

**3Degrees Comments to Inform Implementation of California
Climate-Disclosure Legislation: Senate Bills 253 and 261, as amended by SB
219**

3Degrees Group Inc. (3Degrees) appreciates the opportunity to support the California Air Resources Board (CARB) on the implementation of Senate Bills (SB) 253 and 261.

3Degrees supports the intent of both bills to help improve the access to consistent and standardized information from California's largest companies about their greenhouse gas emissions (GHG) and the risks they face from the impacts of climate change.

3Degrees is a leading global climate solutions provider and a Certified B Corporation whose work has been driven by the need for urgent climate action. 3Degrees delivers a full suite of clean energy and decarbonization solutions to help global Fortune 500 companies, utilities, and other organizations achieve their climate goals and address GHG emissions in the fight against climate change. Our company offers a commitment to integrity and deep expertise in climate strategy and implementation across scopes 1, 2, and 3 emissions, including advising on net zero commitments and renewable energy and carbon project development. We focus on developing and deploying impactful climate solutions that make good business sense and advance an equitable transition to the low-carbon future. 3Degrees' feedback to CARB on the implementation of SB 253 and 261 reflect our decades of experience advising companies on achieving and disclosing renewable energy and carbon reduction goals.

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.

3Degrees recommends that CARB narrows the scope of applicability of "does business in California" to focus on entities with a significant presence or emissions impact in the state. CARB should avoid establishing an overly broad definition that would burden smaller or indirect actors with limited relevance to California consumers and investors. Consideration should be given to how Californians will access, navigate, and use climate-related information from SB 253 and 261 when evaluating companies in California. If CARB adopts an overly expansive

interpretation of the term “does business in California,” it may result in an overwhelming volume of disclosures, only a small portion of which would provide meaningful information to stakeholders in California. Additionally, disclosure alone is unlikely to directly drive climate action and may instead impose a significant administrative burden on smaller businesses without meaningful influence in California. For example, there are many privately owned companies that meet the definition of “*doing business in California*” as defined in the Revenue and Tax Code section 23101, but do not directly engage with California residents or contribute substantially to in-state emissions. To ensure reporting requirements are focused and effective, 3Degrees recommends narrowing this definition to include only companies with direct access to California consumers and a tangible impact on the state’s emitting activities. 3Degrees also recommends that CARB publish guidance on how transparent and standardized climate-related disclosures can provide investors, consumers, and other California stakeholders with decision-useful information on relevant climate risks and be used to hold businesses with a significant footprint in California accountable.

General: Standards in Regulation

3.a. 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?

3Degrees recommends that CARB not adopt the Greenhouse Gas Protocol (GHG Protocol) wholesale due to its significant optionality. Instead, CARB should select and standardize specific elements of the GHG Protocol to ensure consistency across climate disclosures. This will help ensure that SB 253 and 261 produce comparable and verifiable disclosures that can be used by California consumers, investors, and members of the public to inform their decision-making while also aligning, at a high-level, with widely used external standards and protocols.

CARB should follow the precedent of CARB’s Cap-and-Trade offset protocols: adopt external standards with California-specific modifications, retain state authority, and include stakeholder input. In the context of Cap-and-Trade, CARB initially drew upon voluntary carbon protocols developed by external entities (e.g., the Climate Action Reserve (CAR)) but made significant modifications to align with

California's specific regulatory objectives and legal requirements. CARB then formally adopted these protocols through a public rulemaking process, ensuring regulatory rigor and enforceability. Importantly, while CARB designated CAR to help maintain and update these protocols, CARB retained full authority and did not cede its regulatory powers, ensuring that updates to protocols continued to align with state policy goals.

For SB 253 and 261, CARB could implement a similar process for periodically reviewing and updating reporting requirements. This process should involve stakeholder input and routine evaluation of changes in external standards to determine their suitability for adoption in California. Furthermore, CARB could establish advisory panels or working groups, as it has in the Cap-and-Trade context, to provide ongoing technical guidance on updating methodologies and standards while maintaining oversight and final decision-making authority. This would ensure that California's regulations remain current, scientifically robust, and responsive to the evolving landscape of climate-related disclosures, without compromising state-specific policy priorities.

3.b. 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?

3Degrees recommends that CARB develops a technical solution, such as an API or an import/export functionality, to minimize duplication of effort for entities obligated to disclose climate-related information under multiple mandatory or voluntary programs. This feature would allow entities to easily extract and reformat relevant data from CARB's reporting system for use in other contexts and vice versa. To do this, CARB should first focus on identifying areas of overlap where similar or related information is required under other climate-related frameworks, including voluntary frameworks such as the CDP and mandatory frameworks such as the European Union's Corporate Sustainability Reporting Directive (CSRD) or the International Financial Reporting Standards (IFRS) Foundation—IFRS S1 and IFRS S2 standards. Developing this type of solution would reduce administrative burdens on companies while preserving the integrity of California's distinct regulatory framework.

3.c. 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?

3Degrees recommends that CARB require entities to select a specific reporting method and adhere to it on a year-over-year basis, especially in cases where reporting methodologies are not fully standardized. While flexibility may be allowed in the selection of high-level reporting approaches (e.g., operational control versus financial control), consistency in these approaches is critical for ensuring the integrity, comparability, and usability of disclosures.

CARB should also publish a clear list of circumstances under which entities may change their reporting method, such as corporate restructuring or a change in ownership or control approach. In such instances, entities should be required to disclose their rationale for the change and undertake a rebaselining of prior year data to maintain consistency.

General: Data Reporting

4. To inform CARB's regulatory processes, are there any public datasets that identify the costs for voluntary reporting already being submitted by companies?

3Degrees is not aware of any public datasets that identify the costs for voluntary climate reporting, but recommends CARB consider how its reporting functions could align with existing mandatory or voluntary platforms to manage costs. Voluntary and mandatory reporting have different implications, so the costs associated with each will differ, even when the reporting is identical. Mandatory reporting requires companies to adhere to specific guidelines set by regulatory bodies which can lead to high administrative and compliance costs to ensure all legal requirements are met. 3Degrees recommends that CARB consider existing disclosure requirements to help simplify and streamline reporting processes, including utilizing APIs to connect to other reporting platforms. Many companies already voluntarily report and disclose GHG emissions data through CDP, using the Greenhouse Gas Protocol as the standard. The number of entities subject to mandatory disclosure requirements is also increasing across other jurisdictions.

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

3Degrees recommends CARB develop a new system specifically designed to collect and manage the climate-related data required under SB 253 and SB 261. We encourage CARB to seek a third-party provider to develop this system. Establishing a purpose-built platform and engaging a third-party entity with specialized expertise in data management and climate reporting could enhance the efficiency, functionality, and user experience of the reporting process. Such a system could support streamlined data compilation, improve data quality control, and facilitate alignment with other reporting frameworks through features such as automated data uploads, APIs, and standardized reporting templates.

However, it is imperative that CARB remains the primary enforcing authority of SB 253 and 261 to ensure accountability and impartiality. Any third-party involvement should be limited to technical or administrative functions, with CARB remaining fully responsible for ensuring compliance, assessing data accuracy, and taking enforcement actions as needed.

SB 253: Climate Corporate Data Accountability Act

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?

3Degrees recommends that CARB standardize several key aspects of the GHG Protocol’s scope 1, 2, and 3 reporting to ensure data consistency, comparability, and integrity across climate-related disclosures. While GHG Protocol provides a valuable foundation for emissions reporting, it is designed for voluntary disclosure and allows for considerable discretion by users; for example, companies can often choose what to include or exclude and address omissions via footnotes. Such discretion undermines the comparability of disclosures and would not serve the purpose of SB 253 and 261, which is to provide California investors and

consumers with reliable and actionable information on corporate emissions and climate risk.

With this in mind, CARB should consider standardizing the following reporting elements across scopes 1, 2, and 3:

- **Data Collection and Data Types:**

CARB should clarify which types of data sources are acceptable for regulatory reporting and compliance purposes and specifically distinguish between estimations, modeled data, and primary data. CARB should also specify under which circumstances estimations may be used. Guidance on the minimum data quality standards for various emission sources will help ensure data reliability and conformance with SB 253 and 261 reporting requirements.

- **Missing Data:**

CARB should establish clear rules for how missing data must be addressed, including standardized estimation methodologies, conditions under which data may be considered non-reportable, and a requirement to disclose any data gaps alongside a timeline for resolution. Under GHG Protocol, companies are generally expected to estimate missing data where feasible, but are not strictly required to do so in all cases; instead, omissions can be documented. This flexibility is not compatible with regulatory reporting. CARB should consider looking at other climate-related disclosure frameworks, such as the ISSB's IFRS S2 or EUs CSRD, which provide guidance on handling missing data to ensure comprehensive and accurate reporting, including estimation techniques and required disclosure of estimation methods.

- **Emission Factors:**

CARB should standardize which emission factors are permissible for use across all scopes of reporting, as allowing companies to choose their own emission factors introduces significant inconsistency. CARB should develop or reference a standardized list of approved emission factors for key activities and sectors to ensure data comparability.

- **Materiality Thresholds:**

CARB should set specific materiality thresholds for inclusion of emissions data to ensure that all significant sources are consistently captured while minimizing reporting burdens for immaterial sources. These thresholds should be clearly defined and consistently applied across all reporting entities.

- **Dual Reporting of Scope 2 Emissions:**

CARB should require dual reporting of both location-based and market-based scope 2 emissions. This approach is essential to meeting SB 253's goal of equipping consumers with transparent, decision-useful information about corporate climate actions and SB 261's goal of understanding climate-related financial risks and mitigation actions or strategies.

Most companies rely on the GHG Protocol Scope 2 Guidance to outline the necessary accounting and reporting requirements for conducting an inventory assessment for scope 2 emissions. The GHG Protocol Scope 2 Guidance establishes the location-based and market-based methods as two distinct methods for scope 2 accounting. The location-based method reflects average emissions intensity of grids where energy consumption occurs. Conversely, the market-based method reflects emissions from electricity that companies have purposefully chosen and derives emissions factors from contractual instruments, such as energy attribute certificates (also referred to as RECs), direct PPAs, and residual mix data. Together, the two methods help companies fully document and assess risks, opportunities, and changes to emissions from electricity supply over time.

The GHG Protocol Scope 2 Guidance requires companies with any operations in markets providing products or supplier-specific data in the form of contractual instruments to report scope 2 emissions using both methods—commonly referred to as “dual-reporting”.¹ The US is one of these markets with a range of contractual instruments used to support voluntary and RPS markets, including unbundled RECs, PPAs, and specified electricity offerings. In markets where no contractual instruments exist, the market- and location-based method result in the same calculated emissions.

¹ [GHG Protocol Scope 2 Guidance](#), pages 7-8

The GHG Protocol requires dual reporting to ensure a comprehensive view of the options available to reduce emissions, allow comparability across operations, and prevent double-counting between companies relying on different methods for goal-setting. Dual-reporting allows companies to differentiate between the impacts of their individual purchasing decisions, the overall GHG intensity of their local grid, and emissions reductions resulting from changes in operations. Additionally, the GHG Protocol's framework results in comparable data across companies and reduces double counting between scope 2 inventories when all users are required to use the same methods.² Because only the company in possession of the contractual instruments can report renewable energy, there should be no double-counting across all inventories calculated using the market-based method. Not only does the GHG Protocol's dual reporting requirement improve the accuracy of reported results, but by instructing companies to follow the GHG Protocol Guidance for dual reporting, investors would be able to better assess and evaluate climate-related risks by relying on consistent and transparent accounting methods. 3Degrees recommends CARB align with the GHG Protocol's reporting framework that differentiates between market-based and location-based accounting frameworks, and requires that companies report using both.

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

3Degrees recommends CARB align its requirements for third-party verification or assurance of Scope 3 emissions with those of existing disclosure frameworks, such as the EU's CSRD and CDP, to minimize administrative complexity and reduce the burden on reporting entities. Many companies subject to SB 253 and 261 will also be reporting under these programs. Alignment will enable companies to use the same assurance providers across frameworks, reducing the time and cost associated with third-party verification and ultimately lowering overall compliance costs.

9. c. How should voluntary emissions reporting inform CARB's approach to implementing SB 253 requirements?

² [GHG Protocol Scope 2 Guidance, Chapter 3: Accounting and Reporting Principles](#)

For voluntary emissions reporting, companies generally:

- A. Report *annually* covering a *1-year* time period;
- B. Have access to prior year's data by *July of the following year*.

SB 261: Climate Related Financial Risk Disclosure

10. 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?

3Degrees recommends providing companies ample time to prepare and submit their climate-related disclosures and consider existing timeframes to ensure alignment with other reporting requirements. Existing disclosure programs require companies to report annually on sustainability-related information and integrate the information into regular financial reporting cycles at the end of the fiscal year. For example, the EU's CSRD reporting allows for submissions within 12 months of the previous financial year's closing. For companies who voluntarily disclose climate-related risks using the CDP portal, the previous year's reporting window closes in October of the following year.

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

3Degrees recommends that CARB refer to the recommendations from the Task Force on Climate-related Financial Disclosures (TCFD), as they are widely adopted in the sustainability community and would ensure consistency and alignment between SB 261's requirements and other mandatory disclosures. In addition to the TCFD recommendations, CARB should also consider two recently developed climate-related risk disclosures by the International Financial Reporting Standards (IFRS) Foundation—IFRS S1 and IFRS S2. These standards incorporate the TCFD recommendations and aim to provide a global baseline for sustainability reporting that companies can pursue voluntarily or countries can adopt as a

framework for mandatory reporting. Currently, approximately 30 jurisdictions use the IFRS standards as part of legal or regulatory frameworks that require climate-related disclosures and it is anticipated that more jurisdictions will use this framework to adopt their own disclosure policies or regulations.³ Alignment with existing and any future disclosure requirements will be critical to help investors assess climate-related risks and compare data across different companies and sectors. 3Degrees would also support the disclosure of any scenario analysis to help assess the impact of climate-related risks on a business and recommends CARB provide guidance on specific scenarios to support compatibility across company disclosures.

3Degrees appreciates the opportunity to provide feedback on CARB's implementation of Senate Bills (SB) 253 and 261. We hope these comments help strengthen the statutes and improve access to consistent and standardized information from California's largest companies about their greenhouse gas emissions (GHG) and the risks they face from the impacts of climate change.

Sincerely,

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3

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