March 21, 2024

Liane Randolph, Chair California Air Resources Board
1001 I Street
Sacramento, CA 95814

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

Dear Chair Randolph:

The U.S. Impact Investing Alliance ("the Alliance") writes in support of your work on SB 253 and SB 261, as amended by SB 219, which require California businesses to report climate related financial risks and greenhouse gas emissions.

The Alliance is an organization committed to catalyzing the growth of impact investing in the United States. It defines impact investing broadly to include those investments that create financial returns alongside measurable and positive social, economic or environmental impacts across asset classes, geographies and strategies. Ultimately, the Alliance seeks to make progress toward an economic system that places measurable social, economic and environmental impact at the heart of every investment decision.

Members of its boards and councils include high-net-worth individuals and institutional investors collectively owning hundreds of billions of dollars of invested assets, in addition to allocators and fund managers collectively managing over one trillion dollars in assets.

The proposed climate-related disclosures are important steps to protect investors, recognize the effects of the economy on the climate, and encourage private action to reduce air pollution. The law is also responsive to investor and public demands and lays the groundwork for alignment with global regulatory peers who have made strides toward mandated, standardized climate-related financial disclosures.

Climate change poses significant and systemic risks to investment portfolios and the financial stability and the capital markets.[1] And there is growing evidence that failing to act on climate change will have profound financial consequences for the U.S. economy.[2] The recent devastating wildfires in Los Angeles are a tragic reminder of this reality, as economic losses due to the fires are predicted to exceed $250 billion.[3] And looking further into the future, we see

[1] Financial Stability Oversight Council, "Report on Climate-Related Financial Risk," 2021.
[2] Deloitte, Inaction on Climate Change Could Cost the US Economy $14.5 Trillion by 2070, January 2022,
[3] Los Angeles Times, Estimated cost of fire damage balloons to more than $250 billion, January 2025.

even greater risk, as a recent study found that we face a 50% GDP loss as soon as 2070 if we do not address climate change.[4]

Accordingly, investors require access to clear, timely and comparable climate data, and businesses are increasingly recognizing the importance of measuring and disclosing their impacts on a broad set of stakeholders. We are supportive of the proposal's inclusion of disclosures on companies' Scope 1, 2 and 3 greenhouse gas emissions, all of which are necessary for investors to understand the full extent of a company's exposure to climate risks.

The impact of investment decisions cannot be properly assessed without complete and reliable data about how companies operate. Transparency is a crucial element to successful impact investing. In particular, investors are increasingly seeking information about the impact of climate change on the business operations of the firms in which they invest. Recognizing this demand, jurisdictions around the world have moved to standardize reporting on key metrics of climate impact by large issuers, but the U.S. Securities and Exchange Commission ("SEC") has not implemented equivalent regulations.

The Alliance is hopeful that effective regulations from California will align with those of other states and create a network of climate disclosure requirements that can be a sufficient replacement for federal regulation in the coming years. We believe that it is important that CARB strives to maximize interoperability with other mandatory programs and reporting requirements in place now and going forward. Cooperating with other regulatory and standard-setting organizations to co-create and publish guidance and tables to support companies in their disclosure will not only strengthen the disclosure work being done but ease the burden on companies as more requirements are put into place.

In response to question 3 about external standards and question 13 about what climate risk disclosures companies are already reporting, we recommend that CARB explore transitioning to the International Sustainability Standards Board (ISSB) framework over time. As of November 2024, over 1,000 companies and 30 jurisdictions are using this framework.[5] Therefore, streamlining the California requirements with what a significant number of companies and jurisdictions are already using would be beneficial to investors, companies, and regulators. As of October 2023, the Task Force on Climate-related Financial Disclosures (TCFD) disbanded because the ISSB standards represent the "culmination of the work on the TCFD."[6]

We are also aware that CARB may face litigation on this rule on grounds of extraterritoriality but are confident that the precedent set in *National Pork Producers Council v. Ross* will provide strong precedent to protect these regulations.

For decades, the rules and regulations governing the financial markets have constrained American economic innovation and competitiveness by hampering investors' consideration of

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[4] Institute and Faculty of Actuaries, Planetary Solvency - Finding Our Balance With Nature, January 2025.
[5] IFRS Foundation, New report sets out global progress towards both mandated and voluntary corporate climate-related disclosures, November 2024.
[6] IFRS Foundation, ISSB and TCFD.

long-term, financially relevant factors and systemic risks. These laws represent an important step forward in better enabling businesses and investors to account for climate-related risks, impacts and opportunities in a transparent and meaningful way.

The Alliance writes in strong support of these efforts on the whole and is committed to providing any additional resources needed by CARB to make these regulations effective for companies and investors. The Alliance is looking forward to our stakeholders using this data in their investment decisions going forward.

Sincerely,

US Impact Investing Alliance