Sonoma Clean Power

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March 19, 2025

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

Submitted Electronically – Corporate Climate Data Reporting and Financial Risk Programs Comment Docket

RE: Sonoma Clean Power Responses to the Information Solicitation to Inform Implementation of California Climate-Disclosure Legislation

To Chair Randolph and California Air Resources Board Staff,

Sonoma Clean Power Authority (SCPA) is the public power provider for Sonoma and Mendocino counties, serving a population of about a half-million. In downtown Santa Rosa, SCPA operates our Customer Center, dedicated to helping customers understand bills and learn how to transition to 100% renewable energy for their homes, businesses, and cars. SCPA is also the only power provider in California offering 100% 24/7 renewable energy generated purely from within its service territory. It is our goal to expand SCPA's renewable portfolio while advancing decarbonizing technologies for all our customers. SCPA is dedicated to evidence-based decision making, and we appreciate every opportunity to inform and support the State of California's achievement of its economy-wide carbon neutrality goals.

SCPA is pleased to provide feedback on the California Air Resources Board (CARB) Information Solicitation on the implementation of Senate Bill (SB) 253 and SB 261. SCPA sees this effort as a valuable means of both further understanding the significant roles that California's large economic entities play in global greenhouse gas (GHG) emissions and documenting anticipated climate-related financial risks; augmented carbon accounting and climate-related risk disclosure represent foundational attempts to evaluate the impacts of large business on the climate and economy. These approaches, if carefully designed and aligned with other key tools and frameworks, can offer insights into relative scales of environmental impact and may reveal new pathways to incorporate a wide range of public interests into economic valuation practices.

The overwhelming amount of data that will likely be submitted to CARB – in and of itself – presents distinct challenges to quality control, data management, and to any resulting accounting or analyses. SCPA recommends that CARB: (1) utilize information provided under this solicitation to identify the most usable and valuable data, (2) clearly state the types of entities required to report, and (3) set firm boundaries on the scope of information provided to standardize extrapolation of Scope 3 emissions when that data is otherwise unavailable or questionable, such as when coming from out of state or from foreign governments.

It is our belief that resulting regulations will be most impactful by focusing on setting clear boundaries on the types of information required by either SB 253 or SB 261, establishing practices to collect data with specific additional value, and leveraging existing industry standard data when specific values are dependent on cross-jurisdictional coordination or otherwise inaccessible.

Sonoma Clean Power understands the many challenges of managing complex supply chains across the energy sector. It is with this background that SCPA respectfully offers the appended replies to CARB's information solicitation. It is our hope that we may serve as a resource to CARB as the regulation continues to develop.

Thank you for your consideration. Please reach out at any time to discuss these comments, our responses, or any aspect of this regulation where we may be of service.

Sincerely,

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Appendix:
Responses to Requested Feedback:

1. ***Interpretation of "Doing Business in California"***

a. SCPA recommends that CARB adopt the definition of "doing business in California" as outlined in the Revenue and Tax Code section 23101. This definition generally provides clarity and consistency, making it easier for businesses to determine their obligations. The data needed here should focus on verified financial metrics, such as revenue and tax filings, which will allow CARB to accurately track entities operating in the state without unnecessary complexity.

b. SCPA believes that federal and state government entities should not be included in the definition of "business entity." These entities are fundamentally different from private sector businesses in terms of their operations, objectives, and revenue generation methods, and including them would likely translate to direct financial burden on the public. Use of Revenue and Tax Code section 23101 suggests that tax-exempt entities would be excluded from the scope of any resulting regulation, but SCPA recommends that CARB explicitly state that tax-exempt entities – such as public sector agencies and authorities – are excluded from the scope of this proceeding. SCPA also recommends that any excluded entities be offered a voluntary participation pathway, which would allow entities with governance structures to opt-in as capacity and budgets allow, but not without intentional consideration from a governing body tasked with protecting rate/taxpayers from increasing costs.

c. SCPA believes that while entities partially or wholly owned by foreign governments could rightfully be included in the definition of "business entity" if they meet the revenue threshold and do business in California, CARB should give careful consideration to the complexity of international regulations and the potential challenges in enforcing this requirement.

d. SCPA recommends that covered entities selling energy or other goods and services through markets like the energy imbalance market or extended day-ahead market be included, provided they meet the financial thresholds. However, CARB should clarify the specifics of this inclusion and enable the use of industry standard data where specific reporting becomes untenable for out-of-state generators unprepared or unwilling to report under California regulations. Estimates for Scope 3 emissions profiles for Electric Distribution Utilities, Electric Power Entities, and/or any relevant importers, exporters, or generators may be reasonably derived through required Cap-and-Trade and Mandatory Greenhouse Gas Reporting Regulations (MRR) when integrated with standardized emissions factors and industry lifecycle assessment database values; this may be obtained without raising the potential for complex inter-jurisdictional challenges.

2. ***Recommendations for Identifying Covered Businesses***

a. SCPA suggests that CARB rely on commercial databases, such as those from Dun & Bradstreet or S&P Global, to identify private companies meeting the revenue thresholds. These databases provide regularly updated and verifiable data, which will support CARB's efforts to ensure that businesses subject to reporting requirements are identified with consistency.

b. In addition, SCPA recommends that CARB establish protocols to account for parent and subsidiary relationships, to ensure transparency and avoid duplicative reporting across business units. CARB should require entities to report their parent/subsidiary relationships in a way that ensures clarity about which entities are included in the reporting requirements. This could be achieved by mandating disclosure of such relationships in annual filings or by cross-referencing with commercial database information.

3. ***California-Specific Standards***

a. To address California-specific environmental and climate goals, SCPA encourages CARB to incorporate localized data such as emissions factors and regional energy mixes in the reporting guidelines. This will help businesses, particularly those in energy, to align their reporting with the state's unique needs and priorities. It is critical that CARB develops standards that reflect California's specific climate challenges while allowing entities flexibility in meeting broader regulatory frameworks. Specifically, flexibility may be needed to estimate emissions from out-of-state generators, who may be unable or unwilling to provide the specific data identified by SB 253 or 261 reporting efforts.

b. SCPA urges CARB to avoid redundant reporting by leveraging existing frameworks, such as the California Greenhouse Gas Emissions Inventory or the California Climate Disclosure Program. Entities already participating in other programs would benefit from using previously-reported data to fulfill their obligations under SB 253 and SB 261; this would have a dual benefit of both reducing reporting burdens and promoting consistency within datasets.

c. SCPA recommends that CARB require entities to choose a specific reporting method and consistently apply it year-over-year to maintain data comparability. However, there should be flexibility for entities to adapt to significant changes in reporting requirements, organizational changes (such as acquisitions) or standards over time.

5. *Direct Reporting to CARB*

SCPA supports direct reporting to CARB, as this would provide a centralized, transparent system for emissions and climate-related financial disclosures. CARB's oversight would ensure consistency and accuracy, rather than contracting out to third-party organizations, which may lack the same level of accountability or alignment with state priorities.

7. *Standardizing Scope 1, 2, and 3 Emissions Reporting*

The reporting of Scope 3 emissions remains one of the most complex aspects of GHG reporting. SCPA suggests that CARB set clear guidelines on boundary-setting and apportionment methods for Scope 3 emissions. This would help businesses, particularly those with complex supply chains, ensure consistency and reduce duplicative efforts in data collection. Clear data boundaries should be established for indirect emissions, especially when data is not directly available or comes from less verifiable sources, such as foreign or out-of-state entities. Additionally, CARB should consider identifying a validated database or resource providing standardized industry emissions profiles that may be readily utilized by reporting entities in absence of specific Scope 3 values, or other challenges posed by entities like out-of-state generators or foreign governments.

8. *Third-Party Assurance for Scope 3 Emissions*

a. Third-party verification of Scope 3 emissions remains a challenge, given the indirect nature of these emissions. SCPA recommends that CARB develop flexible assurance standards, allowing for varying levels of assurance depending on the data's quality and availability.

b. The assurance process should focus on key emissions data, such as supply chain emissions and business travel, while acknowledging the limitations of reporting indirect emissions accurately. SCPA supports using the existing "reasonable assurance" standard from the MRR for consistency, but recognizes that Scope 3 emissions will require more granular approaches to define the level of assurance required.