PERSEFONI

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

On behalf of Persefoni AI Inc. ("Persefoni"), I am pleased to respond to the request for public comment on the California Climate-Disclosure Legislation: Senate Bills 253 and 261, as amended by SB 219. Persefoni is a US-headquartered Software as a Service (SaaS) company that facilitates and automates greenhouse gas accounting and climate reporting. Persefoni operates globally and supports companies in emissions accounting and reporting across the world.

We fully support the goals of these laws to improve transparency with respect to greenhouse gas (GHG) emissions and climate-related financial risks. Our comments below are intended to help CARB develop regulations that maximize transparency and usefulness of data while minimizing unnecessary burden on reporting entities. In particular, we emphasize the value of software solutions in achieving these goals by streamlining emissions tracking, facilitating compliance reporting, and reducing the cost of compliance for companies. We also reiterate the importance of SB 253's direction to align to the GHG Protocol, and encourage CARB to design its regulations in a way that fully aligns with that Protocol, and accommodates application approaches that are consistent with the provisions for GHG emissions reporting in the IFRS Sustainability Disclosure Standards (ISSB Standards).

We have structured our feedback to follow the numbered questions in CARB's Information Solicitation.

Technology is rapidly evolving to improve the efficiency and accuracy of carbon accounting, and reduce costs for reporting companies

We applaud the California legislature for including in SB 253 the requirement to disclose Scope 1, 2, and 3 emissions aligned with the GHG Protocol, including assurance. It is important that US companies doing business in California understand, measure, account for, and disclose a comprehensive carbon footprint, including Scope 3. It is important that they disclose sufficient detail about the methodologies and assumptions used to account for their emissions. These disclosures will help companies develop more effective transition plans and make progress towards targets. They will also provide investors with decision-useful information about both. Software tools like Persefoni's are advancing rapidly to support companies in the carbon accounting process, including the controls needed for investor-grade data.

Persefoni's Carbon Management Accounting Platform enables any size organization to automate the carbon accounting process by using an AI enhanced interface to gather, organize, analyze, and disclose this information in a manner that is more easily auditable and reliably reported. Technology tools to support companies exist across a wide range of categories and are available at varying price points. Offerings in this market continue to develop, reducing the need for human capital and lowering costs. Persefoni has also developed a free tier of software – Persefoni Pro – that enables any organization to calculate and share its Scope 1, 2, and 3 emissions data using the same underlying technology and accounting methodologies used in the advanced platform.

Persefoni has also developed Persefoni Academy, a free educational platform to teach everyone how to calculate a carbon footprint. This is just one example of how technology firms like Persefoni are democratizing carbon accounting and automating the calculation process. Our team at Persefoni has both policy and market experience alongside our knowledge of carbon accounting processes. As CARB reviews the public feedback and finalizes the implementing regulations for SB 253 and SB 261, we would be happy to share additional information and technical support if helpful.

CARB's Information Solicitation

We have structured our feedback to follow the numbered questions in CARB's Information Solicitation.

7. Entities must measure and report their emissions of greenhouse gases in conformance with the GHG Protocol, 1 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 advise CARB to stay as close as possible to the GHG Protocol and offer the same flexibilities that the GHG Protocol provides. The GHG Protocol Corporate Standard is the widely accepted foundation that companies have been using for years to measure Scope 1, 2, and 3 emissions. Its built-in flexibility allows companies across industries to apply the standard in ways that best reflect their operations.

We recommend that CARB not impose California-only standardizations or additional requirements within the GHG Protocol. The existing flexibility in GHG Protocol often exists for good reason – different industries have different optimal approaches. Many companies reporting to CARB will also be reporting their emissions to other regulators, and by retaining the flexibilities of the GHG Protocol, companies will be better able to manage different reporting obligations.

Accordingly, CARB should specify in the implementing regulations that companies can apply any approach that is authorized under the GHG Protocol. To support the usefulness of the information reported, CARB should also require companies to include information sufficient to identify the approaches used, including emissions factor sets used and how estimates have been applied.

If there are compelling policy reasons for California to standardize certain approaches, CARB should strive to align those with the approaches outlined in [IFRS S2, Paragraphs 29-31] and related Application Guidance.

For example, the ISSB Standards require location-based Scope 2 reporting, which best reflects a company's actual emissions based on the energy sources used in the grid that provides its energy. Companies can separately disclose contracts that it has entered into to reflect market-based emissions. If CARB identifies a similar policy interest in location-based Scope 2 information, it should look to the ISSB Standards for guidance on that approach.

Similarly, on Scope 3, we recommend that CARB allow companies to identify the significant categories of Scope 3 under the terms of the GHG Protocol. The ISSB Standards offer a useful measurement framework for prioritizing primary data that CARB might also consider implementing. At this time, we do not think CARB should specify specific Scope 3 categories by industry; the GHG Protocol terms are sufficient for companies to appropriately identify and account for Scope 3. Companies should be required to identify the categories included in the gross calculation and disaggregate those emissions by category.

We also recommend that CARB include a provision in the regulations specifically accepting GHG emissions reports that have been prepared pursuant to the ISSB Standards and related Application Guidance, as long as those reports also include all emissions required to be reported by SB 253 and implementing regulations. The ISSB Standards were developed through global stakeholder consultations and robust due process, have been endorsed by global bodies, and are globally applicable.[1] Clarity on this point will dramatically improve reporting efficiencies for globally active companies.

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

Last year, 24,8000+ companies reported their greenhouse gas emissions through the **CDP (formerly the Carbon Disclosure Project)**. CDP is one of the world's leading platforms for climate disclosure, allowing companies to submit standardized environmental data, including Scope 1, 2, and increasingly, Scope 3 emissions. It aligns closely with global reporting standards, such as the GHG Protocol and ISSB.

To support this voluntary reporting, software providers have developed tools that integrate seamlessly with CDP's systems. Persefoni and similar software solutions offer application programming interfaces (APIs) that allow companies to automate the transfer of calculated

[1] At this time, more than 35 countries are in the process of or have implemented rules based on the ISSB Standards.

emissions data directly into the CDP portal. These integrations streamline the reporting process, reducing manual data entry, minimizing errors, and ensuring more efficient compliance with disclosure requirements. By using such platforms, companies can manage their emissions data year-round and submit accurate, consistent reports to CDP and potentially other frameworks with minimal additional effort.

Given the widespread use of CDP and the technological integrations available, CARB's approach to SB 253 could consider leveraging this existing infrastructure.

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

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

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?

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?

CARB should expressly retain the language in SB 261 accepting ISSB-aligned reporting to satisfy SB 261 requirements.

The ISSB Standards are broader than SB 261 in that they cover all financially material sustainability risks and opportunities, including climate. They fully incorporate all substantive elements of the TCFD Recommendations[2], and require companies to follow certain general requirements to enhance the connectedness to financial reporting, outlined in IFRS S1. The objective of this provision in SB 261 was to allow companies to submit reports that cover the TCFD Recommendations while reducing the burden on companies and reducing the legal risk to companies and potential confusion to users of the information caused by fragmented reporting requirements.

The ISSB Standards are rapidly emerging as the global baseline for climate-related risk reporting. IFRS S2, the climate-focused standard, is now fully incorporated into the CDP climate questionnaire. The ISSB Standards are also adopted, incorporated, or being considered for use in laws, regulations, and listing standards in more than 35 countries, CARB could delineate specific laws, regulations, or listing requirements that currently meet the terms of SB 261, but

[2] https://www.ifrs.org/content/dam/ifrs/supporting-implementation/ifrs-s2/ifrs-s2-comparison-tcfd.pdf

that list should not be exclusive and will evolve.[3]

CARB could further support companies by clarifying that it will also accept ISSB-aligned reports that are focused only on climate, as long as they disclose this fact. CARB should also direct companies to consider relevant ISSB educational material on this approach if they exercise this option.[4]

Conclusion

We applaud California for the important steps it has taken to address its climate risks and opportunities for the benefit of its businesses, all its citizens, and the state's physical safety and fiscal viability. SB 253 and SB 261 are critical legislative milestones that reflect the state's strong leadership and strategic vision.

The legislation incorporates the global standards that anchor climate reporting around the world. This harmonization with global standards is critically important to ensuring the usefulness of the information and to reducing costs for reporting companies. We urge CARB to continue in that same vein when crafting its implementing regulations.

Specifically, we urge CARB to maintain the flexibility that is already built into the Greenhouse Gas Protocol to allow companies to report in California consistently with how they report elsewhere. We further urge CARB to embrace reporting consistent with the ISSB Standards to reduce costs to reporting companies and harmonize California's requirements with those in much of the rest of the world.

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[3] The IFRS Foundation now monitors global implementation of the TCFD Recommendations, and also tracks jurisdictional adoption of the ISSB Standards. CARB could work with the IFRS Foundation to develop and maintain such a list.

[4]https://www.ifrs.org/content/dam/ifrs/supporting-implementation/issb-standards/applying-ifrs-s1-reporting-only-climate-related-disclosures-accordance-ifrs-s2.pdf