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March 21, 2025

Rajinder Sahota
Deputy Executive Officer
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Re: Information Solicitation to Inform Implementation of California Climate-Disclosure Legislation

Dear Ms. Sahota,

On behalf of the California Council for Environmental & Economic Balance (CCEEB), we write to provide comments to Inform Implementation of California Climate-Disclosure Legislation: Senate Bills 253 and 261, as amended by SB 219. CCEEB is a coalition of business, labor, and public leaders that works together to advance strategies to achieve a sound economy and a healthy environment. Founded in 1973, CCEEB is a non-profit and non-partisan organization.

As the climate disclosure regulatory space continues to evolve, it is essential to establish a flexible framework that allows entities to adapt to any new regulatory standards while ensuring consistency and cost effectiveness. This approach minimizes reporting burdens and associated costs, preventing unintended consequences that could impact energy affordability and the broader economy. By aligning with existing frameworks and allowing companies to leverage current reporting mechanisms, the California Air Resources Board (CARB) can facilitate compliance while reducing duplicative efforts.

To support CARB in implementing SB 253 and SB 261 effectively, this response emphasizes key themes that are woven throughout the recommendations that follow. These themes reflect CCEEB's commitment to climate transparency while ensuring a practical, efficient, and globally consistent regulatory approach:

- **Maximum flexibility** should be built into the framework to accommodate varying internal systems, reporting cycles, and levels of preparedness across industries.

- **Alignment and interoperability with international frameworks** (e.g., International Sustainability Standards Board (ISSB), Task Force on Climate-related Financial Disclosures (TCFD), Corporate Sustainability Reporting Directive (CSRD), Security Exchange Commission (SEC)) is critical to minimize duplication and reduce compliance burdens, supporting the concept of a **"global passport"** that allows one report to satisfy multiple jurisdictions.

- **Phased implementation** and **safe harbor provisions**, particularly for Scope 3 and assurance requirements, will support a smooth transition and improve data quality over time.

- **Materiality and relevance** should guide disclosures to ensure reports are useful to stakeholders and not overly burdensome.

- **Recognition of existing disclosures** and **allowance for parent-level reporting** will help streamline compliance for large and multinational entities.

- **Realistic timelines** tied to actual data availability and verification practices—often not complete until Q3 or Q4—are essential to ensure accurate reporting.

- **Direct reporting to CARB** is the most efficient and effective structure for oversight, data integrity, and cost control.

These principles serve as a foundation for a regulatory design that is rigorous, achievable, and aligned with global best practices.

Responses to CARB's Information Solicitation on SB 253 and SB 261 Implementation

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 (RTC) section 23101?**

CCEEB believes that the legislative intent was to only require Scope 1, 2, and 3 reporting for large entities. However, RTC 23101's thresholds[1] for California sales ($753,019 in 2024),[2] California real and tangible personal property ($73,502), and California Payroll ($73,502) are too low to be used to determine whether an entity doing business in California should be required to incur the extensive and costly reporting requirements of 253 and 261.

CCEEB does not think that CARB should use a financial thresholds to determine whether an entity is "doing business in California" for the purposes of implementing SB 253 and SB 261. Instead CCEEB recommends that CARB consider a California GHG emission threshold. For example, CCEEB supports CARB including entities that 1) meet the dollar thresholds in SB 253 ($1B) and SB 261 ($500M) **AND** have California GHG emission above the cap-and-trade threshold of 25000 metric tons of CO_2e.

CARB should not adopt the definition of "doing business in California" as set forth in RTC § 23101 for purposes of SB 253 and SB 261 implementation. Nor should it rely solely on the statutory language in SB 253 and SB 261, which is overly broad and insufficiently precise to provide practical compliance guidance or ensure consistent enforcement. CARB should instead develop a fit-for-purpose definition of "doing business in California" that is clear, administrable, and aligned with international best practices for climate-related disclosure.

[1] California Revenue & Tax Code section 2301 - https://casetext.com/statute/california-codes/california-revenue-and-taxation-code/division-2-other-taxes/part-11-corporation-tax-law/chapter-2-the-corporation-franchise-tax/article-1-definitions-and-general-provisions/section-23101-doing-business

[2] Franchise Tax Board – Doing Business in California: https://www.ftb.ca.gov/file/business/doing-business-in-california.html

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

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

d. **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?**

As stated above, CCEEB supports including the entities identified in questions 1b, 1c, and 1d if they meet the criteria recommended by CCEEB in its response to question 1a above. CCEEB supports CARB including entities that:

1) meet the dollar thresholds in 253 ($1B) and 261 ($500M) **AND,**

2) Have California GHG emission above 25000 metric tons of CO_2e.

Government entities that meet the emissions thresholds currently report GHG emissions under the Mandatory Reporting Regulation (MRR). Excluding them from SB 253 and SB 261 would create a disconnect in California's broader climate reporting framework and potentially reduce the completeness and comparability of disclosures across sectors.

Ownership by a foreign government should not exempt an entity from disclosure requirements if it is engaging in commercial activities that generate significant revenue and contribute to greenhouse gas (GHG) emissions within California. Many such entities operate in the state through subsidiaries, joint ventures, or directly participate in sectors like energy, transportation, or manufacturing. These business activities have the same climate-related impacts as privately held entities and should be subject to the same transparency and accountability standards.

This approach is also consistent with international precedents. For example, the European Commissions' (EC) CSRD and Securities and Exchange Commission (SEC) climate disclosure rules focus on the nature and scale of business activities, not ownership structure, when determining applicability. Exempting foreign government-owned entities could create competitive imbalances, undermine the integrity of reported data, and reduce the effectiveness of the state's climate risk assessments. Therefore, CARB should ensure that all qualifying entities, regardless of ownership, Entities that sell energy or other goods and services into California through separate markets—such as the Energy Imbalance Market (EIM) or Extended Day-Ahead Market (EDAM)—should be covered under SB 253 and SB 261 if they meet the revenue thresholds and derive a material portion of their business from California-based transactions.

These entities participate in California's economy and energy system in a meaningful way, even if they lack a physical presence in the state. Their activities can have substantial climate and financial impacts on California's markets, especially in the energy sector where emissions from imported electricity have obligations under cap-and-trade. Including them ensures regulatory parity between in-state and out-of-state suppliers and strengthens the integrity of emissions and risk disclosures.

This approach is also aligned with California's existing treatment of imported electricity under the MRR and cap-and-trade which account for emissions from out-of-state electricity deliveries. It also reflects broader regulatory practices, including those under the SEC and the EC's CSRD, which consider material economic engagement—not just physical location—as a trigger for disclosure obligations. To avoid compliance uncertainty, CARB should clarify that economic activity in California markets—regardless of geographic location—constitutes "doing business" for purposes of SB 253 and SB 261.

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)?**

   CARB should rely on a combination of existing California, federal, and voluntary reporting protocols to minimize duplicative efforts and ensure a cost-effective and efficient approach to identifying covered entities. For publicly traded companies, CARB can leverage SEC filings (such as 10-Ks and Form S-1s), which provide comprehensive information on revenue, business operations, and subsidiary structures. Additional commercial business databases, including Dun & Bradstreet and Bloomberg, or corporate tax filings, can support identification efforts. However, data for private companies may be limited, and CARB should consider implementing a self-reporting mechanism to close those gaps.

   Additionally, CCEEB recommends that CARB clarify and apply the parent/subsidiary provisions outlined in SB 219 to promote transparency and reduce administrative burden. Specifically, CARB should allow disclosures at the parent company level in lieu of requiring duplicative subsidiary-specific reports, especially where the parent is already reporting in line with the GHG Protocol or frameworks like the TCFD, which are required under regulations such as the UK Listing Rule.

   SEC rules already require public companies to disclose information about subsidiaries and consolidated financials, which CARB can use to identify entities that meet revenue thresholds. Similarly, the EC's CSRD allows for parent-level reporting to meet subsidiary-level requirements. This approach supports harmonization, reduces compliance burden, and recognizes companies that already meet rigorous international standards. By aligning with these existing frameworks, CARB can promote consistency across jurisdictions while avoiding unnecessary regulatory duplication.

   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?**

CARB should use a combination of commercial business databases such as Dun & Bradstreet, Bloomberg, PrivCo, and IRS/corporate tax data where accessible. These databases aggregate revenue and ownership data and are updated on a quarterly or annual basis, depending on the source. However, these sources may have gaps or delays in data coverage for privately held companies, particularly those that are smaller or operate through complex structures.

Given these limitations, a self-reporting requirement will be necessary for identifying covered private entities. This is consistent with practices in other regulatory contexts (such as California's MRR and the EC's CSRD), where companies are required to disclose their applicability status to ensure completeness of coverage. Including an annual attestation requirement or declaration process would enable CARB to verify coverage while minimizing enforcement 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 reference SB 219’s provisions on parent-subsidiary relationships and allow reporting at the parent-company level, particularly where the parent already reports in line with internationally recognized standards such as the GHG Protocol and TCFD. CARB should accept consolidated reports from parent companies that clearly identify and encompass their subsidiaries operating in California.

SEC regulations require publicly traded companies to disclose their subsidiaries, and the EC’s CSRD permits parent-level reporting in lieu of subsidiary reporting, provided the disclosures cover the subsidiary’s activities. This structure encourages consistency, reduces duplicative reporting, and ensures that all relevant operations are captured. CARB should provide clear guidance on acceptable forms of consolidated reporting and may request a list of covered subsidiaries to ensure transparency and traceability.

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 aligned with standards incorporated into the statute as these external standards and protocols evolve?**

CARB should not incorporate external standards like the GHG Protocol or TCFD (now ISSB) by static cross-reference, as doing so would lock California into versions that may soon be outdated. Instead, CARB should establish formal mechanisms to monitor and update its regulations in response to changes in these evolving frameworks, some of which are anticipated to change significantly within the next three years. CCEEB supports compatibility with international frameworks but believes CARB must retain the flexibility to update its rules based on stakeholder input, domestic priorities, and global developments.

CARB should rely on existing California, federal, and voluntary protocols to minimize redundancy and administrative burden, while preserving the ability to address state-specific climate goals. This approach is consistent with practices by the SEC and the EC’s CSRD, which both allow for adaptation over time. ISSB standards—International Financial Reporting Standards (IFRS) S1 and S2—which now incorporate the TCFD Recommendations, are intended to be global baselines, but even these are subject to ongoing refinement. A flexible, adaptive framework will ensure California’s leadership in climate disclosure remains robust and relevant.

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?**

CARB should promote regulatory interoperability by allowing entities to fulfill California’s reporting obligations using filings prepared for other frameworks—such as SEC climate disclosures, ISSB-compliant reports, or EC CSRD submissions—if those reports meet the substantive requirements of SB 253 and SB 261. CARB should also support reporting at the parent company level to prevent duplicative subsidiary reporting and align with both international practice and SB 219’s provisions. CCEEB supports movement toward a “global passport” model, which would allow entities with multi-jurisdictional obligations to submit a single report accepted across regulatory regimes.

SEC filings and CSRD reporting emphasize standardized and consistent financial disclosures that already meet many of the criteria California seeks. Recognizing and accepting these reports would streamline compliance, especially for global firms already aligning with IFRS and ISSB standards. ISSB was created by IFRS to harmonize global climate and financial disclosures, and CARB should build on this foundation to reduce costs, accelerate adoption, and avoid conflicting obligations. Minimizing overlap with existing emissions and risk reporting programs ensures cost-effectiveness and supports broader goals of transparency and accountability without creating unnecessary regulatory burdens.

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?

Yes, entities should be required to disclose and use a consistent reporting method year-over-year to maintain comparability. However, CARB should also allow for changes in methodology when well-justified—such as in response to updated standards, improved practices, or evolving business conditions—provided the rationale and impact of the change are clearly documented. Optionality across multiple internationally recognized frameworks should be preserved, particularly during early implementation phases, to allow for learning and maturation of best practices.

While consistency supports comparability, flexibility allows entities to adopt better approaches as standards evolve—especially important given that the GHG Protocol and ISSB standards are likely to undergo significant updates in the next few years. This mirrors approaches taken by the SEC and CSRD, which permit methodology changes with proper disclosure. CARB can uphold data integrity and comparability while still enabling innovation and reducing burden by requiring transparency when changes occur, rather than enforcing rigid, single-path compliance.

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?**

Public datasets quantifying the cost of voluntary climate-related reporting are limited, but meaningful insights can be found in comments submitted to the SEC regarding its proposed climate-related disclosure rule (March 2022), as well as in regulatory impact assessments from the EC on the CSRD. These sources consistently show that the costs of implementing climate disclosure are significant—often running into millions of dollars annually for large firms—especially when accounting for data collection, internal system upgrades, external consultants, third-party verification, and internal staffing.

CARB should actively consult these resources and directly engage with protocol and standards organizations (e.g., the Greenhouse Gas Protocol, ISSB/IFRS, CDP, and Climate Disclosure Standards Board) to develop more accurate cost assessments tailored to California’s regulatory landscape. These external bodies can provide valuable insight into the infrastructure, expertise, and timeframes typically required for compliance under frameworks such as the TCFD and the GHG Protocol.

SEC Rulemaking (2022): Public comments by large accelerated filers to the SEC (e.g., utilities, financial institutions, and multinational corporations) highlight that the cost of compliance with climate disclosures—including alignment with TCFD and GHG Protocol—can exceed several million dollars per year. These costs include system upgrades, data collection across business units and supply chains, climate scenario analysis, external assurance, and internal controls development. See SEC proposed rule "The Enhancement and Standardization of Climate-Related Disclosures for Investors" (File No. S7-10-22).

European Commission (CSRD): The Commission's impact assessment for the CSRD estimates that third-party assurance requirements can increase compliance costs by up to 20% for affected companies. This includes both initial implementation and ongoing compliance burden.

GHG Protocol and ISSB Standards: Both frameworks acknowledge that implementation costs vary widely depending on company size, sector, and data maturity, and recommend flexible, phased implementation to ease the burden.

Recommendations:

- **Parent-Level Reporting:** CARB should allow parent company disclosures in place of duplicative subsidiary-level reports when feasible. This will significantly reduce reporting costs for organizations with complex corporate structures.

- **Interoperability with Global Frameworks:** Recognizing reports filed under frameworks such as the UK Listing Rules, ISSB (IFRS S1/S2), and CSRD will minimize duplication and reduce the need for customized state-specific disclosures.

- **Cost-Effectiveness Review:** CARB should explicitly review the costs associated with disclosure and assurance requirements alongside the anticipated climate benefits, particularly considering how these investments may otherwise be directed toward emissions reduction, resilience, or innovation.

By incorporating these perspectives and data sources, CARB can design a regulatory program that achieves climate transparency goals while minimizing financial strain on California's businesses.

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

Reporting entities should retain flexibility to report emissions either to a third party or directly to CARB but not be mandated to direct reporting. Requiring entities to submit data directly to CARB is the most efficient, transparent, and fiscally responsible approach. Contracting out to an external "climate" or "emissions" reporting organization would introduce unnecessary administrative and financial burdens for reporting entities, increase compliance complexity, and reduce regulatory accountability.

Administrative Simplicity and Cost-Efficiency: Requiring companies to report through a third party (or to multiple platforms) would add significant complexity to the compliance process, especially for companies already engaged in mandatory reporting under frameworks like the SEC's proposed climate disclosure rules or CSRD. Establishing or licensing a new reporting platform—akin to CDP—would require companies to invest in additional staff training, system integration, and legal review to ensure consistent interpretation of requirements, thereby diverting resources from emissions mitigation and adaptation work.

Both the SEC and CSRD require entities to submit reports directly to the regulatory authority or a centralized government portal. For example:

- Under the SEC's proposed climate disclosure rule (File No. S7-10-22), climate-related disclosures must be submitted directly to the SEC via its EDGAR system.

- The EC CSRD mandates filings to national business registers or centralized public access portals overseen by government authorities. These centralized reporting models ensure that regulators maintain oversight and data integrity, while simplifying compliance for registrants.

Direct reporting to CARB ensures that the agency retains full control over data collection, validation, compliance monitoring, and public transparency. Delegating these responsibilities to a third-party entity risks misalignment between policy intent and data interpretation, potentially undermining the credibility of the reporting framework.

If CARB were to create or contract a CDP-style reporting platform, it could lead to duplication for entities already complying with existing international standards (e.g., GHG Protocol, ISSB, TCFD-aligned disclosures). Rather than creating parallel systems, CARB should integrate reporting directly within its existing infrastructure—such as the platform used for the MRR—and allow data uploads or references to existing disclosures where appropriate.

CARB should adopt a centralized, regulator-run reporting model to minimize burden, maximize transparency, and ensure consistency with international best practices. This will not only reduce costs and complexity for reporting entities but also ensure CARB maintains oversight and adaptability as standards evolve. A streamlined, well-integrated reporting portal—managed by CARB—would offer the most effective and efficient path forward.

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

Yes, there are several non-profits and private entities that currently offer platforms and services for emissions and climate-related disclosures, including the Climate Disclosure Project (CDP), The Climate Registry (TCR), Sustainability Accounting Standards Board (SASB), Carbon Disclosure Standards Board (CDSB) (now consolidated under the IFRS Foundation), and various enterprise software providers such as Workiva, Persefoni, and Envizi. However, contracting out to any of these service providers for mandatory state reporting would introduce unnecessary complexity, limit regulatory control, and increase compliance costs—especially when such platforms are already used voluntarily by some companies for different purposes.

1. CDP offers a voluntary disclosure platform widely used for climate-related questionnaires and emissions data, aligned with TCFD and GHG Protocol frameworks.

2. TCR supports GHG inventory reporting and third-party verification for North American entities, with a focus on voluntary and programmatic alignment with existing standards.

3. Private-sector software companies (e.g., Persefoni, Workiva, Envizi) provide ESG and climate disclosure solutions, including emissions quantification, scenario analysis, and data visualization, often geared toward alignment with SEC, ISSB, or CSRD requirements.

While these platforms have credibility and functional utility in voluntary or investor-driven contexts, they are not designed as regulatory submission portals under state law. Adapting them for compliance with SB 253 and SB 261 would require substantial customization and ongoing oversight.

Outsourcing reporting to third-party platforms could increase financial and administrative burdens on covered entities. Organizations would need to purchase subscriptions, adapt internal systems to platform-specific formats, and train personnel on third-party tools. These are costs not associated with direct regulatory reporting systems used by government agencies (e.g., CARB's MRR portal, the SEC's EDGAR).

According to feedback from large accelerated filers regarding the SEC's proposed climate disclosure rule (File No. S7-10-22), such costs can amount to several million dollars annually, particularly where data collection, IT infrastructure, and external assurance services are layered across multiple platforms.

Contracting out the reporting function could reduce CARB's ability to directly manage data validation, compliance monitoring, and stakeholder engagement. In contrast, direct reporting to CARB—as with the existing MRR system—ensures the state retains authority and can make timely adjustments in response to evolving standards like the ISSB or revised GHG Protocol frameworks.

While qualified non-profits and private vendors exist, CCEEB does not support outsourcing California's reporting obligations under SB 253 and SB 261 to third-party providers. Instead, CARB should build upon or expand existing in-house systems (e.g., MRR infrastructure) to maintain efficiency, regulatory consistency, and cost-effectiveness. Should CARB choose to allow optional uploads or references to voluntary third-party disclosures (e.g., CDP submissions), this should remain supplemental rather than mandatory.

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?**

CARB should strike a careful balance between providing regulatory clarity and preserving the flexibility embedded in the GHG Protocol. CCEEB recommends that CARB standardize select aspects of Scope 1 and 2 reporting—such as timing, boundary-setting, and GHGs to be reported—while retaining flexibility for Scope 3 disclosures, including safe harbor provisions and phased implementation. Importantly, companies should retain discretion to select reporting methodologies and apply materiality filters to determine which data points and narratives are relevant to disclose.

CARB should build on existing frameworks such as California's Mandatory Reporting Regulation (MRR) and The Climate Registry to ensure consistency in:

- Boundary setting: Require companies to select either an operational control or equity share approach and disclose their choice, consistent with the GHG Protocol.

- GHG species: Standardize the gases to be reported (e.g., CO_2, CH_4, N_2O, HFCs, etc.) in line with California's MRR and global best practices.

- Timing of submissions: Recognizing that utilities and other regulated entities finalize verified emissions reports by Q3, CARB should allow reporting deadlines in Q4 to ensure accurate, third-party verified submissions. MRR emissions data for utilities is finalized based on CEC and CARB reports due in June, with verification processes typically concluding in Q3.

- Scope 3 – Preserve Flexibility, Materiality, and a Safe Harbor: Scope 3 emissions represent the greatest share of uncertainty, variation, and burden across industries. CCEEB strongly recommends that:

    - Entities should be allowed to report only relevant Scope 3 categories based on a materiality assessment consistent with their corporate risk and sustainability frameworks.

    - CARB should align with the GHG Protocol's Scope 3 Standard, which allows companies to prioritize material categories and use estimation methods.

    - A safe harbor provision should be included for Scope 3 emissions reporting until the GHG Protocol revision process stabilizes and methodological consensus is reached.

    - Scope 3 verification should be phased in, with limited assurance and clear timelines for future escalation.

The SEC's proposed climate disclosure rule (File No. S7-10-22) allows for materiality-based Scope 3 disclosure, while the EC's CSRD only mandates Scope 3 reporting of material categories (European Financial Reporting Advisory Group [EFRAG], ESRS E1). The GHG Protocol is undergoing revision (2023–2025) and has acknowledged broad stakeholder support for a flexible and scalable Scope 3 framework.

- Company Reporting Standards and Methodologies
  Companies should be allowed to:

    - Choose between reporting standards such as GHG Protocol, life cycle assessments (LCA), or sector-specific frameworks, depending on their business model and internal systems.

    - Select calculation methods that align with internal governance processes, provided those methods are transparently disclosed.

    - Avoid disclosure of immaterial data or narrative elements that do not provide decision-useful information for stakeholders.

This approach supports internal alignment with corporate sustainability programs, reduces compliance burdens, and increases the relevance and usability of reported data. The ISSB (IFRS S2) and SEC both emphasize materiality as a cornerstone of effective climate risk disclosure.

CARB should standardize certain elements of Scope 1 and 2 reporting for consistency and comparability, while maintaining flexibility in Scope 3 to accommodate data maturity, evolving methodologies, and industry-specific nuances. Aligning with international frameworks (GHG Protocol, ISSB, SEC, and CSRD) and allowing for optionality and materiality-based reporting will reduce regulatory burden and increase the quality and relevance of disclosures.

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?**

While options for third-party verification of Scope 3 emissions exist, they are still developing and present practical limitations. Currently, verification is primarily offered by a small pool of accredited verifiers, including those approved under CARB's MRR, TCR, and ISO-accredited assurance bodies under ISO 14064-3:2019. These organizations can offer third-party reviews aligned with best practices in GHG accounting, but their capacity and expertise in complex Scope 3 categories are still evolving.

The market for Scope 3 verifiers is limited, and demand is expected to grow significantly with the implementation of SB 253 and similar global mandates. Many Scope 3 emissions estimates rely on third-party databases, industry-average emission factors, or modeling assumptions, making them less amenable to traditional verification.

ISSB standards (IFRS S2) and SEC proposals do not require immediate third-party assurance for Scope 3 due to these complexities. Therefore, CARB should allow phased implementation—initially no assurance for Scope 3 disclosures—followed by optional limited assurance after market capacity and methods mature.

CCEEB recommends allowing for Scope 3 safe harbor provisions and voluntary assurance in early years. In the intervening years, CARB should prioritize development of verifier capacity through training and partnership with standard-setting organizations (e.g., IAASB, ISO, TCR).

    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 assurance2" in MRR be utilized, and if not why?**

CCEEB recommends CARB adopt a phased assurance framework—starting with limited assurance, and only transitioning to reasonable assurance after robust international sustainability assurance standards are established (e.g., via the International Auditing and Assurance Standards Board – IAASB). Initially, CARB should not require assurance for Scope 3, and only limited assurance for Scopes 1 and 2, allowing time for companies and auditors to build expertise and systems.

The MRR definition of "reasonable assurance"—"a high degree of confidence that submitted data and statements are valid"—was developed in the context of financial transactions (e.g., Cap-and-Trade, LCFS), where emissions data directly determine market value. That level of scrutiny may not be warranted under SB 253, particularly where no financial transactions or compliance instruments are at stake.

CARB's 2016 white paper[3] on verification versus certification and audit emphasized matching assurance requirements with the intended regulatory function. If the data are used for transparency and risk disclosure—not enforcement or credit generation—a lighter assurance touch may be more appropriate.

[3] Framework for Development of a Low Carbon Fuel Standard Verification Program White Paper

EC's CSRD mandates limited assurance initially, with reasonable assurance phased in over time, consistent with the approach recommended here. The ISSB's IFRS S2 does not require assurance but anticipates it will become best practice in the future once methodologies stabilize and assurance standards are finalized.

Recommendation:

- Begin with no assurance requirement for Scope 3, and limited assurance for Scopes 1 and 2, with CARB-approved third parties.
- Reassess readiness after several reporting cycles before requiring reasonable assurance.
- CARB should reference ISO 14064-3:2019 for verification practices and continue its tradition of matching assurance rigor with policy purpose.

CARB should adopt a pragmatic, phased approach to assurance that reflects the evolving verification

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:**

Voluntary emissions reporting practices should inform CARB's implementation of SB 253 by providing a realistic baseline for reporting frequency, timelines, and data systems. Many covered entities already report Scopes 1 and 2 emissions in alignment with the GHG Protocol, often under frameworks such as CDP, SBTi, or corporate ESG disclosures guided by TCFD. These voluntary programs demonstrate both the feasibility of annual reporting and the challenges related to data availability and verification. CARB should align its implementation schedule with these existing practices, while avoiding requirements that would compress or conflict with standard data reporting timelines.

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

Most companies engaged in voluntary reporting use an annual reporting frequency, covering a 12-month calendar or fiscal year. This aligns with guidance under the GHG Protocol and frameworks like CDP, TCFD, and the ISSB's IFRS S2. The reporting year typically mirrors the organization's financial reporting period to support internal integration and external comparability.

- CDP and SBTi require calendar or fiscal year GHG data.
- GHG Protocol Corporate Standard recommends consistent annual periods for comparability.
- SEC's proposed climate disclosure rule (File No. S7-10-22) requires GHG disclosures in the same time frame as financial reporting.

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

For many companies—particularly those subject to MRR—finalized and verified emissions data are not typically available until Q3 of the following year. For example, utilities often rely on data submitted to the California Energy Commission (CEC) and CARB under the MRR, with internal compilation completed in Q2, and third-party verification finalized by late Q3.

Under the MRR, data are due to CARB in June, with verification completed by September. Companies need time to compile, validate, and verify complex datasets, particularly where multiple business units, facilities, or jurisdictions are involved. Requiring finalized data earlier would undermine data accuracy and increase the burden on internal teams and external verifiers.

CARB should allow SB 253 reports to be submitted in Q4 of the reporting year to accommodate these timelines, support accuracy, and align with existing compliance workflows.

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

A wide range of software platforms and internal systems are used for voluntary emissions reporting. Commonly used systems include:

- Persefoni – Designed to align with SEC and TCFD frameworks.
- Workiva – Offers ESG and GHG reporting with integration into financial disclosures.
- Envizi (IBM) – Provides enterprise carbon and energy data management.
- Sphera, Accuvio, FigBytes, and Enablon – Industry-specific tools for ESG and sustainability metrics.
- Some companies also develop customized in-house platforms to align with their ERP systems and internal audit protocols.

The market is still evolving, and companies vary in their approach based on sector, data complexity, and maturity of sustainability reporting processes. Mandating the use of a specific system would be infeasible and counterproductive.

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 appropriate timeframe for submitting a biennial report under SB 261 should be no earlier than Q4 of the reporting year (i.e., the second year of the biennial cycle), and CARB should allow maximum flexibility in setting deadlines to account for the varying complexity of climate risk assessments across industries. A reporting window between October and December would give companies sufficient time to collect, analyze, and, where appropriate, obtain assurance on the prior year's data.

- Data Availability Lags: Climate-related financial risk reporting—especially when aligned with frameworks like the Task Force on Climate-related Financial Disclosures (TCFD) or IFRS S2—requires extensive cross-functional coordination and analysis. For many companies, the prior year's GHG data and financial risk inputs are not finalized until Q2 or Q3 of the following year, particularly for Scope 3 emissions or physical/transition risk modeling that depends on third-party data and scenario analysis.
    - For example, utility members report emissions to CARB and the California Energy Commission (CEC) by June, with third-party verification often concluding in Q3, mirroring

timelines under the MRR.

  - These data feed directly into financial risk assessments, climate scenario modeling, and enterprise risk management processes.

- Consistency with Global Frameworks: Under the TCFD, the reporting cadence is annual or biennial, with flexibility built in to align climate disclosures with an entity's financial reporting cycle. Similarly, the SEC's proposed climate rule (File No. S7-10-22) and the EC's CSRD allow climate-related financial disclosures to be published in the same timeframe as annual financial filings, often up to 90–120 days after year-end, and do not require faster turnaround for climate-related data specifically.

- Assurance and Review Capacity Constraints: While SB 261 does not explicitly require third-party assurance, many companies choose to internally validate or externally review climate-related financial risk disclosures to maintain credibility. Given that the International Auditing and Assurance Standards Board (IAASB) is still finalizing global standards for sustainability assurance, companies should not be forced into compressed timelines that would compromise the quality of disclosures or increase audit costs. A Q4 reporting window allows for reasonable assurance where sought and provides time for board-level review.

Recommendation:

- Allow entities to submit reports anytime in Q4 of the second year of the biennial cycle.

- Permit flexibility to align climate risk disclosures with financial reporting calendars.

- Consider adopting a "not earlier than October 1 and not later than December 31" submission window to accommodate variations in data finalization and review cycles across sectors.

Given the complexity of compiling and validating climate-related financial risk data, CARB should prioritize maximum flexibility in setting SB 261 deadlines. A Q4 window aligns with other regulatory frameworks, ensures data integrity, and accommodates assurance or board-level governance processes. This pragmatic approach supports compliance without compromising the quality or comparability of disclosures.

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 allow entities to report any time within a two-year period rather than requiring a standardized, fixed-year schedule. This approach offers maximum flexibility, aligns with diverse internal reporting and risk assessment timelines, and reduces administrative burden—particularly for multinational companies already complying with multiple climate disclosure regimes.

Climate-related financial risks are typically assessed in line with an entity's internal enterprise risk management (ERM) cycle, which may not correspond to a state-mandated calendar year. Allowing flexibility within a two-year window gives entities the ability to align SB 261 reporting with board-approved timelines, budgeting, and financial reporting cycles, consistent with the TCFD framework and IFRS S2.

Global Precedent for Flexible Reporting Windows:

- The SEC's proposed climate disclosure rule allows for climate reporting to follow a company's fiscal year and does not mandate specific calendar years.

- The EC's CSRD similarly ties sustainability reporting to each entity's reporting cycle and permits flexibility in timing and frequency, provided disclosures are up-to-date and reflect material risk.

- The Task Force on Climate-related Financial Disclosures (TCFD) recommends regular (e.g., annual or biennial) reporting but does not require disclosures to be tied to a fixed global calendar year.

A fixed calendar year (e.g., 2027, 2029, etc.) would require some entities to create parallel data systems or accelerate risk reviews out of sync with existing internal timelines—creating unnecessary complexity and increased compliance costs. Allowing companies to choose any reporting point within a two-year window provides flexibility without sacrificing disclosure quality.

Even under a flexible two-year window, CARB can require that companies clearly disclose the year and time period covered in their filings. This ensures transparency and comparability without enforcing artificial uniformity in timing.

CARB should adopt a rolling two-year reporting window (e.g., 2026–2027, 2028–2029) and allow companies to choose when to file within that period. The report should clearly state the time frame covered, and CARB could optionally encourage entities to remain consistent with their chosen cycle for future reports.

Providing a flexible two-year reporting window under SB 261 supports CARB's goals of comprehensive, high-quality climate risk disclosures while minimizing compliance challenges and aligning with international best practices. This approach respects corporate realities and fosters voluntary early adoption and continuous improvement in disclosure quality.

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?**

Entities that newly exceed the revenue threshold during a biennial cycle should be required to begin reporting in the next full reporting cycle following the year in which they qualify. No interim or retroactive disclosure should be mandated for the partial cycle in which the threshold was first exceeded.

Both the SEC's proposed climate disclosure rule (File No. S7-10-22) and the ISSB's IFRS S2 acknowledge that climate risk disclosure is forward-looking and integrated with internal risk governance, scenario analysis, and financial planning. These frameworks do not require retroactive reporting once a company crosses a threshold but instead allow for disclosure in the next appropriate cycle, often aligning with the entity's financial reporting year.

Climate-related financial risk analysis involves cross-functional data collection, board oversight, and, in some cases, scenario modeling and alignment with enterprise risk management systems. New entrants need sufficient time to establish appropriate internal controls, gather relevant data, and structure disclosures in line with regulatory expectations. Requiring immediate or retroactive compliance would impose undue burden and compromise the quality of disclosures.

Requiring disclosures only in the next biennial reporting period offers a clear, predictable threshold trigger and reduces confusion. It avoids retroactive enforcement and mirrors the approach used in many financial regulations that tie obligations to fiscal periods rather than immediate triggers.

CARB should clarify that if an entity meets the revenue threshold during a biennial period (e.g., 2026 or 2027), the first required climate-related financial risk report would be due in the following reporting cycle (e.g., 2028–2029). This will ensure entities have time to build reporting capacity, align with their internal governance practices, and produce meaningful, high-quality disclosures

To ensure feasible and effective implementation, newly qualifying entities should begin SB 261 reporting in the next biennial period after crossing the revenue threshold. This approach aligns with international best practices, supports transition planning, and avoids unnecessary administrative complexity.

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

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

Entities potentially subject to SB 261 are already preparing a variety of climate-related financial disclosures under both voluntary and mandatory frameworks. These include:

- TCFD-aligned disclosures, often published in standalone climate or ESG reports.[4]
- ISSB-aligned disclosures (IFRS S2), particularly for entities preparing to comply with global baseline standards.[5]
- Annual sustainability or climate risk reports, often integrated with enterprise risk management.
- SEC filings, such as Form 10-K, that include forward-looking climate risk narratives or litigation risks.[6]
- Disclosures aligned with the EC CSRD and European Sustainability Reporting Standards (ESRS)—particularly ESRS E1: Climate Change.[7]
- Reports to investors through platforms like CDP or Sustainability Accounting Standards Board (SASB) standards.

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

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[4] Task Force on Climate-related Financial Disclosures (TCFD), Final Report (2017)
[5] ISSB Standards, IFRS S2 (2023)
[6] SEC Proposed Rule: Enhancement and Standardization of Climate-Related Disclosures, File No. S7-10-22 (2022)
[7] EC CSRD & ESRS E1 (2023)

Entities use a range of flexible, principles-based approaches to disclose climate-related financial risks, typically organized around the TCFD's four pillars:

- Governance – Description of board and management oversight of climate-related issues.
- Strategy – Discussion of actual and potential impacts of climate-related risks and opportunities on business strategy and financial planning.
- Risk Management – Identification, assessment, and management of climate-related risks.
- Metrics and Targets – Disclosure of GHG emissions (Scopes 1, 2, and relevant Scope 3), scenario analysis, and transition planning.

Approaches may be qualitative or semi-quantitative, depending on the entity's sector, size, and data maturity. Disclosures are often prepared with reference to internal materiality assessments and stakeholder expectations, with alignment to global frameworks such as ISSB or CDP.

c. (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?

Current reporting frequently deviates from full TCFD guidance in the following areas:

- Scenario analysis – Many companies provide narrative scenario descriptions but lack quantitative modeling due to limited tools and internal capacity.
- Scope 3 emissions – These are often only partially disclosed or rely on estimates; full category-by-category reporting is rare.
- Risk quantification – Few entities translate physical and transition risks into detailed financial metrics or integrate them into audited financial statements.
- Forward-looking metrics – Companies are still developing robust KPIs and targets that can be verified or assured.

These gaps reflect the evolving nature of climate risk assessment, and disclosure maturity varies significantly across sectors.

d. (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?

Yes. In many cases, companies are developing climate financial risk disclosures in response to:

- UK Financial Conduct Authority (FCA) – Mandates TCFD-aligned disclosures for listed companies under UK Listing Rule 9.8.6.
- EC CSRD & ESRS E1 – Requires detailed climate risk and transition plan disclosures beginning in

FY2024, going beyond TCFD in scope and specificity.

- SEC Proposed Rule – Will soon require U.S. public companies to disclose material climate risks, including Scopes 1 and 2 emissions, governance, and risk integration into financial statements.

- Canadian and Australian financial regulators – Have issued draft or proposed guidance aligned with TCFD and ISSB standards.

These emerging regimes offer overlapping but not identical expectations, reinforcing the need for interoperability and global alignment.

CARB should allow maximum flexibility and accept existing climate financial risk disclosures from entities already reporting under frameworks such as TCFD, ISSB (IFRS S2), CSRD (ESRS E1), or SEC requirements. Reports should be accepted in lieu of new bespoke California reports, provided they meet the intent of SB 261. Initial reporting should allow qualitative disclosures, with a gradual progression toward quantitative risk assessments as methodologies mature.

CARB's implementation of SB 261 should recognize and integrate existing global disclosure practices. Most large entities already produce comprehensive climate risk disclosures under TCFD, ISSB, or CSRD. Mandating duplicative reports would increase cost without improving transparency. A flexible, interoperable approach aligned with international norms will promote compliance, reduce burden, and enhance the value of climate-related financial risk disclosures.

Summary

As California moves forward with implementing SB 253 and SB 261, flexibility and regulatory consistency across jurisdictions should remain guiding principles. By allowing entities to align with existing reporting frameworks and providing flexibility in methodologies, CARB can reduce compliance burdens and costs that may otherwise impact energy and consumer affordability. Ensuring interoperability with federal and international standards will facilitate a smoother transition while enhancing data comparability and usefulness for stakeholders. A well-structured, adaptable approach will provide clarity and efficiency while maintaining California's leadership in climate disclosure and accountability.

Thank you for your consideration of our comments. We look forward to discussing them or answering any questions you may have at your convenience. Please contact me or Mikhael Skvarla, CCEEB's governmental relations representative at CA Lobby at (916) 203-0443 should you have any questions or comments.

Sincerely,

Tim Carmichael

Tim Carmichael
President and CEO