards.

CARB should also acknowledge and to the best of their ability, limit the "trickle down" impact of this legislation on smaller California companies that are out of scope of this regulation, but may indirectly be impacted by the scope 3 reporting obligations of in-scope companies.