Dear California Air and Resources Board,

On behalf of WAP Sustainability, LLC, we appreciate the opportunity to provide input on the implementation of California’s Senate Bills 253 and 261, as amended by SB 219.

As a full-service sustainability consulting firm, we provide strategic support to our clients in measuring, reporting, and reducing greenhouse gas (GHG) emissions as well as assessing and managing climate-related risks and opportunities. Given this role, we recognize the value of transparent climate-related disclosures in decision-making.  We commend CARB’s approach to ensure both compliance efficiency and meaningful transparency in addressing climate-related impacts.

We believe a reporting framework that is practical, flexible, and aligned with global standards will support CARB’s transparency objectives, while reducing compliance burden.  We remain dedicated to supporting our clients in fulfilling both voluntary and regulatory climate disclosure requirements. We look forward to these regulations fostering greater transparency and consistency in U.S. climate-related reporting.

We welcome ongoing engagement and collaboration with CARB as these policies continue to evolve.

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.**
   1. **Should CARB adopt the interpretation of “doing business in California” found in the Revenue and Tax Code section 23101?**

Utilizing the definition in the Revenue and Tax Code section 23101 establishes a legally recognized framework, mitigating ambiguity and providing clarity on the criteria for determining a company's operational presence in California. This definition acknowledges the economic benefits derived in the state and, accordingly, imposes an obligation to disclose climate risks and emissions.

* 1. **Should federal and state government entities that generate revenue be included in the definition of a “business entity” that “does business in California?”**

Including federal and state government entities that generate revenue in the definition of a “business entity” that “does business in California” is essential for ensuring a fair, comprehensive, and effective regulatory framework under CARB’s jurisdiction.[[1]](#footnote-1) Many government-operated enterprises, such as utilities, transportation agencies, and infrastructure projects, engage in revenue-generating activities that have environmental impacts comparable to private businesses. Exempting these entities would create regulatory gaps, potentially undermining California’s emissions reduction goals by allowing significant sources of greenhouse gas emissions to go unaccounted for.

Additionally, treating public and private entities equitably reinforces market fairness, ensuring that government entities do not gain a competitive advantage by avoiding compliance costs that private sector businesses must bear. Including these entities also aligns with the state’s commitment to transparency and accountability, promoting consistent emissions reporting across all sectors that contribute to California’s economic and environmental landscape.

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

SB 253 and SB 261 should apply to entities wholly or partially owned by foreign governments to ensure consistent regulatory standards for both domestic and foreign entities and support comprehensive emissions reporting. Exempting these entities may create differences in transparency and accountability requirements. Many operate in high-emission sectors, making their inclusion relevant to achieving broad climate disclosure. Without coverage, businesses might structure ownership to navigate compliance requirements, potentially affecting the laws’ effectiveness. Applying these laws to all major entities, regardless of ownership, would align with California’s climate reporting objectives.

* 1. **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?**

Entities that sell energy, goods, or services into California through separate markets, such as the Energy Imbalance Market (EIM) or the Extended Day-Ahead Market (EDAM), should be subject to the reporting requirements of SB 253 and SB 261 to ensure regulatory integrity, prevent competitive distortions, and uphold the state’s climate objectives. These markets facilitate transactions that directly impact California’s energy supply, emissions profile, and climate-related financial risks, and as such, participating entities derive economic benefits from access to the state’s market infrastructure. Exempting them would create a regulatory loophole, enabling companies to evade climate disclosure requirements while still generating climate related risks.

Furthermore, many of these entities operate across multiple jurisdictions, necessitating clear and uniform disclosure obligations to prevent emissions leakage and ensure equitable compliance across all market participants. Legal precedent supports the state’s authority to regulate entities that conduct substantial business within its jurisdiction, even when physically located elsewhere. Therefore, CARB should establish a comprehensive reporting framework that captures all entities engaging in commerce through California’s energy markets, ensuring that the state’s climate risk disclosures and emissions reduction efforts are neither undermined nor selectively applied.

1. **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)?**
   1. **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?**

To cost-effectively identify entities covered by SB 253 and SB 261, CARB should leverage publicly available and third-party commercial datasets that track corporate revenues and business activities in California. Key sources include California Franchise Tax Board (FTB) filings, Securities and Exchange Commission (SEC) filings for publicly traded companies, and business registration records from the California Secretary of State.

Additionally, CARB can utilize commercial databases such as Dun & Bradstreet (D&B), Orbis (Bureau van Dijk), Bloomberg, PitchBook and Capital IQ, which provide financial data, corporate linkages, and annual revenue figures. Many of these databases are updated quarterly or annually, ensuring timely access to financial disclosures. Verification can be enhanced through cross-referencing with sales tax records, payroll data, and industry-specific reports that indicate substantial business operations in the state.

* 1. **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 establish a robust and legally sound framework for tracking parent-subsidiary relationships to ensure comprehensive compliance with SB 253 and SB 261. Given the complexities of corporate structures, CARB should mandate that entities disclose ultimate parent ownership and all relevant subsidiaries through financial reporting mechanisms, leveraging publicly available data from SEC filings (Forms 10-K, 20-F), California Secretary of State business registrations, and international databases such as Orbis (Bureau van Dijk) and Dun & Bradstreet (D&B). These sources provide corporate hierarchies, beneficial ownership details, and financial linkages necessary to ensure that subsidiaries operating in California under a parent entity’s consolidated report are properly accounted for.

Additionally, CARB should require reporting entities to submit organizational structure disclosures, identifying all subsidiaries meeting the revenue and business activity thresholds. This requirement would prevent companies from exploiting fragmented corporate structures to evade compliance.

General: Standards in Regulation

1. **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.**
   1. **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?**

To ensure that CARB’s regulations under SB 253 and SB 261 address California-specific priorities while remaining current and aligned with evolving external standards, CARB must establish a structured, adaptive regulatory framework that integrates external protocols while preserving the state's authority to maintain robust and enforceable climate disclosure requirements. Given that external standards, framworks, and protocols—such as the GHG Protocol, Task Force on Climate-related Disclosures (TCFD), IFRS Sustainability Reporting Standards, and European Sustainability Reporting Standards (ESRS)—are subject to periodic revisions by non-governmental and international entities, CARB must implement a formalized review process requiring regular assessments and updates (e.g., on a biennial or triennial basis) to evaluate the applicability, effectiveness, and relevance of these standards and new emerging standards in the context of California’s statutory and policy objectives.  SB 261 already hints at the need for such a process by opening the door to the adoption of “any successor thereto” which builds upon TCFD’s principles.

Furthermore, CARB should establish a stakeholder consultation mechanism, similar to this Information Solicitation, that solicits input from regulated entities, sustainability-focused consultancies, academic experts, public interest organizations, and technical advisory committees to determine whether modifications to external standards or the emergence of new, more appropriate standards necessitate regulatory amendments or adjustments. This will ensure that regulatory changes reflect scientific advancements, market developments, and legal considerations, rather than being automatically dictated by external bodies whose priorities may not fully align with California’s climate goals.

* 1. **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 seek to understand the standards and frameworks that underlie existing mandatory programs – as CARB is already pursuing in questions 7 and 13.  We have listed example standards and frameworks in those responses.

Using this Information Solicitation and stakeholder consultation mechanism above, CARB should assess the credibility and relevance of those standards and frameworks for CARB’s needs, seeking to pursue both alignment with widely accepted standards today and the establishment of a mechanism to align with new emerging standards over time.

* 1. **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?**

CARB should recommend that covered entities maintain the same reporting method year-over-year, such as the “control” method applied within the GHG Protocol, to ensure consistency and comparability, given consistency is one of the five core principles of the GHG Protocol Corporate Standard[[2]](#footnote-2).

If covered entities change their reporting method year-over-year, CARB should require covered entities to clearly disclose any reporting method changes and justification for doing so.  This approach ensures transparency and consistency, but also allows for methodological improvement and adaption as business models and/or reporting standards evolve.

General: Data Reporting

1. **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?**

Compliance costs vary based on several factors, including:

* The covered entity's industry and size.
* The maturity of its existing climate reporting processes.
* The level of assurance required (limited or reasonable).
* The sophistication of its data collection systems and internal expertise.

In addition, while many covered entities are already performing voluntary climate disclosures, a smaller subset of them are obtaining verification and/or limited assurance for their GHG emissions disclosures.  Therefore, many covered entities will incur compliance costs associated with obtaining limited assurance to meet the requirements of SB 253.  On page 763 of the SEC Climate Rule[[3]](#footnote-3), Table 12 lists the “Costs of limited assurance for GHG emissions disclosures” with a median cost of $50,000.

1. **Should the state require reporting directly to CARB or contract out to an “emissions” and/or “climate” reporting organization?**

We do not have a specific opinion on this matter.

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

We do not have a specific opinion on this matter.

SB 253: Climate Corporate Data Accountability Act

1. **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 recommend that CARB provides additional standardized guidance within scope 3 given the GHG Protocol Corporate Standard considers scope 3 optional. CARB should provide sector-specific guidance, organized under each two-digit North American Industry Classification System (NAICS) Code, regarding which scope 3 categories should be reported, as well as calculation methodologies, where necessary and appropriate guidance exists. For instance, for the Construction sector (NAICS Code 23), setting a standardized calculation methodology for building lifetime within scope 3 category 11 would drive reporting consistency.

In providing this standardization, CARB should align with other existing standards, such as the Science Based Targets Initiative (SBTi)’s sector-specific guidance, to provide sector-specific scope 3 guidance. CARB may also default to Guidance Built on GHG Protocol for calculating specific emission sources. Aligning with existing widely adopted guidance (e.g., SBTi) would minimize further compliance costs from providing additional scope 3 guidance. Furthermore, creating standardized scope 3 guidance within sectors will reduce compliance costs as covered entities will avoid wasting resources determining the appropriate carbon accounting approach for their entity.

If CARB does not provide this additional scope 3 guidance, we fear that, similar to the current voluntary reporting landscape, covered entities will differ in their reporting of scope 3 categories – both in number of categories reported and calculation methodologies. This fragmentation will harm the consistency, comparability, and utility of the data. Material emission sources may end up excluded, compliance burden may be unfairly distributed across covered entities according to the robustness of their scope 3 reporting, and covered entities within the same sector may appear significantly different in their carbon intensity due to differing scope 3 carbon accounting approaches, rather than operational approaches.

Alternatively, if CARB does not believe that providing sector-specific guidance is feasible at this time, CARB could adopt a model similar to Colorado HB 25-1119 (introduced)[[4]](#footnote-4), which specifies the scope 3 categories that must be reported during the first year of scope 3 reporting and phases in the remaining scope 3 categories over the next two years. This approach progresses toward complete reporting, while also providing covered entities with an opportunity to implement data tracking improvements where necessary.

While we did consider the option of setting a blanket scope 3 reporting threshold, such as requiring reporting of all scope 3 categories that account for greater than two percent of total emissions, we recommend against this option. Consistent with our perspective, page 8 of the GHG Protocol Corporate Standard[[5]](#footnote-5) directly recommends against this approach:

“Sometimes it is tempting to define a minimum emissions accounting threshold (often referred to as a materiality threshold) stating that a source not exceeding a certain size can be omitted from the inventory. Technically, such a threshold is simply a predefined and accepted negative bias in estimates (i.e., an underestimate). Although it appears useful in theory, the practical implementation of such a threshold is not compatible with the completeness principle of the GHG Protocol Corporate Standard. In order to utilize a materiality specification, the emissions from a particular source or activity would have to be quantified to ensure they were under the threshold. However, once emissions are quantified, most of the benefit of having a threshold is lost.”

Therefore, given SB 253, as amended by SB 219, requires conformance with the GHG Protocol, we recommend against setting an emissions accounting threshold, which represents a non-conformant approach.

Regarding “control” method for GHG emissions reporting (operational or financial), CARB should defer to the GHG Protocol Corporate Standard’s guidance, retaining the flexibility of reporting in accordance with either method. CARB should require, however, that covered entities disclose the control method utilized. As mentioned in our response to question 3 part (c), if covered entities change their reporting method year-over-year, CARB should require covered entities to clearly disclose any reporting method changes and justification for doing so. This approach ensures transparency and consistency, two of the five core principles of the GHG Protocol Corporate Standard[[6]](#footnote-6), but also allows for methodological improvement and adaption as business models and/or reporting standards evolve.

Lastly, CARB should confirm that covered entities are expected to measure and report their emissions of greenhouse gases in conformance with the GHG Protocol Corporate Standard, Scope 2 Guidance, and Scope 3 Value Chain Standard, including future updates to those standards and guidance unless otherwise indicated by the formal review process suggested in our response to question 3 part (a). This confirmation is particularly important given the GHG Protocol is currently conducting an update of its corporate standards and guidance.

1. **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.** 
   1. **For entities required to report under SB 253, what options exist for third-party verification or assurance for scope 3 emissions?**

The options for third-party verification or assurance for scope 3 emissions include engineering/environmental consulting firms, sustainability-focused consultancies, certification bodies that specialize in GHG emissions, and accounting firms.

When defining an eligible assurance provider, we recommend that CARB defines the term “independent.” We recommend that CARB defines an “independent assurance provider” as a person who did not serve as the practitioner of the carbon accounting or otherwise participate in the preparation of the GHG inventory. We recommend that, in interpreting this definition, CARB does not disqualify assurance providers who meet the definition provided above, but may be employees of the same organization that also employed personnel that supported the preparation of the GHG inventory.

By adopting this definition and interpretation, CARB expands the available supply of qualified assurance provider services for covered entities, which enables more competition in the assurance provider market, leading to lower compliance costs for covered entities and higher quality disclosures. The GHG assurance provider market is capacity-constrained and requires significant scaling to meet SB 253 demand, so this definition and interpretation would alleviate some of those market pressures.

If CARB disqualifies assurance providers who may be employees of the same organization which also employed personnel who supported the preparation of the GHG inventory, CARB will be excluding a significant number of individuals who possess “significant experience in measuring, analyzing, reporting, or attesting in accordance with professional standards and applicable legal and regulatory requirements.” Such an exclusion would increase compliance costs as non-traditional sustainability firms, such as accounting firms, may be forced to significantly increase the cost of assurance engagements to finance the training and development of qualified capacity.

* 1. **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?**

ISO 14064-3 should be utilized when defining limited and reasonable levels of assurance given its GHG-specificity. ISO 14064-3 defines reasonable assurance similarly to MRR and reads “where the nature and extent of verification activities have been designed to provide a high but not absolute level of assurance on historical data and information.”

Additionally, on pages 348 and 349 of the SEC Climate Rule[[7]](#footnote-7), the SEC concludes that ISO 14064-3 provides an equivalent level of rigor as compared to financial auditing standards, meets their “due process requirement.” Page 639 of the Rule[[8]](#footnote-8) also cites a 2023 study of S&P 500 companies, which concluded that approximately 40 percent of the assurance performed utilizes ISO 14064-3, making it “the most common form of assurance standard used for GHG emissions.” Given the prevalence of ISO 14064-3, permitting its use would continue to enable efficiencies gained through prior attestation engagements and reduce compliance costs.

1. **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:**

To use voluntary emissions reporting inform CARB’s approach to implementing SB 253 requirements, CARB could select a sample of voluntary disclosures from covered entities within each sector (two-digit NAICS Code) to review how entities are currently reporting scope 1, 2, and 3 emissions (particularly scope 3). This review could highlight major inconsistencies within each sector’s reporting and inform the provision of sector-specific standardization, as discussed in question 7.

* 1. **What frequency (annual or other) and time period (1 year or more) are currently used for reporting?**

Covered entities engaged in voluntary GHG emissions reporting typically do so annually, consistent with their financial reporting. The reporting time period is 12 consecutive months, often referred to as a “reporting year,” and typically aligns with the calendar year. Some entities, however, prefer to align their reporting year with their fiscal year, where their fiscal year differs from the calendar year.

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

Data to support GHG emissions reporting typically becomes available within six weeks of the conclusion of the reporting year (“prior year”). At this point, all data collection for the GHG emissions reporting process can begin. After the completion of data collection and the subsequent process to develop results, scope 1 and 2 results tend to become available to support reporting within three to four months, and scope 3 results within four to six months, following the completion of the reporting year (“prior year”). Due to the complex nature of value chains, scope 3 data collection, and therefore development of results, tends to take longer than scope 1 and 2. Time for data availability, data collection, and development of results varies across entities depending on entity size, sector, complexity of operations, and structure of data systems (centralized vs. decentralized), amongst other factors.

* 1. **What software systems are commonly used for voluntary reporting?**

Voluntary reporting is most often conducted through CDP, an international environmental disclosure platform. In 2024, CDP disclosers represented two-thirds of global market capitalization, including 85 percent of the S&P 500 and 93 percent of the FTSE 100, and totaled more than 22,000 corporates scored by CDP[[9]](#footnote-9). Carbon accounting software, such as Persefoni and Enistic, are commonly used to support the voluntary reporting process.

**December 5th, 2024 Enforcement Notice Feedback:**

In addition to answering the questions above, we also would like to provide feedback and request additional clarification on the December 5th, 2024 Enforcement Notice regarding SB 253. The phrase “For the first reporting cycle, CARB will not take enforcement action for incomplete reporting against entities…” creates potential misalignment with SB 253, as written and amended by SB 219, given that SB 253 states “That a reporting entity obtains an assurance engagement…for scope 1 emissions and scope 2 emissions [which] shall be performed at a limited assurance level beginning in 2026.”

This potential misalignment arises from the question – how could a reporting entity obtain limited assurance for their scope 1 and 2 public disclosures, as required by SB 253, with “incomplete reporting” of their scope 1 and 2 emissions, as stated in the Enforcement Notice?

We are asking that CARB please clarify the definition of “incomplete reporting” in the Enforcement notice. We recommend that CARB defines “incomplete reporting,” as stated in the Enforcement Notice, as “The reporting entity made a good faith effort to report accurate and complete scope 1 and 2 emissions disclosures and obtain limited assurance for their disclosures. The reporting entity, however, was unable to obtain limited assurance of their disclosures based upon the opinion of the assurance provider. Although the reporting entity did not complete the reporting requirements of SB 253, the reporting entity must still provide a copy of the assurance provider’s report on the greenhouse gas emissions inventory, as denoted in SB 253.”

SB 261: Climate Related Financial Risk Disclosure

1. **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?**

To clarify and set the basis for our response, “reporting year”[[10]](#footnote-10) or “reporting period”[[11]](#footnote-11)[[12]](#footnote-12) in sustainability reporting typically refers to the year of company operations represented by the sustainability disclosures, not the year in which the data is reported, which is what this question seems to suggest. The data that underlies climate risk disclosures typically becomes available within three months of the conclusion of the reporting year (“prior year”), i.e., within the first quarter of the following year. The process of developing and reporting of climate risk disclosures is complete for most companies within nine months of the conclusion of the reporting year (“prior year”). This aligns with the voluntary reporting cycle through CDP that many companies already perform.

SB 261 does not require an assurance review for climate-related financial risk disclosures per the bill text, so we do not anticipate time allocated to an assurance review during the reporting process. If the climate-related financial risk disclosures rely on audited (“assured”) prior-year financials as a data source, those audited prior-year financials typically become available within three months of the conclusion of the reporting year (“prior year”).

1. **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.)?**

To clarify and set the basis for our response, “reporting year”[[13]](#footnote-13) or “reporting period”[[14]](#footnote-14)[[15]](#footnote-15) in sustainability reporting typically refers to the year of company operations represented by the sustainability disclosures. For instance, most entities will publish reporting year 2024 sustainability disclosures in calendar year 2025, but some may not publish 2024 reporting year disclosures until calendar year 2026. Both are reporting sustainability disclosures associated with 2024 operations, and thus “reporting year 2024,” regardless of when the actual reporting (publication) occurred.

CARB should require a standardized reporting year to ensure the temporal relevancy and comparability of the reported climate financial risk disclosures. The standardized reporting year should require that the disclosures reported are reflective of covered entity operations as of the fiscal year ending during the required reporting year (e.g., 6/31/24, 12/31/24, etc. for a required reporting year of fiscal year ending 2024 with disclosures published by January 1st, 2026). This approach would likely help reduce compliance costs as some covered entities do not have a fiscal year that aligns with the calendar year.

If CARB maintains January 1st deadlines for reporting, the required reporting year should be the covered entity’s fiscal year ending two years prior, which for the initial deadline would yield a required reporting year of fiscal year ending 2024. For example, a January 1st, 2028 deadline would yield a required reporting year of fiscal year ending 2026.

This approach provides covered entities with a calendar year or more following the conclusion of their fiscal year to prepare the required climate financial risk disclosures and provides covered entities with the flexibility to provide the reporting year data when it is most convenient. This will synergize SB 261 reporting with existing voluntary and mandated reporting for covered entities and reduce compliance costs associated with SB 261.

We do not believe CARB should dictate a window when reporting should occur, merely a reporting year to ensure temporal relevancy and comparability of the underlying data. CARB should clarify, however, the required deadline for completion of reporting during each two-year reporting window, as set by the precedent of the January 1st, 2026 deadline in SB 261. For instance, CARB should confirm that the next planned reporting deadline is January 1st, 2028.

1. **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?**

To clarify and set the basis for our response, “reporting year”[[16]](#footnote-16) or “reporting period”[[17]](#footnote-17)[[18]](#footnote-18) in sustainability reporting typically refers to the year of company operations represented by the sustainability disclosures, not the year in which the data is reported, which is what this question seems to suggest.

If an entity becomes a “covered entity” by exceeding the revenue threshold during the reporting year, following the standardized reporting year guidance above, then the entity should be required to prepare a climate-related financial risk report by the next reporting deadline. For instance, if CARB set a required reporting year of fiscal year ending in 2026 for the January 1st, 2028 deadline, entities with revenues exceeding the revenue threshold during their fiscal year ending in 2026 would have to prepare a climate-related financial risk report by January 1st, 2028.

If an entity does not exceed the revenue threshold during the required reporting year (fiscal year ending 2026), but exceeds the revenue threshold in the following year (fiscal year ending 2027), the entity does not need to prepare a climate-related financial risk report for that deadline, but may be required to report in the future if the entity continues to exceed the revenue threshold in future reporting years (e.g., fiscal year ending 2028).

First-time reporting entities should not have any additional disclosures in their first report under SB 261. This goes against the general trends in mandatory disclosures, in particular, the European Union’s Corporate Sustainability Reporting Directive (CSRD), which allows certain reporting exemptions for first-time reporting entities.[[19]](#footnote-19)

1. **Many entities that are potentially subject to reporting requirements under SB 261 are already providing other types of climate financial risk disclosures.**
   1. **What other types of existing climate financial risk disclosures are entities already preparing?**

Entities are already preparing climate financial risk disclosures for both voluntary and regulatory disclosure purposes. Voluntary disclosures include CDP responses, sustainability/ESG reports, and TCFD reports. Regulatory disclosures include Form 10-K in the U.S., the Corporate Sustainability Reporting Directive (CSRD) in the EU, Climate-Related Financial Disclosure (CFD) in the UK, and national requirements in Canada, Australia, Switzerland, and other countries.

For CDP responses, some entities are quantifying climate-related financial risks and opportunities as well as the costs to mitigate or realize those risks/opportunities, in addition to other forms of climate financial risks.

In sustainability/ESG (or equivalent) reports, entities are preparing climate financial risk disclosures in varying alignment with the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Some entities are performing more robust analyses including risk quantification, whereas others are performing a mostly qualitative review. Rather than combining these disclosures with their sustainability reporting, some entities opt to publish standalone TCFD reports.

Many U.S. publicly listed entities are also disclosing some climate financial risk information in their Form 10-K under Item 1 – Business and Item 1A – Risk Factors. These disclosures tend to be qualitative in nature, but may be supported by underlying quantitative risk analyses.

Multi-national entities may also be subject to existing foreign legislation that requires the disclosure of climate risk information. In particular, many entities are preparing climate risk information to comply with CSRD. Under CSRD, climate risks are identified and scored by internal experts based on Likelihood and Financial Magnitude, helping determine material risks. Materiality is then confirmed or refined through stakeholder engagement. In the first year, CSRD disclosures are qualitative, covering risk descriptions and identification processes (including scenario analysis). In subsequent years, additional disclosures will be phased-in, requiring monetary and quantitative data related to the potential financial impacts of climate risks.

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

Covered entities use many approaches; however, the most common disclosures are aligned with TCFD, CDP, CSRD/ESRS, and/or the IFRS Sustainability Disclosure Standards (IFRS S2).

Entities reporting climate-related financial risks often refer to the primary financial impacts from CDP, which is aligned with TCFD, and then quantify these financial impacts via estimates that combine company-specific and publicly available data. Entities who are leaders in climate risk reporting, or are required to by law in some foreign jurisdictions, may use IFRS S2 to guide their climate-related financial risk disclosures.

Some entities use their Enterprise Risk Management (ERM) processes to integrate climate risks, but financial impact quantifications of climate-related risks within these processes are usually highly estimated or subject matter expert (SME)-informed.

* 1. **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?**

The current use of scenario analysis is immature. Covered entities are working toward nascent climate-related financial risk quantification, but typically don't use scenarios to determine risk ranges or stress test risk impacts to their business. In addition, target setting and reporting of metrics used to assess climate-related risks and opportunities by covered entities are limited. While TCFD’s Fundamental Principles state “Disclosures should show an appropriate balance between qualitative and quantitative information,”[[20]](#footnote-20) we typically see covered entities reporting comparatively more qualitative information. Given this discrepancy, we recommend that CARB provides guidance on the expected level of quantitative disclosure, particularly relating to disclosure of metrics used to assess climate-related risks and opportunities.

Finally, covered entity management of climate-related risks and integration of climate-related risks into financial planning remains under-developed.

* 1. **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?**

Yes, in addition to TCFD, the IFRS Sustainability Disclosure Standards are driving the development of these reports. The IFRS Sustainability Disclosure Standards have been adopted by six countries (Bangladesh, Brazil, Costa Rica, Nigeria, Kenya, and Turkey) with plans for adoption in 19 additional countries.

In the EU, the Corporate Sustainability Reporting Directive (CSRD) is also influencing the development of climate-related financial disclosures as detailed in our response to 13(a).

1. United States v. California (1936); Courts have acknowledged that when government agencies engage in revenue-generating activities comparable to private businesses, they can be subject to similar legal and regulatory treatment.  [↑](#footnote-ref-1)
2. The GHG Protocol Corporate Accounting and Reporting Standard (2004). [↑](#footnote-ref-2)
3. Final rule: The Enhancement and Standardization of Climate-Related Disclosures for Investors (2024). [↑](#footnote-ref-3)
4. HB25-1119: Require Disclosures of Climate Emissions (2025). [↑](#footnote-ref-4)
5. The GHG Protocol Corporate Accounting and Reporting Standard (2004). [↑](#footnote-ref-5)
6. The GHG Protocol Corporate Accounting and Reporting Standard (2004). [↑](#footnote-ref-6)
7. Final rule: The Enhancement and Standardization of Climate-Related Disclosures for Investors (2024). [↑](#footnote-ref-7)
8. Final rule: The Enhancement and Standardization of Climate-Related Disclosures for Investors (2024). [↑](#footnote-ref-8)
9. CDP Corporate A List (2025). [↑](#footnote-ref-9)
10. CDP full corporate questionnaire (2024). [↑](#footnote-ref-10)
11. GRI 2: General Disclosures (2021). [↑](#footnote-ref-11)
12. IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information (2023). [↑](#footnote-ref-12)
13. CDP full corporate questionnaire (2024). [↑](#footnote-ref-13)
14. GRI 2: General Disclosures (2021). [↑](#footnote-ref-14)
15. IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information (2023). [↑](#footnote-ref-15)
16. CDP full corporate questionnaire (2024). [↑](#footnote-ref-16)
17. GRI 2: General Disclosures (2021). [↑](#footnote-ref-17)
18. IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information (2023). [↑](#footnote-ref-18)
19. ESRS 1: 10.4 Transitional provision: List of Disclosure Requirements that are phased-in (2023). [↑](#footnote-ref-19)
20. Final Report: Recommendations of the Task Force on Climate-related Financial Disclosures (2017). [↑](#footnote-ref-20)