



*Submitted electronically via CARB Comment Portal*

September 11, 2025

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

**Re: CMTA Feedback – CARB’s Regulatory Concepts for Implementation of SB 253 (Wiener, 2023), SB 261 (Stern, 2023) & SB 219 (Wiener, 2024)**

Dear Chair Randolph:

On behalf of the California Manufacturers & Technology Association (“CMTA”), I appreciate your consideration of the following comments in response to the California Air Resources Board’s (“CARB”) workshop on August 21<sup>st</sup> during which regulatory concepts and language were shared with stakeholders for the purpose of implementation of California’s climate disclosure legislation, SB 253 (Wiener, 2023) and SB 261 (Stern, 2023), as amended by SB 219 (Wiener, 2024).

CMTA is a trade association dedicated to supporting and enhancing a strong business climate for California’s 30,000 manufacturing, processing, and technology-based companies. CMTA’s diversity across manufacturing and technology sectors positions us well to provide constructive feedback with respect to the climate-related disclosures required by SB 253 and SB 261. In this regard, we appreciate the opportunity to consider some of the regulatory concepts and language ahead of the formal rulemaking.

The following comments and recommendations offer a principled, risk-adjusted approach to Scope 3 emissions reporting that balances regulatory compliance with operational efficiency. We encourage CARB to adopt flexible, pragmatic guidance that allows companies to focus on material emission sources, leverage available data and tools, and build robust compliance programs over time. This approach will drive meaningful emissions disclosure while supporting business innovation and continuous improvement.

## **DEFINITIONS**

### **“Revenue”**

CMTA appreciates CARB’s efforts to consider options for defining “revenue.” We do not support the use of the California Tax Code definition. Instead, we urge CARB to lean into the

proposed alternative definition with additional refinement to specify the focus is on transactions with third parties and that revenue does not include intercompany transactions. To this end, we propose the following revised CARB language that excludes intracompany transactions from being considered part of determining “revenue:”

*Revenue is the total global amount of money or sales a company receives from its third-party business activities, such as selling products or providing services.*

### “Doing Business in California”

CMTA also appreciates CARB’s efforts to consider options for defining “doing business in California” and supports the development of an alternative definition. We are aligned with CARB’s proposed alternative definition but suggest the following modifications:

- is organized or commercially domiciled in California; and
- has direct sales to a legal entity based in California exceeding \$735,019;

CMTA is also aligned with and supports CARB’s recommendation to remove the following from the definition:

- ~~▪ has real or tangible personal property in the state exceeding \$73,502 or 25% of the entity's total; OR~~
- ~~▪ pays compensation in that state above \$73,502 or 25% of the total compensation paid~~

### **DOING BUSINESS IN CALIFORNIA DATABASE RESOURCE**

While CMTA appreciates CARB’s efforts to identify potential tools for the purpose of identifying who is doing business in California, CMTA does not support relying on the California Secretary of State’s database. Many companies proactively register with the State of California in anticipation of potentially doing business in the state to avoid penalties if, in the future, they do business and meet the threshold of “doing business in.” Utilizing this database would result in CARB taking on excessive administrative burden due to the sheer number of companies who might be registered but not meet those thresholds or even actually do any business in the state.

Alternatively, CMTA urges CARB to rely upon the existing CARB database of legal and registered entities as those are the entities that have tangible, material emissions within the State of California (and CARB’s legal jurisdiction).

### **PARENT SUBSIDIARY RELATIONSHIP**

CMTA does not support CARB’s proposal to follow the California Cap-and-Trade mandatory corporate reporting structures for implementation of SB 253 and SB 261. Instead, and as conveyed in our March submission, California should focus its efforts on entities located within the state and eliminate extraterritorial expectations for parent or other subsidiary

entities with limited to no connections to the state. For companies already reporting to the state under programs such as CARB's Cap-and-Trade Program or EPA's 40 CFR Part 98, the state should offer companies the optionality to report at the same entity level and options should be provided to limit double reporting of emissions.

CARB would be overextending its authority by mandating identification of parent subsidiary relationships when SB 219 is simply offering optionality for companies to self-disclose and report at this level. The minimum reporting requirement in both bills is to report at the legal entity level aligned with the definitions of reporting entity and covered entity as defined in SB 253 and SB 261.

Finally, for entities choosing to voluntarily report through a parent company, fees should be assessed only for the reporting entity. Assessing fees only for the reporting entity helps avoid unnecessary administrative burden for the state and subject companies.

## **EXEMPTIONS**

CMTA urges CARB to exempt entities that lack either "financial control" or "operational control" over California based assets. When drafting proposed SB 253 implementing regulations, specifically, CARB should exempt such entities, because such entities, by definition in the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard ("Protocol"), do not directly generate Scope 1 combustion or fugitive emissions or procure energy giving rise to Scope 2 emissions within the state. Imposing a reporting duty on them would therefore be ultra vires the legislative intent of California Public Resources Code (PRC) Section 38530–38535 (SB 253) to capture "own" or "operate" emissions and would contravene AB 32's directive to avoid duplicative or inconsistent regulation (Health & Saf. Code § 38562(b)(6)).

Exempting non-controlling entities also mitigates the material risk of double counting where a landlord retains financial control of a building's energy meters, refrigerants, and capital expenditures while a tenant simply occupies leased space. Under the Protocol's "financial control" approach the landlord must already report full-building emissions; whereas, under the "operational control" approach the tenant could be compelled to do so as well, resulting in two parties disclosing the same Scope 1 and Scope 2 inventory in contravention of CARB's existing Mandatory Reporting Regulation's principle of single-point accountability (Cal. Code Regs., tit. 17, § 95101 et seq.).

Alternatively, to preserve legislative breadth while ensuring clarity, CARB could insert the following sentence into the rule text:

*For any leased asset located in California, the party that exercises both (a) authority to introduce and implement operating policies and has (b) responsibility for utility procurement shall be deemed the sole reporting entity for all Scope 1 and Scope 2 emissions associated with that asset; where such authorities are split, the party holding financial control shall report, and the counter-party shall exclude those emissions from its inventory.*

This clear allocation harmonizes the Protocol's dual methodologies, upholds the Legislature's objective to deliver transparent, non-duplicative disclosures, and reinforces regulatory consistency across jurisdictions while reducing administrative burdens on California businesses.

### **USE OF CDP REPORTS TO COMPLY WITH SB 261 REQUIREMENTS**

CMTA requests that CARB clarify in the proposed regulations that CDP reports can be used to satisfy SB 261 reporting requirements. CDP reporting satisfies the statutory criteria for use in Section 38533, including alignment with the TCFD framework and the International Financial Reporting Standards Sustainability Disclosure Standards, as issued by the International Sustainability Standards Board. (See Health & Saf. Code, § 38533(b)(1)(A)(i), (b)(3)(B).) CDP aligned with TCFD recommendations in 2018 and with the IRFS S2 standard in 2024. (See [Alignment with Disclosure Frameworks and Standards - CDP; IFRS - ISSB delivers further harmonisation of the sustainability disclosure landscape as it embarks on new work plan.](#)) CARB can reduce the risk of confusion and reduce compliance burdens for covered entities by confirming in the regulation that CDP reporting satisfies the statutory criteria for use in Section 38533.

### **SB 253 REPORTING DEADLINE**

CMTA is concerned that it may not be feasible for companies to gather and assure Scope 1 and Scope 2 emissions data for reporting year 2025 and submit by June 30, 2026. In this regard, we recommend eliminating the limited assurance in Year 1 of reporting.

Alternatively, at a minimum, the reporting deadline needs to be extended to December 31, 2026, with enforcement discretion also applying to companies who have submitted data in good faith even if they were not able to achieve limited assurance by this date. Ultimately, the statute does not specify a specific date for final reporting but provides flexibility in 2026. To enable sufficient time for gathering and assuring the data on a schedule that is aligned with reporting entities' currently established processes and timelines, we urge CARB to reconsider the June date and instead provide flexibility for the information to be reported and assured at any point during the calendar year.

As stated in our March 2025 comment submission, CMTA recommends phasing in third-party assurance. In the case where long established and audited California MRR emissions account for the majority of a company's combined Scope 1 and Scope 2 emissions, those auditing companies are already short staffed, difficult to schedule and should remain focused on existing projects. Notably, the statute provides the authority for CARB to consider the "capacity for an independent assurance engagement to be performed by a third-party assurance provider<sup>5</sup>" in establishing reporting timelines that could support a phased in approach.

## **SB 253 EMISSIONS SCOPING**

CMTA is aligned with CARB's proposal to use the GHG Protocol as it allows flexibility in the selection of boundary, materiality, and calculation methodology.

## **SB 253 ASSURANCE**

CMTA appreciates and is aligned with CARB's proposal not to implement an accreditation process for assurance providers. We do, however, urge CARB to recognize existing third-party providers and support flexibility in the standards used when seeking third-party assurance. Among the standards that should be permitted, we recommend ensuring that ISAE 3000 is recognized. Further, for entities with existing verified emissions reports, they should not be subject to additional verification requirements for compliance with SB 253 requirements.

## **SCOPE 3 EMISSIONS REPORTING FEEDBACK**

### *Determining Applicability and Boundaries for Scope 3 Reporting*

CMTA supports a boundary-setting approach that prioritizes operational control within the jurisdictional boundary of the State of California as a minimum reporting obligation, as it provides clarity, consistency, and aligns with established GHG Protocol standards. Companies should be permitted to define boundaries that are most relevant to their operations, provided these are transparently disclosed. This approach reduces administrative burden and focuses efforts on the most significant emission sources.

### *Materiality and Relevance in Scope 3 Category Selection*

CMTA recommends that CARB allow for the application of financial materiality and relevance criteria in determining which categories of Scope 3 emissions should be calculated and reported. This aligns with internal best practices and ensures that reporting is both meaningful and manageable. Companies should be transparent and disclose the basis for their materiality determinations and provide justification for any exclusions, consistent with the GHG Protocol.

### *Calculation Methodologies and Data Sources*

CMTA encourages CARB to recognize a range of calculation methodologies, including spend-based, industry-average, and supplier-specific approaches. Companies should be permitted to use the most appropriate and reliable data sources available, with a focus on directionally correct and substantiated estimates. Companies may use a combination of calculation methods for various scope 3 categories throughout the inventory, as well as for various scope 3 activities within each scope 3 category. For example, for scope 3 category determined to be materially relevant, a company may use more specific methods for the activities that contribute most to emissions and less specific methods for the activities that contribute least to emissions aligned with [Greenhouse Gas Protocol for Calculating Scope 3 Emissions](#).

Further, as a minimum reporting obligation, where financially material / relevant within the jurisdictional boundary of the State of California, industry-sector data from reliable sources (to be cited, including year of publication and using appropriate legal disclaimer) will be deemed sufficient to satisfy the minimum viable Scope 3 emissions disclosure requirement under SB 253. Flexibility in methodology will enable companies to comply efficiently while maintaining the integrity of reported data.

#### Assurance and Verification Requirements

The PowerPoint slides shared by CARB on August 21, 2025 outline the distinction between limited and reasonable assurance, recommending that companies understand and plan for the level of assurance required by regulation. It also highlights the importance of early engagement with assurance providers and alignment with internal reporting teams. In this regard, CMTA suggests that CARB provide clear guidance on assurance requirements, including the acceptable levels of assurance (limited vs. reasonable) and the standards against which inventories will be assessed. A phased approach to assurance, with initial limited assurance and a transition to reasonable assurance over time, would allow companies to build capacity and improve data quality.

#### ~~Use of Third-Party Tools and Consultants~~

~~CMTA recommends that CARB recognize the value of third-party tools and consultants in supporting Scope 3 reporting. Guidance should clarify the acceptability of using such resources, provided data privacy and legal privilege are maintained where appropriate.~~

#### Documentation, Recordkeeping, and Compliance Programs

The PowerPoint slides shared by CARB on August 21, 2025 also convey the importance of robust documentation, recordkeeping, and compliance processes to support defensible reporting and facilitate assurance. To this end, CMTA urges CARB to provide clear expectations for documentation and recordkeeping, including the retention of data, calculation methodologies, and supporting evidence. This will ensure transparency, facilitate verification, and support ongoing compliance.

CMTA appreciates the opportunity to provide these comments and feedback. If you would like to discuss these issues further, please feel free to reach out to me at (916) 498-3320 or [eesquivel@cmta.net](mailto:eesquivel@cmta.net) or to our consultant Dawn Koepke with McHugh Koepke Padron Government Relations at (916) 606-5309 or [dkoopke@mchughgr.com](mailto:dkoopke@mchughgr.com). Thank you.

Sincerely,



Elizabeth Esquivel

Vice President, Government Relations

**California Manufacturers and Technology Association**