March 20, 2025

Liane Randolph
Chair, California Air Resources Board
Submitted electronically

RE: Comments on Information Solicitation to Inform Implementation of California Climate-Disclosure Legislation

Dear Chair Randolph,

Thank you for the opportunity to provide comments on the solicitation to inform implementation of Senate Bills 253 and 261, issued on December 16, 2024. I am writing on behalf of Recology, one of the leading recycling, composting, and waste collection companies in the state.

Recology is an employee-owned resource recovery company based in San Francisco with subsidiaries across California, Oregon, and Washington. We provide curbside collection services to over 88 communities throughout Northern California, ranging from major cities and suburban communities to remote rural areas. We also operate composting and material recovery facilities throughout the state, helping the state meet its ambitious diversion and climate goals. Our roots trace back more than 100 years.

As a leader in sustainable resource recovery, Recology has been at the forefront of the state's push towards diversion of solid waste from landfill. In partnership with the City of San Francisco, we pioneered the first 3-bin system in any major U.S. city, and helped the city achieve the highest diversion rate of any major U.S. city. We have actively supported the cities and counties we serve in meeting the state's recycling mandates, including AB 939, AB 1826, AB 341, and SB 1383.

Recology was proud to support SB 253 and advocate for its passage during the legislative process. We applaud California's passage of these climate disclosure bills, which will provide much-needed data to help the state address climate change and will help the state understand the types of risk companies face from climate change and how they plan to adapt. Understanding more about how large companies both contribute to and help mitigate the effects of climate change is necessary to help protect Californians and our economy.

As a company that will be impacted by the new reporting requirements, we offer the following comments to help the state craft an appropriate and effective framework. We encourage CARB to make all efforts to provide guidance and clarity on the regulations as soon as possible to allow practitioners ample time to gather data, conduct reviews, and assemble reports in compliance with the intent and timelines of SB 253 and SB 261.

Sincerely,

Julia Mangin

Julia Mangin
Director of Sustainability & Government Affairs
Recology, Inc.

General: Standards in Regulation

Question 3a: How do we ensure 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?

CARB should monitor updates to selected third-party protocols/standards, including:

- GHG Protocol/ World Resources Institute (WRI)/World Business Council for Sustainable Development (WBCSD)
- The Climate Registry's General Reporting Protocol
- Task Force on Climate Related Financial Disclosure (TCFB)/International Sustainability Standards Board (ISSB)/International Financial Reporting Standards (IFRS) Foundation

Question 3b: 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?

CARB should allow flexibility in which reporting framework companies choose to use, and CARB should allow relevant previously approved versions of these protocols to be used for compliance. For example, if TCFD issued version 2 of their disclosure guideline in 2023, a reporting entity would be able to comply with the law by using either version 1 or version 2 to publish its 2024 report.

Question 3c: 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?

While companies should strive for consistent year-to-year reporting, the state should allow for flexibility as new reporting methods develop and additional resources can be dedicated to reporting over time.

General: Data Reporting

Question 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?

Cost of compliance for affected entities include:

- In-house labor
- Software
- Consultant support
- Assurance/verification
- Legal review
- Reporting fees

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

CARB should consider flexible options for data reporting to reduce redundant and duplicative reporting efforts across multiple voluntary and regulatory sustainability reporting requirements for organizations. For example, CARB may consider accepting disclosures for SB 253 and 261 posted on company websites or in the form of various frameworks and formats, such as PDFs or references to voluntary sustainability reports, TCFD disclosures, or final emissions reports from The Climate Registry.

<u>Question 6: If contracting out for reporting services, are there non-profits or private companies that already provide these services?</u>
CARB may consider contracting out to The Climate Registry, a California-based nonprofit organization leading in supporting organizations with emissions reporting and reductions, with founding ties to and experience with the State of California.

SB 253: Climate Corporate Data Accountability Act

<u>Question 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?</u>
CARB should allow entities to measure and report their emissions of greenhouse gases in conformance with the GHG Protocol or any other protocol that meets the standards of the GHG Protocol, such as The Climate Registry's (TCR) General Reporting Protocol (GRP). The GRP is based on the GHG Protocol but includes additional requirements and specific guidance tailored to TCR's reporting framework. For example, TCR provides more detailed sector-specific guidance and mandates independent verification for reported data. Entities should be allowed to report in conformance with either protocol to comply with SB 253.

<u>Question 8a: For entities required to report under SB 253, what options exist for third-party verification or assurance for scope 3 emissions?</u>
Consulting firms vary in cost, size, experience, and specialty (e.g., sustainability consulting/verification boutique firms vs The Big Four accounting firms). The pool of firms assuring scope 3 emissions is smaller than that of scope 1 and 2 emissions, though this supply seems to be steadily increasing. Limited assurance is practical for scope 3 emissions, but reasonable assurance would be extremely time and resource consuming for limited increased value.

<u>Question 8b: 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?</u>
CARB may consider using language directly from The GHG Protocol: "Limited assurance provides a 'negative opinion' that no errors were detected. Reasonable assurance provides a 'positive opinion' that all assertions are valid…The highest level of assurance that can be provided is a reasonable level of assurance. Absolute assurance is typically not provided since it is not feasible to test 100 percent of the inputs to the assessment."

<u>Question 9a: What frequency (annual or other) and time period (1 year or more) are currently used for reporting?</u>

Recology currently reports scopes 1 and 2 emissions voluntarily on an annual basis, based on the prior fiscal year data (e.g. October 1, 2023-September 30, 2024).

Question 9b: When is data available from the prior year to support reporting?
Data from the prior year is typically available within 3 months following the end of the fiscal year. Third party limited assurance verification typically takes an additional four months following data completion.

Question 9c: What software systems are commonly used for voluntary reporting?
Several software systems are used for voluntary reporting, including but not limited to ERP systems for procurement (e.g. Oracle, SAP, Workday, Sage Intacct, etc.), carbon accounting platforms for calculating emissions (e.g., Watershed, Persefoni, Net Zero Cloud, etc.), and carbon footprint registries for reporting (e.g. CRIS5 by The Climate Registry, etc.). Spreadsheet-based databases and calculators are also frequently used to research and download emission factors, calculate non-linear emissions estimates, and track internal data as necessary.

SB 261: Climate Related Financial Risk Disclosure

Question 10: For SB 261, if the data needed to develop each biennial report is the prior year's data, what is the appropriate timeframe within a reporting year to ensure data is available, reporting is complete, and the necessary assurance review is completed.
Companies completing their first climate related financial risk disclosure should budget up to seven months to complete the report, depending on the intended level of detail to be shared, plus additional time for third-party assurance as needed.

Question 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).
CARB should allow for reporting any time in a two-year period, especially to allow reporting entities the flexibility to align with unique fiscal year time periods.

Question 13d: 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?
CARB should allow for flexibility in reporting frameworks, including the use of both TCFD and the IFRS Sustainability Disclosure Standards.