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California Air Resources Board
1001 I St.
Sacramento, CA 95814

Submitted electronically to: climatedisclosure@arb.ca.gov

RE: California Corporate Greenhouse Gas Reporting Program: Scope 1 and Scope 2 Emissions Draft Reporting Template

Thank you for the opportunity to comment on CARB's Draft Scope 1 and 2 Emission Reporting Template

Disclosure by Source vs. by Gas

CARB should ask entities to disclose only gross global Scope 1 and 2 emissions in CO_2e. Disaggregating existing inventories will be challenging and would require further data verification which would increase the already extensive data review burden reporting entities face when compiling their inventories.

The GHG Protocol allows for reporting emissions data by emission source where this aids transparency[1]. However, doing so is optional. CARB should align its reporting requirements by leaving these disclosures optional. Further, CARB should also not require reporting of individual covered GHGs by emission source, as this is not required by the GHG Protocol.

Organizational Boundaries

The organizational boundary chosen by reporting entities determines what a company reports as part of their scope 1, 2, and 3 inventory. The GHG Protocol states that it "makes no recommendation as to whether voluntary public GHG emissions reporting should be based on the equity share or any of the two control approaches… Companies need to decide on the approach best suited to their business activities and GHG accounting and reporting requirements." CARB should not limit a company's ability to determine their organizational boundary and should retain the flexibility inherent in the GHG Protocol.

[1] "Companies may further subdivide emissions data within scopes where this aids transparency or facilitates comparability over time. For example, they may subdivide data by business unit/facility, country, source type (stationary combustion, process, fugitive, etc.), and activity type (production of electricity, consumption of electricity, generation or purchased electricity that is sold to end users, etc.)." - The Greenhouse Gas Protocol Initiative. (2004). *GHG Protocol Corporate Accounting and Reporting Standard (Revised Edition)*. World Resources Institute, World Business Council for Sustainable Development.

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Requiring one boundary approach would have serious consequences for companies already reporting emissions who would be forced to change their approach. . This would require a company to reevaluate their entire inventory, which is a time and resource intensive process. Subsequent inventories would be incomparable to a company's past emissions reporting and hinder year-over-year comparisons. Further, any emissions reduction targets set using the company's chosen boundary approach would become invalid and need to be recalculated, which is also extremely resource and time intensive. Requiring one boundary approach would undermine years of significant resource investment spent to develop a robust emissions reporting program with strong data sources and quality controls.

The inventory and targets would also be less meaningful as they wouldn't reflect a respective company's operations or the priority areas they identified where they can most influence emissions reductions.

Emissions Reduction Initiatives

Reporting of emissions reduction initiatives should remain optional due to challenges with getting the data needed to accurately calculate actual emissions reductions achieved. Data may be unavailable for many reasons outside a reporting company's control, such as being held by a third-party or not tracked in a way to facilitate analysis (i.e., some data available but lacks the necessary data points to calculate emissions reductions). Requiring this disclosure would ultimately increase either the data verification burden placed on companies or potentially result in inaccurate disclosures where based on faulty data.

Other Issues Identified

- SCF supports Cal Chamber's comments regarding identification of Global Warming Potential value standards.
- The draft template includes several items that are voluntary or a flexibility option under the GHG Protocol, such as the disclosure of Scope 1 emissions intensity per million dollars in revenue. In this case, the GHG Protocol allows companies the flexibility to report intensity metrics that make sense for their business, such as output, sales, revenue or footprint. Including such flexibility options as required reporting fields fundamentally alters a reporting entity's disclosure efforts. CARB should only request information be disclosed in alignment with the GHG Protocol.
- Uncertainty and data quality assessments in narrative form
    - While the GHG Protocol recommends disclosing uncertainty information as a best practice, doing so is not a requirement. CARB should consider that many of its reporting entities are publicly traded and subject to investor scrutiny. Asking entities to report this information presents corporate risk as the lay analyst is unlikely to understand or accurately interpret how an entity rates the quality of data used for their emissions inventory. Any less than favorable information could imply poor governance around emissions inventory when, in reality, calculating a complete, accurate and consistent emissions inventory is an extremely challenging and nuanced undertaking which relies upon significant sourcing of data and is, by it's very nature, iterative as such approaches are refined.
    - Requesting this narrative is also unnecessary and duplicative of the role third-party assurance plays. CARB should let third-party assurers perform their role in verifying the

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overall accuracy and completeness of an emissions inventory, which scrutinizes many of the same inputs used in uncertainty analyses, without asking for further disclosure. Furthermore, uncertainty analysis is inherently subjective and requesting this disclosure in narrative form will not support CARB's comparability efforts as entities will take different approaches in evaluating their reports, with some entities taking a more diligent and rigorous approach which could result in a less generous self-rating while others may overstate the quality of their data.

- Select your entity primary industry NAICS code
    - NAICS is challenging to use to accurately classify diverse businesses. Selection is also subjective, and perception of a company could be impacted by their selected NAICS code. CARB should allow companies to identify multiple NAICS codes or provide some type of disclaimer about choosing a NAICS code that represents the bulk of the emissions inventory.

Thank you for the opportunity to comment. If you have any questions, please contact Chris Shimoda at chris@shimodagov.com

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