



California Council for Environmental and Economic Balance

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October 2, 2025

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

Re: Comments on the August 21, 2025, Public Workshop on SB 253 / SB 261 Implementation

Dear Ms. Sahota,

The California Council for Environmental and Economic Balance (CCEEB) appreciates the opportunity to provide comments to the California Air Resources Board (CARB) regarding its implementation of Senate Bills 253, 261, and as modified by 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.

Our comments today reflect detailed feedback on the key elements of CARB's developing regulatory framework, including:

- A proposed economic presence test to define "doing business in California," in place of the overly broad tax-code definition.
- Strong support for a global passport model, allowing disclosures under Corporate Sustainability Reporting Directive (CSRD), or International Sustainability Standards Board (ISSB) frameworks to satisfy California requirements, while maintaining clarity under California's Administrative Procedure Act (APA).
- A call for safe harbors, phased assurance requirements, and realistic timelines, especially for Scope 3 and first-time reporters.
- Emphasis on financial materiality and flexible reporting frameworks for SB 261, aligned with ISSB and Task Force on Climate-related Financial Disclosures (TCFD) to ensure decision-useful information for investors.
- Opposition to mandating use of a single third-party ESG platforms or systems, citing concerns around legal authority, confidentiality, national security, and cybersecurity.
- A request for minimal, non-duplicative fees, with graduated structures and no per-subsidary charges for consolidated parent-level group filings.

Taken together, these recommendations aim to ensure that CARB's implementation is effective, enforceable, and internationally aligned, while preserving California's climate leadership and avoiding unnecessary compliance costs that may divert resources from actual emissions reductions.

Applicability — “Doing Business in California”

CARB’s current proposed approach to defining who is “doing business in California” under SB 253 and SB 261 relies heavily on references to the California Revenue and Tax Code (RTC), particularly Section 23101. While this may offer a ready-made definition for tax purposes, tax thresholds are designed to cast a broad net, often capturing companies with minimal in-state operations or in-state emissions. This is the core question that must be decided BEFORE a fee regulation is adopted, and we are concerned with the current push to move forward with naming companies prior to adopting a regulatory definition to achieve a fee threshold.

The fundamental issue arises from the legislation that omits these details and political pressures to adopt regulations by specific deadlines. However, the complexity of the reporting requirements, starting with who reports, must be figured out prior to the fees. A disclosure regime with global implications must strike a different balance, one that is consistent, proportionate, and enforceable across diverse corporate structures.

CARB’s recent release of the preliminary list of reporting/covered entities further highlights the deficiencies with the pre-regulatory definition and the need for further refining. The posted list captures entities multiple times and some businesses not at all, notably foundations and charities are also listed which we believe goes beyond the scope of the legislation. The released list, while well intentioned, does not provide the necessary clarity on “doing business in California” as the working definition is flawed.

To avoid sweeping in entities with only *de minimis* California activity while preserving coverage of companies with material California footprint, CARB should adopt a test, similar to the European Union (EU), for *doing business in California*, modeled on the CSRD size criteria:

A reporting entity that meets the statutory revenue screen (SB 253: >\$1B; SB 261: >\$500M) is *doing business in California* for the prior fiscal year if it satisfies California specific thresholds:

1. California balance sheet total (assets located/used in CA) $\geq$ \$50 million.
2. Average number of employees with a California primary work location $\geq$ 250.

Parent/Subsidiary treatment: Where an entity publishes a consolidated parent-level report that covers its California subsidiaries, CARB should avoid duplicative subsidiary filings or fees if the consolidated parent-level report is consistent with SB 219’s consolidation parent-level reporting option. We strongly recommend that fees should be assessed per filing and not on a per subsidiary basis when the parent company consolidates reporting.

Definitions (for clarity and consistency)

- Balance sheet total: The carrying amount of fixed and current assets physically located in, or used principally in, California at fiscal year-end from aggregated data filed in Form 571-L, Form 3840, and Form 100.
- Average employees: Define similarly to HSC section 25205.6(e) The number of employees employed by an organization is the number of persons employed in California for more than 500 hours during the calendar year preceding the calendar year for which the [report] is due.

Why this approach:

1. Global interoperability & auditability. CARB should rely on objective, audited size tests, assets, and employees. Adopting this structure in California aligns with a dominant international model and other California programs, improves comparability, and leans on figures already vetted in financial statements.
2. Rightsizing scope; avoiding *de minimis* capture. Using California-specific economic presence avoids sweeping in entities with trivial in-state activity, an issue raised with simply pointing to broad tax “doing business” tests, while still capturing companies with a meaningful climate-related footprint.
3. Futureproofing. The European Commission has considered raising CSRD thresholds (e.g., 1,000 employees). While still in flux, this demonstrates that size-based scoping can be tuned over time to match policy goals, something CARB could mirror without redefining “doing business” from scratch.

Draft regulatory text (for CARB’s consideration)

“Doing business in California” means that, for the prior fiscal year, a business entity that meets the applicable revenue threshold in Health & Safety Code §38532–38533 either (a) is organized or commercially domiciled in California or (b) meets the following California economic presence thresholds:

- (1) Assets located/used in CA of \$50,000,000 or more.
- (2) Average California employees of 250 or more.

Definition of “Total Annual Revenue”

CARB has asked whether “gross receipts” under California Revenue and Taxation Code §25120(f)(2) is the appropriate definition of revenue for SB 253 and SB 261, or whether alternative definitions should be considered. CCEEB strongly discourages using tax-code-based definitions for purposes of climate-related disclosures.

The Revenue and Taxation Code definition of “gross receipts” was developed for income apportionment, not public-facing transparency. It is overly broad and ambiguous, often including internal transfers, non-cash transactions, and non-operating income streams. It is also not easily verifiable through standard corporate reporting and often conflicts with what companies disclose in audited financial statements. Moreover, using California-specific tax code creates unnecessary complexity for multinational filers and is misaligned with global frameworks.

Should revenue be calculated at the parent level or subsidiary level?

Revenue should be calculated at the parent level when consolidated parent-level reporting is used. Where a subsidiary is included in the consolidated financial statements and emissions report of its parent, CARB should accept the parent-level figure as the revenue basis. This avoids confusion, redundant calculations, and misalignment with existing financial audit structures.

Parent and Subsidiary Reporting Relationships

CARB has also asked how to define corporate relationships and whether financial control (as used in CA Cap-and-Trade, newly renamed Cap-and-Invest) should be used to define parent/subsidiary status. CCEEB recommends using a clear and consistent definition rooted in accounting control.

In alignment with SB 253 GHG emissions reporting, parent-level consolidated reporting of GHG emissions may still be based on either a financial or operational control reporting boundary, in conformance with the Greenhouse Gas Protocol standards and guidance. This is separate from the question of whether a reporting entity qualifies as a subsidiary of the parent company.

This is consistent with:

- CSRD Article 2.11, which defines “parent undertaking” as one that holds a majority of voting rights or otherwise exercises control.
- International Financial Reporting Standards (IFRS) 10, which governs consolidation under global accounting standards.

CCEEB strongly supports providing a regulatory safe harbor from duplicative fee assessments for subsidiaries included in the consolidated parent-level submission.

CARB’s August 21 workshop proposed that subsidiaries who are consolidated under parent-level company reporting will still be separately subject to fees. CCEEB urges CARB to reconsider this position. When a singular consolidated parent-level company reporting provides the complete climate-related disclosures required under SB 253 and SB 261, there is no policy justification for assessing additional fees to the covered subsidiaries.

Revenue Definition:

“Total annual revenue” should be defined as net turnover consistent with Article 2(5) of EU Directive 2013/34/EU and aligned with the U.S. GAAP and IFRS definitions of revenue, i.e., revenue derived from ordinary business activities, net of discounts, taxes, and intercompany transfers.

Parent/Subsidiary Reporting:

- Where consolidated parent-level reporting is provided, CARB should:
 - Consider the consolidated parent-level report as satisfying all SB 253 and SB 261 obligations for included subsidiaries.
 - Waive reporting and fee obligations for subsidiaries that are enumerated and covered in the consolidated parent-level submission.

By using globally accepted revenue definitions and allowing clear, consolidated reporting structures, CARB can significantly reduce regulatory burden while ensuring high-quality, verifiable disclosures. These recommendations also advance interoperability with global frameworks, a stated objective of both SB 253 and SB 261 and reflect best practices already in force across the EU and IFRS systems.

Framework Alignment and Use of Existing Disclosures

One of the core implementation challenges under SB 253 and SB 261 is how to define an acceptable disclosure framework that both:

1. Meets the statutory intent of California’s climate-related transparency laws, and
2. Avoids duplicative, inconsistent, or conflicting reporting obligations for multinational companies already subject to other regulatory regimes.

CARB has correctly acknowledged that many reporting entities are already preparing climate-related disclosures under other frameworks, notably:

- CSRD (EU Corporate Sustainability Reporting Directive)
- IFRS S2 (ISSB Climate-Related Disclosures)
- Voluntary TCFD-aligned reports and related disclosures

CCEEB strongly supports CARB’s endorsement of a “global passport” model — whereby a disclosure prepared under another recognized framework may be accepted as compliant with SB 253 or SB 261, provided that it satisfies California’s statutory criteria (Health & Safety Code §§ 38532–38533).

This approach reflects both regulatory pragmatism and global leadership:

- It respects California’s role as a standard-setter without creating a Balkanized disclosure landscape.
- It reduces compliance costs and encourages high-quality, well-integrated reporting.
- It acknowledges the reality of multinational operations and investor-facing ESG disclosure across jurisdictions.

Clarity under the California APA

CARB staff have appropriately noted that, under the California Administrative Procedure Act (APA), regulations must meet the “clarity” standard i.e., they must be written so that affected parties can understand what is required of them.

CCEEB agrees and submits that a global passport framework can meet the clarity standard if CARB adopts procedural safeguards and transparency mechanisms, such as:

1. Defined Equivalency List:

CARB should publish (and regularly update) a public list of disclosure regimes or frameworks deemed presumptively compliant with SB 253 or SB 261, including:

- ISSB S2
- CSRD Article 19a
- TCFD rules
- Japan’s FSA-aligned disclosure rules
- GHG Protocol

2. **CARB Review Rights:**

CARB should retain the right to conduct random or risk-based reviews of global passport disclosures to ensure substantive alignment with the goals of California law — particularly on Scope 3 coverage and materiality interpretation.

3. **Guidance Documents:**

CARB should issue and periodically update nonbinding guidance describing how key terms (e.g., governance, materiality, Scope 3 boundaries) are interpreted in California and how they relate to similar terms in other regimes (e.g., “double materiality” under CSRD vs. investor-focused materiality under ISSB).

4. **Safe Harbor for Good-Faith Compliance:**

Reporting entities that file disclosures in good faith using CARB-approved global frameworks, and that clearly disclose methods, scope, and assumptions, should benefit from a regulatory safe harbor against enforcement actions based solely on technical format differences.

These mechanisms: attestation, equivalency lists, public guidance, and oversight procedures, are fully compatible with the APA’s clarity standard and provide transparency both for regulated entities and for the public.

Updating Protocols and Framework Flexibility

CARB must avoid locking its rules into static references to external standards, which evolve rapidly. For example:

- ISSB has already proposed supplemental sector-specific guidance under IFRS S2.
- The EU is actively revising ESRS (European Sustainability Reporting Standards).
- GHG Protocol is undergoing updates on Scope 2 and Scope 3 categories.

CCEEB recommends that CARB adopt a “living standards” model, whereby:

- Frameworks listed as “acceptable” are reviewed annually for updates.
- CARB can update its equivalency list via public bulletins or guidance, rather than full rulemaking.
- Regulated entities can petition CARB to add emerging frameworks to the approved list.

This flexibility is critical to future-proofing California’s regulatory design while ensuring high data quality and coherence across jurisdictions.

CARB’s final regulation should:

- Accept disclosures filed under CSRD, ISSB, or other designated international frameworks, provided they meet core California requirements.
- Establish a safe harbor for filers using recognized frameworks in good faith.
- Allow CARB to update its equivalency list and guidance materials without full rulemaking under defined procedures.

A global passport approach is not only feasible — it is essential. California’s climate-related disclosure rules should be aligned with existing high-quality global standards to:

- Minimize duplication.
- Support clear and consistent communication to investors and the public.
- Lower compliance burdens on entities already subject to comparable regulation.

With careful procedural design, a global passport regime can fully satisfy the California APA’s clarity standard while reinforcing California’s leadership in climate-risk transparency.

Assurance and Verification

CARB has proposed that Scope 1 and Scope 2 GHG emissions disclosures under SB 253 be submitted by June 30, 2026, with assurance requirements to follow on a phased basis. The staff has also acknowledged the importance of starting with limited assurance, consistent with the SB 253 statutory language. CCEEB agrees with this general direction but urges CARB to go further by embedding safe harbors, implementation flexibility, and capacity-building timeframes into the final rule.

Based on current conditions in the assurance market and the maturity of emissions accounting practices across sectors, many companies, especially those not already subject to MRR or CSRD GHG reporting, will face difficulty producing assured emissions data by mid-2026, particularly for global operations and upstream/downstream activities.

Limited Assurance: Starting Point and Global Alignment

CCEEB supports CARB’s use of “limited assurance” as the initial assurance requirement for Scope 1 and Scope 2 disclosures. Limited assurance is well-defined across global financial standards and offers a practical, investor-relevant middle ground between unaudited disclosure and full assurance. Specifically:

- Under the EU’s CSRD, Scope 1 and 2 emissions are subject to limited assurance beginning in FY 2024, with a gradual progression to reasonable assurance (pending ESRS and assurance standards adoption).
- Under the SEC’s proposed 2024 Climate Disclosure Rule, limited assurance was required for Scope 1 and 2 data from FY 2026 for large filers, scaling over time to reasonable assurance.¹
- Limited assurance is also the standard under CARB’s own MRR regime for large emitters in the Cap-and-Invest program, using accredited third-party verifiers subject to standardized rules.

Given this alignment, California’s program should not exceed the assurance rigor required under CSRD or proposed SEC rules in the near term. Doing so would increase compliance costs, disincentivize harmonization, and may strain the availability of qualified third-party verifiers. Additionally, CCEEB requests CARB adopt explicit verifier independence and accreditation requirements and accept reasonable equivalency of EU/US assurance reports (including The Climate Registry) to avoid duplicate assurance work.

The Case for a Safe Harbor Period

¹ Reference to SEC climate disclosure rules is only for illustrative purposes of how other regulators have approached disclosure/attestation requirements even though the rules are not in effect currently and may not be in the future.

Given the implementation timeline, with initial reporting for Scope 1 and 2 emissions data proposed, CCEEB recommends that CARB adopt an explicit safe harbor provision for all entities. CCEEB further wants to request explicit limits or guidance on enforcement priorities, penalty ranges, or administrative remedies for inadvertent noncompliance. Entities need clarity on enforcement to design risk-based compliance programs and decide whether to self-disclose errors.

This safe harbor should:

- Permit self-attestation or internal audit statements in lieu of third-party assurance in the first two reporting cycles (e.g., 2026–2027).
- Protect good-faith filers from enforcement actions solely due to inability to obtain limited assurance by the deadline.
- Encourage voluntary disclosure ahead of formal enforcement of assurance requirements.

This approach is consistent with how the EU has phased in CSRD requirements across entity size and sector. Many large multinationals are still implementing assurance infrastructure under CSRD, with technical standards for assurance (e.g., ISAE 3000-based ESRS audit rules) not yet finalized. Moreover, California’s APA requires that regulations be practical, enforceable, and not unreasonably burdensome (Gov. Code § 11349.1). Requiring third-party assurance in the first reporting cycle for all entities, without exception or grace period, would likely fail this standard — particularly in light of limited verifier capacity and varying data readiness across industries.

Scope 3 Assurance Should Not Be Mandated

CCEEB strongly opposes any early mandate to assure Scope 3 emissions. Both the CSRD and SEC frameworks exclude Scope 3 from assurance obligations in early years, and often indefinitely. Scope 3 emissions, by definition, rely heavily on estimates, third-party data, and incomplete value chain visibility, especially in industries with complex global suppliers. Mandating assurance for Scope 3 emissions, even limited, would create a disproportionate burden, and likely suppress voluntary reporting.

Instead, CARB should:

- Encourage disclosure of Scope 3 data with transparent methodology, data quality scores, and confidence intervals.
- Allow companies to update, restate, or refine estimates as data improves.
 - CCEEB requests formal guidance or rule language for voluntary restatements, disclosures of revisions, and safe harbors for good faith updates to previously filed data.
- Evaluate Scope 3 assurance in future rulemakings once protocols, data systems, and verifier competencies have matured.

To ensure a clear, enforceable, and globally aligned assurance regime, CCEEB recommends that CARB:

1. Codify limited assurance as the starting point for Scope 1 and Scope 2 emissions under SB 253.
2. Allow a safe harbor for 2026 and 2027 disclosures, permitting self-attestation or internal audit review.
3. Publish verifier guidance and accreditation standards aligned with ISO 14064, ISAE 3000, The Climate Registry, and MRR procedures.
4. Exclude Scope 3 from any mandatory assurance requirement until after 2030 or following a separate rulemaking.

Assurance requirements play a vital role in ensuring data reliability, but they must be implemented pragmatically. By starting with limited assurance, allowing a safe harbor phase-in, and aligning with CSRD and SEC norms, CARB can build a trusted but achievable verification regime that strengthens California's climate reporting system without overwhelming reporters or compromising APA clarity standards.

Climate-Related Financial Risk Disclosures under SB 261

CCEEB strongly supports CARB's recognition of existing international climate risk disclosure frameworks including the Task Force on Climate-Related Financial Disclosures (TCFD), the International Sustainability Standards Board (ISSB/IFRS S1), and applicable SEC climate disclosure rules as acceptable compliance pathways for SB 261. Each of these frameworks is grounded in investor materiality and is designed to elicit structured, decision-useful information on climate-related governance, risk management, strategy, and metrics.

CARB's Climate-Related Financial Risk Disclosure Checklist, issued in September 2025, appropriately outlines core disclosure principles and confirms that entities may report using one of several existing frameworks (TCFD, IFRS S1/S2, or government-mandated equivalents), so long as the resulting disclosure addresses the statutory elements under Health & Safety Code § 38533. This flexible approach will promote global alignment and reduce duplicative filings.

CCEEB encourages CARB to formally codify this framework neutrality in regulation, alongside a clear requirement that entities must:

- Specify which framework is being used.
- Provide a brief explanation for any omissions and plans for future inclusion.

This structure closely mirrors the approach taken by:

- The SEC in its March 2024 final rule on climate-related financial disclosures.
- The UK's Department for Business and Trade, which permits phased TCFD reporting with materiality-based exclusions.
- The CSRD, which emphasizes both materiality and transparency regarding scope and limitations of disclosures.

Emphasis on Materiality

CCEEB believes that materiality must be the central organizing principle of SB 261 risk disclosures. Unlike emissions reporting under SB 253, which is quantitative and verifiable, climate-related financial risk is inherently judgment-based, and must reflect:

- Sector-specific exposure to transition or physical risks.
- Geographic dependencies.
- Supply chain vulnerabilities.
- Regulatory uncertainty.
- Capital allocation strategies.

IFRS S1 defines materiality as information that a reasonable investor would consider important to making investment or voting decisions. CARB should adopt this investor-focused materiality lens rather than attempting to prescribe uniform risk categories or disclosures across all sectors and company types.

Consistent with this approach, CARB should:

- Allow entities to disclose only material risks, provided omissions are explained in a concise narrative.
- Discourage boilerplate disclosures that provide form but no substance.
- Encourage companies to evolve and expand disclosures over time as climate-risk assessment becomes more sophisticated and embedded.

This also aligns with Article 19a(1)(b) of the CSRD, which permits risk-based reporting so long as the company explains why certain disclosures are not applicable or material to its operations.

Parent-Level Consolidated Reporting

In alignment with SB 261, CCEEB supports allowing companies to file a single consolidated parent-level SB 261 climate risk report that covers all subsidiaries.

This approach is consistent with the CSRD (Article 29a), which permits consolidated sustainability reporting by the ultimate parent entity, and avoids imposing duplicative or potentially inconsistent risk disclosures across affiliated legal entities.

Implementation of Clarity and Outstanding Questions

While CCEEB supports CARB's direction, several implementation questions remain unresolved and must be addressed prior to the introduction of the fee regulation or guidance:

1. How will CARB assess completeness and comparability?

With multiple frameworks allowed (e.g., TCFD, ISSB), companies will vary in how they structure and scope disclosures. CARB should clarify:

- Will it perform substantive reviews of content for completeness?
- How will reporting comparability be assessed, especially across sectors?

We recommend that CARB adopt a form-over-substance compliance standard for the first two reporting cycles, allowing flexibility and learning, before considering enforcement or completeness audits.

2. Will CARB develop sector-specific guidance or templates?

Sector-specific guidance is a feature of both the CSRD (via ESRS sector standards) and forthcoming ISSB guidance. We encourage CARB to:

- Collaborate with industry and stakeholder groups to develop nonbinding, illustrative examples.
- Focus early guidance on high-risk sectors (e.g., energy, transportation, real estate, agriculture).
- Use templates as examples to encourage consistency, not to mandate uniform disclosures.

This would help regulated entities, particularly mid-sized companies new to ESG reporting, to develop meaningful and appropriately scoped disclosures.

CCEEB recommends that CARB incorporate the following principles into its final regulation for SB 261:

1. **Framework Equivalency:** Accept disclosures made under IFRS S1, TCFD, or CSRD frameworks, depending on which report the company chooses to file, as compliant with SB 261, provided that material risks are disclosed and omissions are justified.

2. **Consolidated Parent Reporting:** Permit consolidated parent-level disclosures that encompass all subsidiaries, including California entities, so long as the report is public, complete, and linked through CARB's docket.
3. **Safe Harbor for Initial Years:** For the 2026 and 2028 reporting cycles, CARB should:
 - Accept good-faith reports that follow a recognized framework.
 - Focus on process and transparency, rather than completeness enforcement.
 - Refrain from enforcement actions based solely on omissions or scope limitations.
4. **Voluntary Guidance and Templates:** Develop nonbinding, illustrative examples, or sector-specific guides in partnership with industry experts, to assist in report development and comparability.

SB 261 disclosures will help investors, regulators, and the public understand how climate risk is being managed across sectors, but this value depends on clarity, flexibility, and credibility. By accepting global frameworks, including materiality, and supporting consolidated parent-level reporting, CARB can build a robust, yet practical climate-risk disclosure regime that meets California's goals while aligning with international best practices.

Implementation Timelines – Phased Implementation

CCEEB supports CARB's proposal to implement SB 253 and SB 261 reporting obligations on a phased timeline, beginning with Scope 1 and 2 greenhouse gas (GHG) emissions disclosures and basic climate-related financial risk reporting, followed by future phases covering Scope 3 emissions and assurance requirements. A phased approach is not only prudent — it is essential to the successful rollout of California's new climate disclosure regime.

The draft regulatory structure contemplates:

- Scope 1 and Scope 2 GHG disclosures by June 30, 2026.
 - CCEEB strongly recommends a due date of no sooner than October 31, 2026, with verified emissions by December 31, 2026.
- Scope 3 emissions disclosures beginning in 2027, consistent with SB 219.
 - If CARB determines Scope 3 disclosure is necessary, CCEEB strongly recommends that reports are due no sooner than October 31, 2027, and limited to the elements in the GHG Protocol.
- SB 261 climate-related risk disclosures to be filed biennially, with initial reports due by January 1, 2026, and a CARB docket posting window from December 1, 2025, to July 1, 2026.

CCEEB supports this general structure, but we believe more time is needed for Scope 1 and Scope 2 GHG disclosures and urge CARB to provide formal mechanisms for deadline extensions² or grace periods, particularly in the early reporting cycles, and to clarify how these deadlines align with companies' fiscal year accounting and global reporting calendars.

Realistic Timeframes Based on Global Benchmarks

California is not alone in attempting to scale up corporate climate-related disclosure obligations — and the international experience points to the importance of realistic ramp-up periods.

² Business changes such as project development, mergers and acquisitions, etc. require changes to baselines which add substantial work to integrate into the disclosures.

- CSRD (EU) allows phased compliance windows beginning in 2024 and extending through 2029, depending on the size, location, and listing status of the entity. Non-EU companies (even large multinationals) are not required to begin CSRD reporting until 2028, with an additional 3-year grace period for smaller entities.
- IFRS S1/S2 (ISSB standards) are designed to be globally applicable but encourage phased adoption with supplemental guidance and alignment tools under development through 2026–2027.
- The SEC climate disclosure rule (March 2024) includes multi-year phase-ins, with Scope 1 and 2 GHG reporting and assurance applying first to large filers in FY 2026, and later or conditionally to smaller entities. Scope 3 reporting is subject to both materiality and safe harbor protections, with no near-term assurance required.

These global precedents highlight that CARB’s implementation deadlines must reflect:

- The real-world availability of data, systems, and verification capacity.
- The limited experience of many companies (especially non-regulated sectors) with emissions accounting or climate risk governance.
- The need for alignment with financial reporting cycles, which vary by entity.

1. Scope 1 and 2 Reporting by October 30, 2026 – with Flexibility

Many reporting entities covered under SB 253 will be filing GHG disclosures for the first time. Based on CARB’s MRR program, the final report with RPS adjustment is due on July 17. Accordingly, CCEEB recommends:

- A one-time 6-month extension for first-time reporters not subject to MRR or other regulatory GHG disclosure programs.
- Allowing entities to align the disclosure period with their fiscal year (e.g., 2025 calendar year data reported mid-2026, or FY 2025 data reported post-close).
- Permitting estimates or partial data with transparent methodologies during the first reporting year, subject to a good-faith attestation.

These provisions would reduce the risk of data errors, avoid late filings, and maintain confidence in the quality of the initial disclosure cycle.

2. Scope 3 Reporting Beginning in 2027 – with Grace Period and Sector Flexibility

CCEEB supports CARB’s decision to begin Scope 3 disclosures in 2027, consistent with SB 219. However, given the complexity and variability of Scope 3 categories, especially in sectors such as manufacturing, real estate, and financial services, CCEEB urges CARB to:

- Provide sector-specific guidance to clarify which Scope 3 categories are most relevant for different industries.
- Allow entities to phase in Scope 3 reporting over multiple cycles, with clear criteria for partial disclosure or category omission based on materiality.
- Codify a grace period or safe harbor through at least the 2028 reporting year, during which entities may report incomplete or estimated Scope 3 values with no enforcement risk.

This approach mirrors CSRD, which does not require third-party assurance for Scope 3 emissions and encourages entities to improve data quality over time rather than delay reporting entirely.

3. SB 261 Reporting Aligned with Fiscal Year and Biennial Schedule

CCEEB supports CARB's approach to SB 261 risk disclosures, requiring:

- Publication by January 1, 2026, on the entity's website.
- Link submission to the CARB docket between December 1, 2025, and July 1, 2026.
- Biennial updates, aligned with fiscal year or calendar year close.

To improve consistency, CCEEB recommends that CARB:

- Allow SB 261 disclosures to be filed on a biennial rolling basis following an entity's fiscal year-end close.
- Establish recommended non-binding reporting periods, such as Q3 of each even-numbered year, for planning purposes.

Avoiding Pitfalls from Rigid or Early Deadlines

Imposing rigid deadlines, particularly in 2026–2027, risks undermining data quality and public trust — especially if:

- Entities file rushed or placeholder reports.
- Assurance cannot be obtained by the deadline.
- Companies are forced to restate early reports in future years.

A more flexible, principles-based approach to early-year deadlines is consistent with California APA requirements for clarity, necessity, and non-arbitrariness (Gov. Code §11349.1). It also supports a smoother implementation experience for CARB itself, as the agency builds capacity to receive, catalog, and review thousands of new disclosures.

CARB's proposed timelines reflect a thoughtful starting point, but successful implementation will require flexibility, sector guidance, and grace periods, especially in the early years. Phased implementation has become standard practice across jurisdictions and is essential to the durability, reliability, and credibility of California's own disclosure regime.

Reporting Platform and Process – Direct Filing with CARB

CCEEB urges CARB to require that all disclosures mandated under SB 253 and SB 261, including GHG emissions, climate-related financial risk reports, and any supplemental filings, be made directly to CARB, not via third-party "emissions reporting organizations" or proprietary ESG data platforms. While we encourage CARB to accept reports and disclosures that utilize these third parties, due to the variability in business practices and our desire to see a global passport, we strongly recommend against CARB contracting or requiring utilization of a single third party.

The final regulation should confirm that:

CARB is the official recipient and steward of all regulatory disclosures required under SB 253 and SB 261, and that submissions must be made either directly to CARB via a CARB-administered system or posted

publicly on a company's own website and linked via CARB's docket, as prescribed in statute. CARB's delegation of regulatory compliance administration to a non-governmental third party would be unprecedented, legally vulnerable, and detrimental to the integrity, security, and accountability of the program.

Third-Party Reporting Platforms Introduce Legal and Operational Risks

Trade secret protections are weakened by outsourcing reporting to third-party ESG platforms. CCEEB is concerned that CARB contracting with a third-party exposes sensitive corporate information, including facility-level emissions, supply chain vulnerabilities, and operational models, to platforms not subject to the California Public Records Act (CPRA) or other state law confidentiality protections. CARB must adopt handling rules for trade secrets, CPRA claims and timelines for confidentiality determinations. Explicit language on national security (ITAR facilities) and defense-sensitive information protections, including a confidential submission process, redactions, and an appeal procedure. These rules must include limits on required granularity (e.g. facility coordinates, operational detail, etc.) and options for aggregated or anonymized public reporting where demonstrably sensitive. Furthermore, the rule should provide supplier data protection for Scope 3 reporting (aggregation, anonymization, contractual limits).

Vendor lock-in and fee structure

Private platforms require filers to:

- Adhere to their proprietary data taxonomy, even if misaligned with CARB's standards.
- Purchase template access, consulting, or submission review services.
- Pay recurring fees for basic system access.

This model imposes unlegislated compliance costs and binds entities to a system over which CARB has no oversight. Covered entities should not be forced to conform to a non-governmental intermediary's business model to comply with state law.

Many ESG data platforms utilize third-party cloud services, including data storage outside U.S. jurisdictions. For industries such as energy, transportation, water infrastructure, or defense manufacturing, emissions and climate-risk data can reveal asset vulnerabilities or operational schedules. If this data is accessed by hostile parties, or subpoenaed by foreign jurisdictions via the reporting platform, it could pose national security threats.

In contrast, direct reporting to CARB enables data to be stored under state-secured systems subject to established government IT, data security, and disclosure laws.

Direct Reporting Is Standard Practice — in California and Globally

CARB has decades of experience administering large-scale regulatory reporting programs through its own infrastructure. Notably:

- The MRR regulation, which requires detailed emissions data from over 400 entities, is administered directly through CARB's own online reporting tools.
- The Low Carbon Fuel Standard (LCFS) program also uses a CARB-managed system (LRT-CBTS) for credit generation, tracking, and compliance.

- All CARB rulemakings are subject to APA clarity requirements, which favor clear, centralized administration and consistent application.

Globally, other regulators also require direct submission of disclosures to official agencies, not third-party gatekeepers:

- The SEC's EDGAR system receives all climate risk and financial disclosures directly.
- The EU CSRD requires filing to national competent authorities.
- The UK's FCA and Canadian securities commissions operate government-run portals for ESG disclosures.

In short: no major jurisdiction outsources the core compliance submission process for mandatory climate-related disclosures to unregulated private vendors.

APA Clarity, Feasibility, and Durability

Under the California Administrative Procedure Act (Gov. Code § 11349 et seq.), agencies must adopt regulations that are:

- **Clear:** Easily understood and unambiguous in language.
- **Necessary:** Required to effectuate the purpose of the statute.
- **Feasible:** Practical and implementable given current technology and resources.

Delegating compliance administration to a third party fails all three:

- It undermines necessity: CARB already has robust reporting infrastructure and legal authority.
- It impairs feasibility: Vendors may change terms, withdraw from markets, or become insolvent, jeopardizing regulatory continuity.

Moreover, CARB's legal obligation is to administer the law, not contract it out to a quasi-regulatory intermediary with unclear accountability.

Alternative: Company Website Self-Posting + CARB Link

SB 261 explicitly allows climate risk reports to be posted on the company's own website and then linked to CARB's docket. This dual-pathway model can also be extended to GHG disclosures under SB 253.

If CARB believes some filers may not be able to use CARB's reporting portal immediately, it can allow them to post disclosures on their public site, with a declaration form submitted to CARB verifying that:

- The report is complete.
- It meets the statutory elements.
- The link will remain publicly accessible.

This approach offers flexibility while preserving direct CARB oversight.

To preserve the integrity, security, and enforceability of the SB 253 / SB 261 disclosure programs, CCEEB recommends the following:

1. Require all disclosures to be submitted directly to CARB, using a CARB-administered portal or a CARB-authorized submission format (e.g., PDF upload, XML schema, or attestation form).
2. Permit self-posting on company websites with CARB docket linkage, so long as disclosures meet statutory criteria.
3. Develop CARB-hosted compliance portals modeled on the MRR and LCFS systems, which have successfully handled complex, sector-wide data submission for over a decade.
4. Ensure consistent trade secret protections, cybersecurity protocols, and auditability by keeping sensitive data within CARB's IT infrastructure, rather than relying on third-party commercial platforms.

CARB's own successful history of administering large-scale climate programs demonstrates that the state is more than capable of handling reporting obligations under SB 253 and SB 261. By preserving direct regulatory control, CARB will ensure public trust, prevent data leakage, and avoid litigation risks associated with outsourcing a core governmental function. A state-administered reporting system is the most legally durable, secure, and cost-effective path forward.

Cost Containment and Fees – Minimize Fees to Reflect High Internal Compliance Costs

CARB's preliminary fee proposal — \$3,106 per entity for SB 253 and \$1,403 for SB 261, may appear modest on a per-entity basis. However, CCEEB urges CARB to substantially reduce these fees or at minimum, provide graduated, consolidated, or capped structures in light of the extraordinarily high internal costs that covered entities must bear in order to comply with the underlying statutory requirements.

CARB's role is to receive, process, and make publicly available disclosures that companies are responsible for producing entirely at their own expense. These internal costs, including third-party data verification, legal and technical reviews, ESG governance improvements, assurance, and audit preparation, can reach hundreds of thousands to millions of dollars per entity, particularly in sectors new to climate-related reporting.

Many entities do not currently have the in-house infrastructure to collect, calculate, and report GHG emissions data or climate risk information. These companies will need to build new systems, retain consultants, undergo assurance reviews, and train staff, far exceeding any modest state administrative expense.

CARB's fees should be minimal, transparent, and proportional to the actual cost of administering the program, not used to recoup the far greater costs borne by the private sector to comply with the mandates themselves.

Avoid Duplicative Fees for Subsidiaries Covered Under Consolidated Parent-Level Reports

CARB has proposed that even if a company reports using consolidated parent-level reporting that covers all of the parent's subsidiaries, each covered subsidiary would still be subject to a separate fee under SB 253 and SB 261. CCEEB strongly opposes this approach and urges CARB to adopt a single, consolidated fee for each group filing a unified report, regardless of the number of subsidiaries covered. This is consistent with both international best practices and CARB's own goals of efficiency and cost-effectiveness.

Under the EU Corporate Sustainability Reporting Directive (CSRD):

- A parent entity may file a single, consolidated report covering all in-scope subsidiaries (Article 19a(6)).
- Member States do not impose per-subsidiary fees when the parent submission satisfies the reporting obligations for all covered affiliates.
- The emphasis is on reducing duplication and administrative burden.

In this spirit, CARB should adopt a similar principle:

Where a company submits consolidated parent-level reporting that includes all of the parent's subsidiaries, including those subsidiaries that would be reporting entities under the climate-related disclosure rules, only a single fee should apply.

This approach:

- Encourages high-quality, comprehensive disclosures at the group level.
- Reduces redundant costs for multinationals with complex corporate structures.
- Simplifies CARB's own administrative processing, as only one filing needs to be reviewed.

Requiring per-subsidiary fees even when subsidiaries do not file separate disclosures violates basic fairness principles and may discourage the use of consolidated reports — leading to a proliferation of fragmented, duplicative filings that burden both the regulated community and CARB staff.

To ensure fairness and scalability, CARB should adopt a graduated fee structure rather than a flat per-entity rate.

We recommend that CARB explore:

- Reduced fees for companies using parent-level consolidation.
- Fees collected through this regulation be utilized solely for implementation of the statutes (SB 253/SB 261/SB 219).
- No duplicative fee where entity is included in another's report.

Such structures would more closely align fees with:

- Administrative cost-to-serve,
- Entity reporting burden, and
- Global practices under CSRD, where the European Commission explicitly encouraged member states to avoid undue administrative or compliance costs for covered entities, particularly those already subject to consolidated reporting (Recital 26 of Directive (EU) 2022/2464).

Transparency and Annual Fee Reassessment

CCEEB also recommends CARB:

- Publish an annual breakdown of how collected fees are used, including staff time, system maintenance, and verification support.
- Reassess fees every two years based on actual administrative costs, submission volume, and program evolution.
- Establish a fee waiver or reduction mechanism for small entities or those filing for the first time.

This mirrors practices in other CARB programs such as the Cap-and-Trade Auction Proceeds Administrative Budget and ensures that the fees remain proportionate and accountable over time.

CARB has a responsibility to implement SB 253 and SB 261 in a way that is cost-effective, scalable, and consistent with global practices. Covered entities are already facing major internal compliance costs and data challenges. A fair and minimal fee structure, one that avoids duplication and supports parent-level consolidation, will help ensure high-quality disclosures, encourage harmonization, and support durable implementation of California's climate-related transparency laws.

Conclusion

CARB stands at a pivotal moment in advancing climate transparency and market accountability. The successful implementation of SB 253 and SB 261 will depend not only on regulatory ambition, but also on legal durability, administrative clarity, and practical feasibility for reporting entities.

CCEEB remains committed to working collaboratively with CARB and other stakeholders to implement a durable and globally harmonized disclosure framework. We thank CARB staff for their ongoing engagement and professionalism, and we welcome further opportunities to support the success of this regulatory effort.

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
President and CEO
California Council for Environmental and Economic Balance (CCEEB)