



September 11, 2025

Via Electronic Submission

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

Re: SB 253/261/219 Public Workshop: Regulation Development and Additional Guidance (August 21, 2025)

Ladies and Gentlemen:

The Bank Policy Institute¹ appreciates the opportunity to provide further feedback to California Air Resources Board ("CARB") regarding its implementation of California Senate Bill ("SB") 253 (2023) and SB 261 (2023), each as amended by SB 219 (2024) (such bills, as amended, "SB 253" and "SB 261," respectively, and collectively, the "Climate Laws" or "Laws").²

¹ The Bank Policy Institute (BPI) is a nonpartisan public policy, research and advocacy group, representing the nation's leading banks and their customers. Our members include universal banks, regional banks and the major foreign banks doing business in the United States. Collectively, they employ nearly 2 million Americans, make nearly half of the nation's small business loans and are an engine for financial innovation and economic growth.

² BPI previously submitted a comment letter, dated March 21, 2025, in response to CARB's information solicitation seeking feedback to inform its implementation of the Climate Laws. *See* BPI, *Information Solicitation to Inform Implementation of California Climate Disclosure Legislation: Senate Bills 253 and 261, as amended by SB 219* (Mar. 21, 2025) (the "BPI March 2025 Comment Letter"), available at <https://bpi.com/wp-content/uploads/2025/03/BPI-CARB-Comment-Letter-March-2025.pdf>. Following CARB's August 2025 public workshop regarding its implementation of the Climate Laws, CARB opened a public docket for written comments. *See* CARB, SB 253/261/219 Public Workshop: Regulation Development and Additional Guidance (August 21, 2025) ("CARB Presentation"), <https://ww2.arb.ca.gov/sites/default/files/2025-08/SB%20253%20261%20workshop%20slides%208-21.pdf>. BPI recognizes that there is ongoing litigation regarding the Climate Laws. BPI is submitting this letter to be responsive to CARB's solicitation for written comments at its August 2025 public workshop and is not expressing any view on the litigation.

I. Executive Summary

We appreciate the CARB staff's continued efforts to solicit feedback to help inform, and to provide guidance regarding, CARB's implementation of the Climate Laws, including through hosting public workshops and issuing guidance.

Our members actively evaluate climate-related financial risks and their potential impacts and are developing resources to develop risk management capabilities to identify, measure and mitigate these risks. In the context of general corporate disclosures, many of our members already publish extensive climate-related information, including with respect to certain greenhouse gas ("GHG") emissions and climate risk management.

However, we continue to be deeply concerned about the compliance timeline under the Climate Laws, particularly the proposed June 30, 2026 initial reporting timeline for scope 1 and 2 emissions under SB 253. Although our members have been tracking and disclosing certain climate-related information, until CARB finalizes regulations to implement the Climate Laws (the "Climate Regulations" or "Regulations"), our members will not know with certainty how certain provisions of the Climate Laws should be interpreted, including, among other interpretive questions, which entities are reporting entities subject to the Climate Laws,³ whether substituted compliance is available under certain circumstances, and what additional data and information will need to be collected and reported by them under the Climate Laws and Regulations. Therefore, our members will not be able to prepare for full compliance with the Climate Laws until CARB finalizes the Regulations.

To address this significant concern and to ensure that meaningful climate-related information is provided to California consumers, investors and members of the public without undue burdens and duplication of efforts on reporting entities, we continue to believe that the five overarching principles set forth in the BPI March 2025 Comment Letter and outlined below should guide CARB's implementation of the Climate Laws:

- CARB should delay enforcement of noncompliance with the Climate Laws until the reporting entities have adequate notice and time to prepare for compliance following the finalization of the Regulations.
- The Climate Regulations should maintain the flexibility afforded to the reporting entities under the Climate Laws and avoid standardizing or otherwise modifying the external climate reporting standards or protocols mandated by the Climate Laws or creating any prescriptive reporting format, including with respect to any related assurance requirements. Permitting flexibility is particularly important considering the speed at which climate-related reporting has been evolving.
- The Climate Regulations should allow substituted compliance to the maximum extent possible.

³ We use the term "reporting entities" to generally refer to both "reporting entities" as defined in SB 253 and "covered entities" as defined in SB 261 for purposes of this letter, unless otherwise specified with respect to a particular Climate Law.

- CARB should recognize that reporting of GHG emissions and management of climate-related financial risks are often a global, enterprise-wide endeavor that is routinely developed and coordinated at the group level, and it would be impracticable to require reporting entities that are part of a group to each provide subsidiary-level climate-related disclosures required by the Climate Laws, which would not provide meaningful information.
- In accordance with the California Administrative Procedure Act, CARB should assess the potential for adverse economic impact of its Climate Regulations on California business enterprises and individuals and avoid the imposition of unnecessary or unreasonable reporting or compliance requirements.

Please refer to the BPI March 2025 Comment Letter for more detail on these principles and recommendations. This letter sets forth our additional comments and recommendations on certain specific aspects of the Climate Laws in response to the concepts and guidance discussed at CARB's August 2025 public workshop.

II. Reporting Deadline Under SB 253

As discussed below, in light of the complexity and challenges associated with GHG emissions reporting and related assurance requirements, we urge CARB to set the same annual deadline for scope 1, 2 and 3 emissions reporting, which should be December 31, starting in 2026 for scope 1 and 2 reporting and in 2027 for scope 3 reporting. If CARB nevertheless requires a deadline earlier than a December 31 annual deadline for scope 1 and 2 emissions reporting, we recommend CARB to require an annual deadline no earlier than September 30. Furthermore, in determining which reporting period must be covered by the reports under SB 253, CARB should take into account the fact that many reporting entities have fiscal years that differ from the calendar year.

A. Deadline for Scope 1 and 2 Emissions Reporting

At its August 2025 public workshop, CARB staff proposed a June 30, 2026 deadline for scope 1 and 2 emissions reporting under SB 253.⁴ We are concerned that a June 30 deadline does not provide sufficient time. This proposed deadline gives reporting entities less than six months after the previous calendar year-end to collect, reconcile, and assure global scope 1 and 2 data. For large financial institutions, this data is sourced from hundreds of offices and subsidiaries across multiple jurisdictions. Each local office relies on utility providers, landlords, or facility managers to supply energy use and fuel consumption data, and bills and records may not be finalized until months after year-end. Finalizing this information requires multi-step internal controls, including reconciliation with utility invoices, cross-checks against internal systems, and validation by sustainability and finance teams.

If a reporting entity cannot assemble complete and verified data by the reporting deadline, it may have to rely on estimates, proxies, or incomplete information. This could limit the ability to complete internal controls and assurance reviews and may result in disclosures that need to be revised after more accurate data becomes available. Such outcomes would reduce comparability across entities and risk undermining confidence in the reporting process.

⁴ See CARB Presentation, at 34.

Additionally, given that assurance by an independent third-party assurance provider is required under SB 253, beginning with “limited assurance” in 2026 and escalating to “reasonable assurance” in 2030, reporting entities will need additional time to work with their assurance providers to complete the assurance process. Assurance providers often work across multiple clients and need sufficient time to conduct testing, sampling and quality checks. Limited assurance itself is not a “light touch,” as it requires evidence-based testing, sampling of invoices, and a demonstration of internal controls. This assurance process will take even longer as more stringent assurance requirements come into effect (*e.g.*, transitioning from “limited assurance” to “reasonable assurance”). Reasonable assurance requires significantly more evidence, a broader audit scope, and more extensive testing. It is a resource-intensive process that cannot be completed within six months following the end of the reporting period. Rushing the assurance process may undermine the credibility of California’s climate reporting program.

We recommend a December 31, 2026 deadline for initial scope 1 and 2 emissions reporting and a December 31 deadline for the years thereafter to provide reporting entities additional time to collect and report GHG emissions data for the prior reporting period covered by the report, in light of the challenges in emissions reporting. A December 31 timeline allows more time for data vendors to update their datasets with the most recently available data and for reporting entities to perform appropriate control processes and integrate vendor datasets into their own reporting models, providing for higher quality disclosure.

If CARB requires a deadline earlier than a December 31 deadline for scope 1 and 2 emissions reporting, we urge CARB to require a deadline no earlier than September 30, 2026 for the initial scope 1 and 2 emissions reporting and a September 30 deadline for the years thereafter. An annual deadline earlier than September 30 would significantly increase the risk that reporting entities would be unable to provide meaningful climate-related information and complete the assurance requirements, as well as impose additional burden and costs for reporting entities due to resource constraints and potentially limited availability of assurance providers under the compressed reporting timeline.

B. Deadline for Scope 3 Emissions Reporting

Although CARB staff has not proposed a deadline for scope 3 emissions reporting under SB 253, in connection with our recommendation regarding the deadline for scope 1 and 2 reporting under SB 253, we wish to emphasize our recommendations regarding the scope 3 emissions reporting timeline from the BPI March 2025 Comment Letter.

Due to the unique complexity associated with scope 3 emissions reporting, particularly for financial institutions, we believe it would be infeasible to provide meaningful scope 3 emissions within six months after the end of the reporting period covered by the report. Unlike scope 1 and 2 emissions, which are under companies’ operational control, scope 3 emissions reporting relies on third-party data (*e.g.*, counterparties, suppliers, and vendors), over which companies have little control. For financial institutions, financed emissions depend on data from thousands of borrowers and investees, many of whom do not publish emissions data until well after six months after their respective fiscal year-end. Where data is unavailable, firms rely on third-party vendors to produce modeled estimates, which are often not refreshed until later in the year. A deadline that is six months after the end of the reporting period covered by the report (*e.g.*, a June 30 deadline for a company reporting on its fiscal year ended on December 31 of the prior year) could force disclosure based on incomplete data, stale vendor estimates, or large-scale extrapolations, undermining the quality and comparability of the scope 3

disclosures. We believe that, in order to provide time for counterparties to publish data and for reporting entities to reconcile results, a 12 month-period after the end of the reporting period covered by the report (*e.g.*, a December 31 deadline for a company reporting on its fiscal year ended on December 31 of the prior year) is the minimum period feasible for financial institutions to report meaningful scope 3 emissions data required by SB 253, albeit there may still be a significant time lag (*e.g.*, one year or more) for the scope 3 emissions data reported.

Financial institutions face unique challenges in reporting scope 3 emissions, which makes an earlier deadline impractical.

- *Data collection challenges*. Financial institutions calculate scope 3 emissions—driven primarily by financed emissions—by aggregating data from a wide range of counterparties, including borrowers, investees, and other third parties. This data is often sourced through external data vendors that collect information from publicly available disclosures, private reporting, and estimates. This process typically results in a 12-month to 18-month time lag in emissions data, which presents significant challenges, as the emissions data used for reporting may not reflect the most current operational activities of counterparties. For example, it is widely accepted across the financial services industry that a financial institution’s scope 3 financed emissions calculation for fiscal year 2024 would entail 2024 exposure data and either 2022 or 2023 emissions data (based on the latest emissions data available from each of the external data vendors).
- *Availability and quality of data*. The availability and quality of data required for scope 3 emissions vary widely. Many counterparties operate in jurisdictions without robust sustainability reporting requirements, leading to data gaps. Even when emissions data is available, the quality and consistency of that data can vary significantly across industries. Established sectors such as utilities tend to provide relatively reliable and standardized data, while other sectors are still in the process of developing comprehensive reporting frameworks and robust processes to measure and disclose their emissions. As a result, financial institutions often must rely on estimates or proxy data, which complicates assurance and comparability and may lead to volatility in year-over-year reporting as estimates and proxy methodologies are refined over time.
- *Lack of universally accepted methodologies*. Although the GHG Protocol provides a foundation for emissions accounting, there are no universally accepted methodologies for calculating scope 3 emissions across all asset classes. Asset classes such as loans to small businesses, private equity investments, asset management, or sovereign debt often lack specific guidance for calculating emissions.

Additionally, to enable reporting entities to provide meaningful information on their scope 3 emissions within the deadline, we believe it is important that CARB afford reporting entities the maximum flexibility under the evolving GHG Protocol standards and guidance. This approach will support reporting entities’ efforts to apply reporting methodologies in a manner that is best suited for their businesses and circumstances and avoid potentially restricting reporting entities’ ability to apply industry standards that supplement the GHG Protocol to address industry-specific issues.

Scope 1, 2 and 3 emissions should ultimately be aligned on the same annual deadline, after the initial reports are due in 2026 for scope 1 and 2 reporting and in 2027 for scope 3 reporting. While CARB has only proposed a deadline for the initial scope 1 and 2 reporting, it is important to look at the

complete picture of how GHG emissions reporting, including scope 3 reporting, should be addressed. Staggered deadlines would create inefficiencies and confusion for investors by forcing companies to prepare multiple reporting and assurance cycles in the same year. Even though scope 1 and 2 data are separate from scope 3 data, many of the same systems and controls apply, and assurance providers would need to repeat walkthroughs, control testing and methodological explanations if there are different reporting timelines for scope 1 and 2 reporting versus scope 3 reporting. This adds cost and burden without improving disclosure quality. More importantly, publishing scope 1 and 2 data months ahead of scope 3 data from the same reporting period creates an incomplete and potentially misleading picture of a reporting entity's emissions profile. For financial institutions, scope 3 represents the vast majority of their emissions. Aligning all scopes on the same annual deadline ensures efficiency, lowers costs, and provides stakeholders with a clear, integrated view.

C. Considerations for Reporting Entities with Fiscal Years That Differ from Calendar Year

In determining which reporting period must be covered by the reports under SB 253, CARB should take into account the fact that many reporting entities have fiscal years that differ from the calendar year.

CARB already appropriately recognizes this issue in its FAQs related to initial reports under the Climate Laws.⁵ In the FAQs, CARB acknowledges stakeholder feedback that “climate risk-related data is often collected on a fiscal year basis” and, in its guidance on how a reporting entity should determine what is to be included in the initial report required under SB 261, CARB notes that “it is reasonable to expect that initial climate-related financial risk reports submitted by January 1, 2026, may cover fiscal years (FY) 2023/2024 or FY 2024/2025 depending on the organization.”⁶

CARB should take the same approach with respect to SB 253 reporting, providing reporting entities flexibility with respect to the reporting period covered by reports required under SB 253, taking into consideration that not all reporting entities have fiscal years that match the calendar year and that some reporting entities may collect and report GHG emissions data for a 12-month period that does not match their fiscal years. Without this flexibility, it would be infeasible for some reporting entities to produce accurate and comprehensive information. As an example, if a reporting entity has a fiscal year-end of October 31, it should be permitted to report scope 1 and 2 data for its fiscal year ended October 31, 2025 in its initial report due by December 31, 2026. For the reasons discussed above, it would be impracticable for an entity with an October 31 fiscal year-end to report on its scope 1 and 2 data for its fiscal year ended October 31, 2026 within two months of its fiscal year-end. This issue is even more apparent with regard to scope 3 emissions reporting, for which there is even greater lag time in data collection and reporting.

III. Assurance Standards under SB 253

At the August 2025 public workshop, the CARB staff discussed several potential assurance

⁵ CARB, *California Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure Programs: Frequently Asked Questions Related to Regulatory Development and Initial Reports* (July 9, 2025), available at <https://www2.arb.ca.gov/sites/default/files/2025-07/FAQs%20Regarding%20California%20Climate%20Disclosure%20Requirements.pdf>.

⁶ *Id.*

standards and sought public feedback on its discussions related to the assurance requirements under SB 253. We continue to believe that assurance standards under SB 253 should remain flexible and globally aligned. Many reporting entities operate globally and already rely on different assurance standards depending on their jurisdiction. CARB should permit the use of widely recognized international and U.S. standards such as ISAE3000 (Revised), ISAE3410, ISSA 5000 (IAASB), AA1000, ISO 14060, or AICPA, as assurance standards are still developing. Restricting companies to a single assurance framework would increase costs, create compliance challenges for multinational firms, and discourage harmonization. Allowing flexibility ensures firms can leverage existing assurance processes while maintaining credibility and alignment with international practice.

In addition, at the August 2025 public workshop, CARB staff noted that SB 253 does not impose a requirement for assurance engagements to be performed by a CARB-accredited assurance provider, and that CARB does not intend to create its own accreditation program for assurance providers in connection with its implementation of the Climate Laws. We fully support CARB staff's position on this issue.

IV. Consolidated Reporting at Non-Reporting Entity Parent Level

Both Climate Laws allow reports required thereunder to be consolidated at the parent company level. Specifically, both Climate Laws provide that if a subsidiary of a parent company qualifies as a reporting entity thereunder, the subsidiary is not required to prepare a separate report.⁷ CARB also confirmed that such consolidated reporting is permitted in its guidance on SB 261 minimum reporting requirements, which were discussed at, and issued shortly after, the August 2025 public workshop.⁸

We believe these provisions in the Climate Laws appropriately recognize that the effective management of climate-related risks and GHG emissions reporting are often a global, enterprise-wide endeavor that is routinely developed and coordinated at the parent level and, therefore, a reporting entity that is part of a business group with a parent company structure may leverage the policies, procedures, and processes developed at the parent level for managing climate-related risks and for tracking and reporting GHG emissions.

However, to provide clarity and certainty for reporting entities and to minimize duplication of effort for reporting entities, we recommend CARB to clarify that the consolidated reporting option is available, and a reporting entity subsidiary may use its parent's report to satisfy the reporting requirement under the relevant Climate Law, even if the parent itself is not a reporting entity subject to the applicable Climate Law. For example, if the reporting entity has a parent entity organized outside of the United States, the reporting entity should be able to submit the consolidated climate report prepared by the non-U.S. parent entity to satisfy the reporting entity's obligations to the extent that the parent entity's report satisfies the requirements of the Climate Laws. This clarification is critical to minimize duplication of effort and will provide companies with flexibility to choose how to comply with the Climate Laws, taking into consideration, among other factors, other climate reporting obligations to

⁷ Cal. Health & Safety Code § 38532(c)(2)(iii) & § 38533(b)(2).

⁸ See CARB, *Climate Related Financial Risk Disclosures: Draft Checklist* (Sep. 2, 2025) (the "Checklist"), available at <https://ww2.arb.ca.gov/sites/default/files/2025-09/Climate%20Related%20Financial%20Risk%20Report%20Checklist.pdf>.

which they are or are expected to be subject.

V. Fees for Companies with Multiple Reporting Entities Filing a Single Report

At the August 2025 public workshop, CARB staff discussed CARB's proposal for annual fees that reporting entities must pay CARB under the Climate Laws and noted that CARB expected to issue a notice of proposed rulemaking on October 14, 2025.⁹ Among other aspects of the proposal, CARB staff noted that subsidiary reporting entities filing the same parent company report still represent separate entities subject to separate annual fees.¹⁰

We believe requiring subsidiary reporting entities filing the same parent company report to pay separate annual fees, which would necessarily require companies to track and identify each reporting entity subsidiary, would unnecessarily increase administrative burdens on companies with multiple reporting entities. It is also unclear why companies with multiple subsidiary reporting entities but filing one parent report should pay multiple fees when only one report is required under the Climate Laws. We recommend that the annual fee proposal be revised so that CARB's annual cost of the climate reporting program under the Climate Laws is allocated among reporting entities on a different basis, which should take into consideration consolidated reporting.

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⁹ CARB Presentation, at 25.

¹⁰ *Id.* at 22.

BPI appreciates the opportunity to provide further feedback to CARB regarding its implementation of the Climate Laws, focusing on the concepts and guidance outlined at CARB's August 2025 public workshop . We thank CARB for its continued efforts at seeking public feedback to inform its implementation of the climate reporting programs under the Climate Laws, and look forward to an ongoing dialogue. If you have any questions, please contact the undersigned by phone at (202) 589-2406 or by email at sam.riley@BPI.com.

Respectfully Submitted,

A handwritten signature in dark ink, appearing to be 'SR' with a stylized flourish.

Sam Riley
Senior Vice President & Head of International
Regulatory Policy
Bank Policy Institute