Clerk of the Board
California Air Resources Board
1001 I Street
Sacramento, CA 95814

**WDMA Responses to CARB Solicitation to Inform Implementation of California Climate-Disclosure Legislation: Senate Bills 253 and 261, as amended by SB 219**

**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.

a) Should CARB adopt the interpretation of "doing business in California" found in the Revenue and Tax Code section 23101?

The lack of a clear statutory definition creates uncertainty in compliance obligations. We support aligning CARB's definition with the Revenue and Tax Code section 23101 to ensure consistency with existing legal frameworks.

Clarity & Consistency – Entities already comply with RTC § 23101 for tax purposes, reducing ambiguity and administrative burden.

Fairness – Avoids imposing reporting requirements on entities with minimal economic activity in California.

Alignment with Existing Regulatory Frameworks – Using an established definition prevents conflicting interpretations across different agencies.

*b) Should federal and state government entities that generate revenue be included in the definition of a "business entity" that "does business in California?"*

Government entities that generate revenue should be covered by this law and adhere to the law's requirements.

If CARB seeks government participation in emissions reporting, it should consider a separate regulatory framework tailored to public agencies rather than applying corporate regulations to government functions. Government entities operate with public funding, and requiring compliance with CARB's disclosure requirements could divert taxpayer resources toward administrative costs rather than public services.

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

Companies that foreign governments own should be subject to this law, in the same manner as private or domestic entities. To do otherwise would give these entities an unfair advantage.

2. 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)?

a) *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?*

Private companies, including many WDMA members, often lack access to publicly available financial data resources. CARB should work with state tax authorities to ensure efficient identification of entities subject to reporting without imposing additional administrative burdens

b) *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 require independent filings by subsidiaries to ensure fairness in the filing process. The filings should note any subsidiary/parent relationship consistent with available tax filing data already available to the state.

CARB should allow vertically integrated reporting entities to report at the highest organizational level possible to capture as much information in one report rather than increasing the administrative burden of filing multiple reports. Reporting entities should be required to clearly identify their approach to setting the operational boundaries of their report following the guidelines found in the GHG Protocol, including clearly disclosing any parent-subsidiary relationships.

Any subsidiaries doing business in California excluded from the organizational boundary of the parent company should be required to submit separate filings to ensure fairness and prevent potential loopholes in the reporting process while also clearly disclosing any parent-subsidiary relationships. This should align with existing tax filing data already available to the state.

**General: Standards in Regulation**

3. 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.

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?*

Many WDMA members already participate in energy efficiency programs and voluntary GHG emissions disclosures. To prevent unnecessary duplication, CARB should ensure that reporting requirements under S.B. 253 and 261 align with federal and international standards such as the Greenhouse Gas Protocol, and the SEC's climate disclosure framework.

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?*

Keeping reporting requirements consistent with federal entities such as the SEC's Climate Disclosure Framework, will ensure consistency in reporting and ease of collection. These are reporting requirements that many companies are familiar with and collecting.

If a company already reports under another verified GHG disclosure program (e.g., SEC, EPA), they should be allowed to submit the same data to CARB.

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?*

WDMA believes that CARB should specify the exact reporting requirements that define a good faith effort to comply with this regulation. Not doing so will leave reporting entities in an uncertain environment given the challenge of collecting scope 3 data from suppliers.

CARB should then allow for flexibility in the data reported. Suppliers have a varying range of capacities to report GHG emissions. There should be flexibility therefore in the reporting methods to meet this requirement to accommodate for this variety.

**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? 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?*

SEC's Estimated Compliance Costs: The U.S. Securities and Exchange Commission (SEC) estimated that its climate disclosure rules would increase annual compliance costs from $3.8 billion to $10.2 billion, with individual companies incurring expenses between $420,000 to $530,000 annually.

Several factors influence the costs for entities to comply with GHG reporting and climate-related financial risk disclosures:

- Scope of Emissions Reporting: Including Scope 1 (direct), Scope 2 (indirect from energy), and Scope 3 (all other indirect emissions) can significantly increase complexity and costs. Scope 3, in particular, involves extensive data collection across the value chain.
- Data Collection and Management: Establishing systems to accurately gather, manage, and report emissions data requires investment in technology and personnel.
- Third-Party Assurance: Engaging external auditors to verify reported data adds to compliance expenses.
- Regulatory Alignment: Ensuring that reporting meets the specific requirements of multiple regulatory bodies can lead to increased costs, especially if standards differ.
- Company Size and Complexity: Larger organizations or those with complex operational structures may face higher compliance costs due to the breadth of data and coordination required.

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

The state should require directly reporting to CARB. This is to avoid a conflict of interest when a new state financed entity who's goal is financial gain rather than serving the public interest. CARB should take full control of this process to ensure public interest is protected
Regulatory Control & Oversight – Ensures consistent enforcement and alignment with state-specific climate policies.
Data Security & Confidentiality – Keeps sensitive corporate emissions and financial data within state oversight.
Transparency & Public Trust – A state-managed portal avoids perceived conflicts of interest with private climate reporting firms.

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

Non-Profit Organizations:

- The Climate Registry (TCR): A non-profit organization that offers tools and resources for organizations to measure, verify, and report their GHG emissions consistently across industry sectors and borders.
- Greenhouse Gas Management Institute: This USA-based 501(c)(3) non-profit organization provides training and certification programs focused on GHG accounting, auditing, and management to build capacity for accurate emissions reporting.
- Carbon Disclosure Project (CDP): An international non-profit that helps companies, cities, and regions disclose their environmental impacts. In 2022, nearly 18,700 organizations disclosed their environmental information through CDP.

**SB 252: Climate Compliance 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?*

Scope 3 emissions reported under SB 253 should be limited to upstream emissions sources, including purchased goods and services, capital goods, fuel- and energy-related activities (not included in scope 1 or 2), upstream transportation and distribution, and waste generated in operations, and upstream leased assets. Due to the administrative burden and difficulty in obtaining accurate data, business travel and employee commuting should be excluded, along with downstream scope 3 emissions.

CARB should also consider adopting reporting exclusions for insignificant sources based on either an absolute emission threshold or the percentage of the reporting entity's total GHG emissions. This would reduce the administrative burden for reporting entities to gather data, calculate emissions, and report emissions that are not expected to contribute significantly to the entity's total scope 3 emissions.

*8. 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*.

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

b) *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?*

Independent third-party verification is essential to credibility in GHG reporting; however, limited assurance for Scope 3 emissions should be permitted due to the inherent estimation challenges. CARB should consider adopting the "reasonable assurance" definition under the Mandatory Reporting Regulation (MRR) for consistency across regulatory programs. Additionally, CARB should ensure that qualified assurance providers are widely available to meet demand.

*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:*

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

CARB should adopt a standardized reporting cycle that aligns with financial reporting timelines (e.g., aligning biennial reporting with SEC disclosures). This approach will minimize disruption to business operations and ensure that entities have adequate time to prepare accurate reports. The complexity of financial risk disclosures necessitates clear guidance on acceptable methodologies and risk mitigation strategies.

We recommend this should be an annual or bi-annual schedule.

b) *When is data available from the prior year to support reporting?*

Due to the various timing of utility billing cycles, data for the prior year is not available prior to March following the end of the reporting year (i.e., 2025 data would be available by March 2026).

c) *What software systems are commonly used for voluntary reporting?*

**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?*

The reporting deadline should occur after the close of the second quarter of the year following the reporting period to ensure all necessary data is available to complete reports and have time for the assurance review process.

*11. 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.)?*

CARB should adopt a standardized reporting cycle that aligns with financial reporting timelines (e.g., aligning biennial reporting with SEC disclosures). This approach will minimize disruption to business operations and ensure that entities have adequate time to prepare accurate reports. The complexity of financial risk disclosures necessitates clear guidance on acceptable methodologies and risk mitigation strategies.

*12. 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?*

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

a) *What other types of existing climate financial risk disclosures are entities already preparing?*

   Reporting financial risks associated with climate change through the CDP Climate Change Questionnaire

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

c) *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?*

CDP reporting is aligned with TCFD guidelines

d) *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?*

WDMA acknowledges that while regulatory requirements shape industry standards, consumer demand for energy-efficient products remains a key driver of market transformation. We encourage CARB to work with industry stakeholders to promote voluntary energy efficiency improvements alongside regulatory initiatives. Additionally, compliance costs must be carefully considered, particularly for businesses already operating in competitive markets where regulatory expenses could impact pricing and economic viability.

Please feel free to reach out to Government Affairs Director, Michael Pierce at mpierce@wdma.com if you have any questions or concerns regarding our comments.