Dear members of California Air Resources Board,

I am writing to express my support and offer constructive feedback on the impending implementation of the "California Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure Programs". These initiatives represent an important advancement in promoting environmentally responsible corporate practices through mandatory disclosure of GHG emissions and climate-related financial risks.

Companies are essential in tackling climate challenges, with transparency being crucial for maintaining accountability. However, I firmly believe that regulations must be crafted to be fair and balanced, ensuring that they mitigate risks of system exploitation and maintain market stability. While corporate transparency is necessary for accountability, it is equally important to ensure that these measures do not become overly disruptive, allowing for sustainable growth and conscientious adaptation.

Both programs are vital in making companies more accountable for their impact on the environment. Corporations are increasingly important in environmental policy, both as major emitters and as potential leaders in emission reduction. As the industrial sector alone is responsible for nearly one-third of U.S. GHG emissions[1], it is crucial that companies take responsibility and work towards reducing their emissions. Requiring transparency helps stakeholders like investors, consumers, and policymakers to hold businesses accountable and push them to adopt sustainable practices.

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[1] Inflation Reduction Act Guidebook, *Expanding America's Leadership in Industrial Decarbonization and Carbon Management* (page 67)

In times when federal climate leadership has been inconsistent, state governments and private companies have played a key role in driving climate action. During periods of federal deregulation, such as under the Trump-administration, businesses stepped up their efforts in sustainability[2], showing that they can lead the way in making progress. Sharing climate-related data will help encourage businesses to make climate action a central part of their strategies.

Greater transparency and exchange of information are likely to accelerate progress in addressing climate challenges. By making climate-related data accessible to stakeholders, they are empowered to drive significant change. Investors, increasingly prioritizing climate risks in their decisions, apply pressure on companies to embrace sustainability. Similarly, as consumers are becoming more proactive regarding sustainability issues, they demand environmental practices from businesses. By providing consumers with access to information, we enable them to make more informed purchasing decisions[3]. As the pressures from consumers and investors intensify, companies must integrate climate action into their long-term strategies[4], not just in response to external demands, but as a core component of their success.

Furthermore, making climate data more accessible can significantly benefit marginalized communities, who often endure the greatest impacts of climate change[5]. By providing access to detailed climate information, we can better document the effects on these communities and enhance their resilience. Publicly available data raises awareness, mobilizing support for essential policy changes and actions that prioritize the needs of the most vulnerable regions. This empowerment

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[2] C. Segall, *Networked Federalism: Subnational Governments in the Biden* Era (2021) page 1
[3] J. Salzman, *Environmental Law and Policy* (2024) page 60-61
[4] M. Condon, *What´s Scope 3 Good for?* (2023) page 1925
[5] U.S Global Change Research Program, *Fifth National Climate Assessment* (2023) page 1-19

leads to stronger local communities, equipping them with the tools necessary for meaningful participation in decision-making processes[6].

While these reporting regulations are important for enhancing transparency, it is essential to address potential critiques and risks regarding their impact. Some public comments express concern that companies may focus on meeting compliance requirements rather than actively reducing their emissions. However, I believe that these programs are primarily designed to bolster transparency, with other regulations targeting emissions reductions directly. Nevertheless, I do believe that greater disclosure encourages genuine emissions-cutting measures.

To ensure the successful implementation of these reporting regulations, it's vital to adopt a balanced and adaptive approach. Excessive compliance costs could put California-businesses at a disadvantage, potentially forcing them to shut down or relocate, which could result in job losses and elevated consumer prices. These impacts would disproportionately affect working-class and marginalized communities. Moreover, high compliance costs could limit companies' ability to invest in effective climate initiatives, jeopardizing long-term environmental progress.

One anticipated challenge is the risk of inaccurate or incomplete reporting, which could lead to companies appearing more sustainable than they are[7]. Factors such as inconsistent reporting methods, unreliable data sources, and sometimes even intentional manipulation contribute to this risk. Scope 3-emissions pose a significant challenge, relying on data from outside suppliers and partners, often smaller or private entities[8]. As highlighted by McKinsey & Co[9], reporting and

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[6] D. Schlosberg and L. Collins, *From Environmental to Climate Justice: Climate Change anf the Discourse of environmental justice* (2024) page 9-10
[7] Commonly referred to as "greenwashing."
[8] M. Condon, *What´s Scope 3 Good for?* (2023) page 1924
[9] McKinsey & Company The Scope 3 challenge: Solutions across the materials value chain (2023) and What are Scope 1, 2 and 3 emissions? (2024)

reducing Scope 3-emissions require new processes, technologies, and collaboration with customers and suppliers. Their reports emphasizes that approaches will vary depending on the industry and business model, and stresses the need to identify emission sources and develop concrete reduction plans.

To ensure a smooth transition and optimize the effectiveness of the regulations, I strongly advocate for a phased implementation, particularly for Scope 3-emissions. Companies need time to adapt, develop expertise, and establish robust data collection systems. Given the complexity of tracking and verifying emissions across multiple sources, the current timeline appears relatively short. A gradual rollout will improve data accuracy and compliance, all while minimizing undue burdens on businesses.

Equally important is the standardization of measurement and reporting methods. The GHG Protocol offers a solid framework by defining how emissions should be calculated and categorized, but it also permits flexibility in crucial aspects. I am confident that further standardization will improve data precision, decrease complexity, and lower compliance costs, thus fostering a more efficient and manageable reporting system.

I commend CARB for their work on these important initiatives and encourage careful consideration of these recommendations to ensure their success. Thank you for considering my insights.

Hedvig Røhne