

2025-09-09

California Air Resources Board  
Climate Disclosure Section  
1001 I Street  
Sacramento, CA 95812

Dear ARB,

OmnexFuturepast appreciates the opportunity to comment on the development of regulations implementing SB 253, SB 261, and SB 219. OmnexFuturepast holds accreditations as a greenhouse gas validation/verification body from the ANSI National Accreditation Board (FUPI 9177) (ANAB) and the California Air Resources Board's Mandatory Reporting Regulation (H-25-028) and Cap-and-Trade programs (H2-25-026).

Personnel in OmnexFuturepast have a long history of working on greenhouse gas validation and verification. With another body we obtained accreditation in ANAB's pilot program in 2008 and later in the first wave of accreditations to the ARB MRR. We have also participated in the writing of international standards on greenhouse gas validation and verification since the first ISO working group on this topic was formed in 2002. We are currently involved in the writing of a new assurance standard on sustainability information, ISO 14019. Three of the four parts of this standard are expected to be published late in 2025 or early in 2026.

We first address our comments to the areas where ARB has requested feedback in its most recent public workshop. We conclude by providing comments on issues related to providing assurance on statements made by reporters of their greenhouse gas emissions.

### Feedback Requested by ARB

#### 1. **Timing of Scope 1 and 2 reporting in 2026**

OmnexFuturepast agrees that a June 30 deadline for reporting scope 1 and 2 greenhouse gas emissions is feasible for all reporters. What is left unsaid in the "SB 253 261 workshop slides 2025-08-21" (hereafter "the workshop slides") is whether reporters will need to provide an assurance statement with their report or obtain it afterwards. Both options currently apply in other regulated programs.

California ARB's Mandatory Reporting Program (MRR) requires reporters to meet an April 10 or a June 1 reporting deadline, with verification following by accredited bodies no later than August 10. A similar process is followed by Canadian regulatory reporting programs with slightly different verification deadlines. By contrast, the United Nation's ICAO/CORSIA (CORSIA) program requires submission of verified reports to "State authorities" (i.e. national government departments responsible for the regulation of

civil aviation in countries) at the same time as they submit their annual report. The annual reporting deadlines for verified reports under CORSIA is April 30.

We understand that ARB must balance a variety of objectives in setting a reporting deadline. These include, but are not limited to:

- a. A need to give reporters sufficient time following the close of the calendar year (or their fiscal year) to prepare a report on greenhouse gas emissions for that prior year;
- b. A need to provide users of the reports with reasonably prompt access to the reported data.

With regard to the verification deadline, ARB similarly balances at least the following objectives:

- a. The availability of qualified verifiers to verify submitted reports;
- b. The interests of intended users in accessing verified data.

OmnexFuturepast believes that a reporting deadline of June 30 does not give the regulated community ample time to have their reports verified by a third party. Although many reporters who will be covered by the regulation may already have greenhouse gas emissions reporting systems in place, it often takes reporters several months after the closing of a calendar or fiscal year to prepare and submit a report. In order to ease the crunch of verifying approximately 2,500 greenhouse gas emissions reports prior to the report submission deadline, approved verification bodies should be granted additional time to complete their work.

**Recommendation:** Adopt September 30 as the deadline for verification bodies to submit assurance opinions on reports submitted by the regulated community by June 30.

## 2. **Potential Standards for Assurance Opinions**

OmnexFuturepast supports the recognition by the Air Resources Board of greenhouse gas validation/verification bodies (bodies) that are accredited by the ANSI National Accreditation Board (ANAB).

Bodies accredited by ANAB are subject to annual oversight of their operations as described in the first few workshop slides on SB 253 Assurance Criteria relating to impartiality, integrity, rigor and efficiency, and the lack of real or perceived conflict of interest. OmnexFuturepast notes that the state of Oregon's Greenhouse Gas Reporting

Regulation recognizes ANAB accredited bodies as eligible to provide assurance on their regulated community's annual reports of GHG emissions.<sup>1</sup>

ANAB recognizes as criteria for verification regulatory language where such language has been adopted by national, state or provincial governments who may enter into memoranda of understanding with ANAB, and the following International Standards:

- ISO 14064-3:2019, Specification with guidance for the verification and validation of greenhouse gas statements
- ISO 14066:2023, Environmental information—Competence requirements for teams validating and verifying environmental information
- ISO 14065:2020, General principles and requirements for bodies validating and verifying environmental information.

In the opinion of OmnexFuturepast, these standards meet all the requirements that ARB has identified in the workshop slides for providing assurance on whether submitted statements of GHG emissions are materially correct and in conformity with criteria. We recommend that the ARB Climate Disclosures section recognize the standards listed above and the bodies that are accredited by ANAB to provide verification services.

### [Additional Feedback](#)

#### **3. SB 253 Assurance Criteria – Definition of Verification**

We note the proposed definition of verification and wish to call to ARB's attention the fact that the second edition of ISO 14064-3 (2019) has updated its definition. The 2019 definition now reads: "process for evaluating a statement of historical data and information to determine if the statement is materially correct and conforms to *criteria*". We recommend that ARB adopt this definition in the place of its proposed definition which was based on the 2006 version of ISO 14064-3. We note that this definition is also more closely aligned with the definition of an audit of historical information under the financial auditing standards ISAE 3000 and ISSA 5000.

The revised ISO definition of "verification" focuses on what a verification actually is rather than upon the attributes that its practitioners add to it while performing a verification. We agree wholeheartedly with the requirements that verifications be performed by independent bodies and that they be systematic and documented. Verifications carried out by ISO accredited bodies will meet these requirements as these are hard wired into ISO 14064-3 and ISO 14065, "General principles and requirements for bodies validating and verifying environmental information." Adherence to these standards is overseen by each verification body's accreditation body.

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<sup>1</sup> See Chapter 340, Division 242, §210(2)(A)(c).

**Recommendation:** Adopt the ISO 14064-3:2019 definition of “verification,” which is **“process for evaluating a statement of historical data and information to determine if the statement is materially correct and conforms to *criteria*”.**

**SB 253 Assurance Criteria – Background on Assurance – What is ‘Verifiable’**

4. We agree that a high level of rigor should be applied when performing audits of greenhouse gas emissions. However, discussions surrounding the quality of audits opens the door to a much more significant matter: **what information is verifiable, and what information is not.**

We have pointed out in ARB climate disclosure workshops that the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard provides three approaches to quantifying scope 3 emissions. These are in descending order of data quality:

- a. scope 1 and 2 data provided by a supplier
- b. life cycle data bases
- c. spend data

Of these three only the first option “a.” is likely to come close to satisfying the rigorous data quality requirements expected from an assurance provider. A third party reporting its scope 1 and 2 emissions to a customer should have reasonable certitude about the emissions of greenhouse gases from its own operations, and from its energy suppliers (electricity, steam, heat and cooling).

Life cycle assessment (LCA) databases can be useful for life cycle assessment study reports, but these have very well-known limitations. LCA databases only represent an average of the emissions from the number of companies surveyed. Companies whose data are surveyed typically range from high- to low-emitting companies. A verifier who encounters such data has no way of knowing whether the emissions attributed to, say, a producer of cement, are similar to that of the supplier of cement to the reporter whose report is being verified. This matters because the difference may be material. Databases used by LCA analysts can also contain emission factors that are not up to date.

The Greenhouse Gas Protocol Corporate Accounting and Reporting Standard was intended to be used by companies making a voluntary disclosure of their greenhouse gas emissions. It was not intended for regulatory reporting. This presents a quandary to verifiers of such statements. How can a verifier conclude whether statements of scope 3 emissions were “materially correct” without investigating whether the LCA database from which information was extracted represents fairly the actual emissions of a supplier to the company whose report he is verifying? The answer is that he cannot.

The third type of data—spend data—is even worse than life cycle assessment data. Here an organization adds up the amount of money it has spent on certain categories of

purchased goods. It submits that information to a third-party provider, typically Trucost, a business unit of S&P Global, who uses its proprietary algorithm to convert spend data to estimated greenhouse gas emissions. The Trucost model is a “black box.” I know this from personal experience, as Trucost was once partially owned by the validation/verification body I formally provided services to. Trucost asked if that body could “verify” the emissions of one of their clients. I asked if they would share their algorithm and they said “no”. We told them that we could not verify their client’s emissions. It should be obvious that there are two potential sources of error here. First is the collection of “spend” data within the reporting organization. Second is the conversion of that data within Trucost’s black box to GHG emissions. Since there is no transparency within Trucost’s black box, the emissions are not verifiable.

Since the Climate Disclosure section has selected as reporting criteria the GHG Protocol, providers of assurance **should be given safe harbor** in the regulation for preparing verification reports at either the limited level of assurance or the reasonable level of assurance for information that is inherently unverifiable except through the application of highly intrusive audit procedures that would substantially raise the cost of verification to clients. Moreover, we would like to point out that the suppliers of GHG information to our clients are not parties to our engagement with a client. Therefore, we have no legal or other basis for auditing their information at its origin.

Further, ARB’s regulation should require verification bodies, where applicable, to **disclose “limitations”** they have encountered in the presentation of data by reporters. Describing limitations will ensure a degree of transparency to intended users of reported information. ISSA 5000, General Requirements for Sustainability Assurance Engagements, includes the following paragraph on required elements of an assurance opinion:

“If applicable, a section with the heading “Inherent Limitations in Preparing the Sustainability Information” that describes any significant inherent limitations associated with the measurement or evaluation of the sustainability matters against the applicable criteria, including inherent limitations relating to forward-looking information included in the sustainability information. (Ref: Para. A494, A558–A560 and A579)”<sup>2</sup>

**Recommendation:** The following language on “safe harbor” and “limitations” should be added to the regulation:

“§xxxx. Verifiers of scope 3 emissions are granted safe harbor for information they verify that has been reported by any third party is who outside the organizational boundaries of the reporting organization, when such third party is not a party to the verifier’s contract to provide the reporter with verification services.”

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<sup>2</sup> See ISSA 5000 *Assurance Report Content* para. 190, sub-paragraph (g).

“§xxxx. Verifiers shall disclose in their verification opinions any inherent limitations they have detected in the responsible party’s data, including but not limited to, limitations of scope.”

### **Strict Adherence to the Requirements of the GHG Protocol**

5. The GHG Protocol has some explicit and implied requirements that over the years have not been uniformly respected by reporting organizations. We cite two examples: 1) the reporting of all greenhouse gases in both the mass of each greenhouse gas and in its carbon dioxide equivalent (CO<sub>2</sub>-e), and 2) the application of the financial accounting concept of “cut-off”.

In the first case, the expanding use of online greenhouse gas quantification and reporting platforms has spurred the sole use of CO<sub>2</sub>e values for emission sources, sinks, and reservoirs. This may correspond to the bottom-line need of investors and others for information, but it contradicts the explicit requirement in the GHG Protocol to report “Emissions data for all six [sic] GHGs separately (CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFCs, PFCs, SF<sub>6</sub>) in metric tonnes and in tonnes of CO<sub>2</sub> equivalent.”<sup>3</sup>

Without opining on whether this nonconformity to requirements by many (if not most) corporate reporters of GHG emissions is justifiable, OmnexFuturepast asks ARB to address in its regulation whether deviations from explicit GHG Protocol requirements shall constitute a nonconformity to requirements found in criteria, **or** whether a determination by the verification body of the requirement’s lack of materiality may render the requirement optional.

In the second case, there is an implied requirement in the “Description of the company and inventory boundary” third bullet item (The reporting period covered), to apply to greenhouse gas quantification what financial auditors call “cut-off”. As used by financial auditors, cut-off requires auditors to ensure that information is reported within the correct time period, whether that be a month, a fiscal quarter, or a year. In the case of greenhouse gas emissions reporting, most submitted reports are for a calendar year or fiscal year with defined beginning and ending dates. However, some utilities do not invoice customers on a calendar-month basis. This means that if the GHG data in twelve invoices for natural gas or electricity are summed, the MMBtu or kWh reported may leave out a few days in the January reporting period and in the December period or may include a few extra days in each of those periods.

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<sup>3</sup> GHG Protocol (2004), p 63. This paragraph is found in a list of “Required information” for a “public GHG emissions report that is in accordance with the GHG Protocol Corporate Standard.” While the GHG Protocol listed only the six “Kyoto gases” in its 2004 publication, a subsequent amendment in 2013 extended the reporting requirement to a seventh greenhouse gas, nitrogen trifluoride (NF<sub>3</sub>).

The solution to this anomaly is to apply cut-off, which is an exercise to pro-rate emissions for missing days in January or December so that emissions are reported more accurately for a twelve-month period corresponding to the dates of the reporting period. However, many reporters and some verification bodies accept the summing of 12 months of invoice data, even if they do not correspond exactly with a start date of 1 January and 31 December when these are the reporting dates. The justification for allowing such anomalies is that any inaccuracies this practice introduces are deemed to be non-material.

OmnexFuturepast asks ARB to address in its regulation whether the application of cut-off is or is not expected to be done by reporting parties.

Kind regards,



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