

September 11, 2025

California Air Resources Board
1001 I Street
Sacramento, CA 95814

Re: Comments on Proposed Climate Disclosure Regulations under SB 253 and SB 261

Dear California Air Resources Board,

Sequent Energy Management, LLC (“Sequent”), a subsidiary of The Williams Companies, appreciates the opportunity to provide comments on the proposed regulations implementing Senate Bill 253 (Climate Corporate Data Accountability Act) and Senate Bill 261 (Climate-Related Financial Risk Disclosure Program), as amended by Senate Bill 219.

Sequent is a marketer of natural gas that serves customers across the United States, including customers in California. Our business model is centered on the wholesale marketing of energy commodities, and our operations are conducted entirely outside California’s borders. Importantly, Sequent does not own or operate infrastructure or physical assets within the state, nor does it have any personnel in California.

Since the passage of SB 253 and SB 261, Sequent has tracked CARB’s regulatory activity related to implementing reporting programs for these disclosure requirements. Sequent is concerned that CARB is not accounting for companies like Sequent that have minimal connections to the state. Accordingly, Sequent submits the following comments:

1. Exemption for Non-Resident Natural Gas Marketers Without Physical Presence in California

California’s climate disclosure laws—SB 253 and SB 261—were enacted to enhance transparency around corporate greenhouse gas emissions and climate-related financial risks. The stated intent is to provide California consumers, investors, and regulators with consistent, reliable data to assess the environmental impact and economic resilience of companies operating within the state. These laws are designed to target entities with a meaningful presence in California whose activities directly contribute to the state’s emissions profile or financial exposure to climate risks. However, this purpose does not justify applying the regulations to companies like Sequent, which markets natural gas to California, but has no physical assets, infrastructure, or personnel in the state. Natural gas marketers do not sell directly to individual customers but rather sell bulk quantities of gas in interstate commerce at market delivery or entry points for further distribution. The two main natural gas market delivery points in California are

PG&E Citygate (serving Northern and Central California) and SoCal Citygate (serving Southern California).

The proposed regulations should explicitly exempt entities like Sequent that market products into California but do not maintain infrastructure, assets, or personnel within the state. In fact, CARB indicated in its public workshop held on August 21, 2025, that it is considering an exemption for business entities whose only activity with California consists of wholesale electricity transactions that occur in interstate commerce. This exemption would cover, for example, the California Independent System Operator (CAISO), which manages a centralized, wholesale exchange where entities transact at the grid (not with end consumers), as well as the business entities whose only activity in California consists of wholesale electricity transactions through CAISO. For natural gas, “city gates” (such as PG&E Citygate and SoCal Citygate) fulfill the parallel function to CAISO, serving as wholesale market delivery points where natural gas is exchanged between interstate pipeline companies and local distribution companies or large buyers. Just as CARB proposes to exempt companies whose only California activity is wholesale electricity sales—because these occur at a centralized market clearing point (CAISO) and do not involve direct in-state sales—so should CARB exempt natural gas marketers whose only California activity is selling natural gas at wholesale market points (city gates), under effectively identical circumstances.

The statutory language of SB 253 and SB 261 hinges on the concept of “doing business in California,” yet no definition was provided for that phrase by the legislature. Marketers such as Sequent operate entirely outside California’s borders and do not engage in activities that generate emissions or economic activity within the state beyond a financial transaction. Including such entities within the scope of these laws would dilute the focus of the regulations and impose burdens on companies whose connection to California is not only minimal, but purely transactional.

To share an additional perspective, Sequent’s California-related revenue represented less than 0.07% of its total gross revenue in 2024. And yet, this very limited relationship with consumers in California could potentially subject Sequent to an undue burden to comply with the climate disclosure regulations. Put simply, companies like Sequent should not be subject to the reporting requirements of these regulations.

Sequent supports CARB’s announcement in the August workshop that it is considering a different test for “doing business in California” that would not rely on the definitions contained in California’s tax code. However, even CARB’s new focus on companies with a designated agent for service of process in California would pull in companies like Sequent, despite their exceedingly limited connection to California. Sequent respectfully suggests CARB craft its own definition that is tailored to the role CARB plays as an environmental regulator, not a tax or revenue regulator. This would provide CARB the discretion to adapt its regulations to the unique needs of the climate disclosure program instead of being bound by lists or thresholds developed by other government agencies.

Regardless of how CARB ultimately defines “doing business in California,” Sequent urges CARB to include specific exemptions for wholesale energy marketers like Sequent, consistent with its current anticipated exemption for wholesale electricity transactions. Alternatively, to ensure proportionality and fairness, CARB should consider a safe harbor threshold—for example, 5% of total company revenue generated within California—below which entities would be exempt from reporting requirements. This would allow CARB to focus its regulatory efforts on entities with meaningful in-state operations or business relationships while avoiding undue burdens on out-of-state businesses with minimal California activity.

2. Clarification of Financial Thresholds Based on California Revenue

If CARB elects not to exempt marketers like Sequent or adopt a safe harbor threshold, Sequent urges CARB to clarify that the financial thresholds triggering applicability—\$1 billion for SB 253 and \$500 million for SB 261—must be based *solely on revenue generated within* California. Applying these thresholds to total global or national revenue would effectively regulate entities based on extraterritorial conduct, raising serious constitutional concerns.

Such an approach may violate the Dormant Commerce Clause of the U.S. Constitution, which prohibits states from enacting regulations that unduly burden interstate commerce or attempt to control conduct beyond their borders. The U.S. Supreme Court has consistently held that states may not impose obligations on out-of-state entities unless there is a substantial nexus to the state. In *Southern Pacific Co. v. Arizona*, 325 U.S. 761 (1945), the Court invalidated a state law that imposed burdens on interstate rail traffic, emphasizing that state regulations must not place undue burdens on commerce that extend beyond state boundaries. In *Pike v. Bruce Church, Inc.*, 397 U.S. 137 (1970), the Court established a balancing test: where a statute regulates evenhandedly to effectuate a legitimate local public interest, and its effects on interstate commerce are only incidental, it will be upheld unless the burden imposed is clearly excessive in relation to the putative local benefits. If a legitimate local purpose is found, then the question becomes one of degree.

Applying climate-related disclosure requirements to entities like Sequent—whose operations and emissions occur entirely outside California—would fail this test. The requirements would impose disproportionate burdens on out-of-state businesses solely based upon activity conducted outside of the State of California, thereby extending California’s regulatory authority in a manner that risks unconstitutional overreach.

3. Clear, Unambiguous Regulations are Essential

To ensure legal clarity and enforceability, CARB must establish precise and transparent rules—particularly regarding the definition and application of materiality under SB 261. Materiality is a cornerstone of both financial and environmental disclosure frameworks, including the SEC’s Regulation S-K and the Task Force on Climate-related Financial Disclosures (TCFD), which SB 261 explicitly references. Without a clearly articulated materiality standard, companies face significant uncertainty in determining which climate-related risks or emissions

data must be disclosed under SB 261, increasing the risk of inconsistent reporting and potential enforcement disputes.

CARB should define materiality in alignment with established legal principles—such as whether a reasonable investor would consider the information important in making investment or operational decisions—and provide guidance on how it will assess and enforce this standard. This includes specifying whether materiality determinations must be made at the entity level, how third-party verification will interact with materiality judgments, and what documentation companies must retain to demonstrate compliance. Clear rules will not only support consistent and meaningful disclosures but also ensure that enforcement actions are grounded in objective, legally defensible criteria.

Conclusion

Sequent supports transparency and disclosures of material risks and information. However, we believe that CARB’s proposed regulations must include a reasonable definition of “doing business in California,” along with specific exemptions as outlined above, to avoid unintended reporting burdens on entities that do not operate or have a physical activity within California’s jurisdiction. We appreciate CARB’s efforts to engage stakeholders and welcome the opportunity to participate in future workshops and discussions.

Sincerely,

Sequent Energy Management, LLC