



October 27, 2025

Jordan Ramalingam
Branch Chief

Corporate Greenhouse Gas Reporting & Climate Related Financial Risk Disclosure Programs
California Air Resources Board

Submitted via email: climatedisclosure@arb.ca.gov

RE: Comments Regarding Draft Reporting Template for Scope 1 and Scope 2 Greenhouse Gas Emissions Pursuant to Health and Safety Code § 38532

Dear Mr. Ramalingam:

The California Bankers Association (CBA) appreciates the opportunity to submit comments in response to the California Air Resources Board (CARB) draft reporting template for Scope 1 and Scope 2 greenhouse gas (GHG) emissions.

Bankers note that 10 business days is an incredibly rapid time frame to solicit and integrate comments from our members on this complex template, and the association may provide additional comments in the future.

Draft reporting template for Scope 1 and Scope 2 greenhouse gas (GHG) emissions

Bankers offer the following general comments:

- The statute provides that emissions reporting should be “structured in a way that minimizes duplication of effort and allows a reporting entity to submit...reports prepared to meet other national and international reporting requirements, as long as those reports satisfy all of the requirements of [Health and Safety Code Section 38532],” but CARB’s draft reporting template and accompanying memorandum imply that CARB will make the voluntary reporting template mandatory for future reporting cycles. It does not seem possible to reconcile a mandatory reporting template with the statute’s clear expectation that reporting entities may satisfy their obligations by submitting reports prepared for other jurisdictions.
- While the statute requires reporting entities to report Scope 1, Scope 2 and Scope 3 emissions in accordance with the GHG Protocol, the draft reporting template includes fields that are not required by, or are optional, under the GHG Protocol.

Bankers recommend that CARB revise the draft template to be consistent with the Greenhouse Gas Protocol.

- CARB's accompanying memorandum asks whether CARB should require a single approach to defining organizational boundaries. Bankers recommend that CARB preserve the flexibility of reporting entities to select any organizational boundary approach allowed under the GHG Protocol.
- The draft Scope 1 and Scope 2 reporting template would benefit from greater flexibility to align with how companies currently collect and report GHG data, avoid duplicative or overly detailed fields, and make sure that proprietary information (e.g., software systems used to prepare emissions data) is not made public.
- The level of disaggregation requested for Scope 1 and 2 emissions by category of emission and constituent gas may not align with how data is typically tracked or reported. Providing flexibility to report these categories in aggregate would promote consistency with existing reporting practices. For example, in the context of mergers and acquisitions, timing discrepancies between the integration of companies and the emissions reporting period often will require estimation methodologies, which can make it challenging to report GHGs at a highly disaggregated level.
- The dropdown options for "data type / dropdown" were not provided, and banks could not determine whether the CARB-provided dropdown options would allow for accurate reporting.
- Where more than one subsidiary of a parent company that qualifies as the reporting entity is preparing a report to fulfill the requirements under SB 253, we recommend that only one report is prepared by the parent company on behalf of all those subsidiaries that are exempted from preparing a separate report, and a new text field is added to the 'Organization Information' to reflect those subsidiaries that are in scope of the requirements under SB 253 and included in the parent company's report.

Bankers offer the following comments specific to certain rows of the draft reporting template:

- Row 4-5 / Organization Information / Text / Dropdown -- We suggest adding "if applicable" given that parent companies reporting on behalf of subsidiaries might be a non-US entity.
- Row 16 / Organization Information / Date / Enter the date of verification -- We suggest clarifying "date of verification of entity's GHG emissions data."

- Row 26 / Inventory Boundary / Free text / If you did NOT pick 'Equity Share' from above, provide a list of all obligated entities or facilities... -- It is not practical to list all entities for large firms reporting at the consolidated parent company level. We recommend instead describing the organizational boundary approach and explaining how this aligns with the group's structure in accordance with the GHG Protocol.
- Row 45 / Inventory Boundary / Yes/No / Have any facilities, operations and/or emissions sources been excluded from this inventory? --
 - We suggest clarifying the difference between Row 29 (regions/facilities excluded from organizational boundary) and Row 45.
 - We suggest clarifying the distinction between inventory exclusions (Row 45) and de minimis exclusions (Row 69) to ensure they are treated as separate categories. As currently drafted, these rows could be interpreted to cover the same emission sources, leading to inconsistent reporting. For example, a company might exclude serviced offices from its inventory boundary on an operational control basis in Row 45, while another might classify those same sources as de minimis under Row 69. CARB may wish to confirm whether inventory exclusions are intended to reflect boundary-based omission (sources outside the reporting boundary) and de minimis exclusions reflect insignificant sources within the boundary, to promote consistent interpretation across reporters.
- Rows 47-60 / Disclosure -- We request that CARB confirm that total Scope 1 (Row 47) and Scope 2 emissions (Row 54) are subject to the third-party assurance requirements, and the intensities (rows 51 and 58) and breakdowns requested (Rows 48-50 and 55-57) need not be subject to assurance requirements.
- Rows 51, 58 and 175 / Disclosure / Numeric / Intensity --
 - The choice of intensity metrics should be consistent with the reporting entity's internal Key Performance Indicators. We recommend not limiting emission intensity to revenue only and the reporting entity be allowed to choose the most relevant intensity metric to its business.
 - CARB's intensity per revenue metric relies on a proposed definition of revenue that bankers recommend modifying (see below).
- Rows 54-57 / Disclosure / Numeric -- A sub-category for Scope 2 "Purchased/Acquired Electricity" is missing.
- Row 61 / Disclosure / Numeric / Scope 1 Biogenic Emissions -- CARB should remove the requirement to report Scope 1 biogenic direct (combustion) emissions. While

the GHG Protocol allows separate reporting, biogenic Co₂ emissions are generally immaterial to most companies' Scope 1 emissions. Including them as a required field overstates their importance and increases complexity without improving the quality or usefulness of reported data.

- Rows 62-67 / Methods --The emission-factor section would benefit from a more flexible structure. Reporting entities often rely on multiple data sources, and the template format appears to assume a single source. Allowing for free-form data entry or multiple-source references with an example of desired format "EF Source & Title, Year" (for example, the EPA Emission Factor Hub, June 2024) would be preferable.
- Row 63 / Methods / Date / Select the year for source of emissions factors (yyyy) -- We suggest allowing multiple selections as entities are likely to refer to multiple sources which may have different years available.
- Row 68 / Methods / Specify any process-specific calculations, including the tools or models used --The template should not require or result in the public disclosure of the specific third-party platforms or software systems used to prepare or manage GHG data (e.g., Watershed or similar providers). Bankers are concerned that such disclosures could expose proprietary business systems and data-management processes. CARB should confirm that this type of information will not be collected or made public as part of the reporting process.
- Row 70 / Miniscule Sources / de minimis / quantity of emissions associated with sources excluded under the materiality threshold -- We urge CARB to remove Row 70. The purpose of applying a materiality or de minimis threshold is to avoid quantifying immaterial or nonsignificant emissions sources. Requiring companies to provide the quantity of emissions excluded under the threshold defeats the intent of materiality and creates unnecessary estimation burden for data that is not decision-useful.
- Row 71 / MRR field / Provide the California Mandatory Reporting Regulations (MRR) facility ID number(s) associated with your company -- We suggest adding "if applicable" to the question field as banks are not subject to MRR and were confused by this question.
- Row 177 / Methods (optional/discretionary) and Row 178 / Data Quality -- CARB should remove the qualitative "methods" and "data quality" fields from the template. These questions are already addressed through the quantitative data, emission factors, and other information provided earlier in the form. Removing these would reduce redundancy.

Definition of Revenue: Formula for Regulated Banks

CARB has proposed a definition of “revenue” that the staff represents is consistent with methodologies used by Dun & Bradstreet, Standard & Poor’s, and Data Axle.¹

Bankers note that when evaluating company performance, each of the above-named entities apply the definition differently to banking institutions compared with other industries. That is, annual revenue for banking institutions is calculated by adding net interest income to non-interest income as reported in audited financial statements. In contrast, we believe that the CARB preliminary list of reporting/covered entities may be based on a grossed-up interest income, as opposed to net interest income.

In accordance with the safety and soundness mandate of their regulators, it is net interest income that banks manage, not gross interest income. As a result, both banking regulators and bank investors use net interest income (interest income less interest expense) and net interest margin (the percentage difference between interest income and interest expense) as the base metrics in which total bank revenue (which adds non-interest income) is based. This is why financial analyses performed by Dun & Bradstreet and Standard & Poor’s on banking entities normally define annual revenue likewise. Revenue growth is always analyzed based on net interest income.

Recognizing the role of banking regulation is critical – the safety and soundness of each bank is evaluated by banking regulators based on a “CAMELS” score (Capital adequacy, Asset quality, Management, Earnings, Liquidity, and Sensitivity to market risk) in which criticism can result in limitations on asset growth, replacement of management, and even closing of the institution. From a practical basis, the banking regulators understand that individual banks often have little control in managing gross interest income, as it is highly driven by both fiscal and monetary policies. Managing the related interest rate, liquidity, and credit risks, however, are bank priorities and this is done on a net interest income basis. In the examination manuals of the Federal Deposit Insurance Corporation (FDIC), Office of the Comptroller of the Currency, and Federal Reserve, for example, revenue and earnings are evaluated solely on a net interest income/margin basis. Industry data included by the FDIC in their industry-wide statistics also present interest solely on a net interest basis.

Applying the gross interest income definition to banks may result in unintended consequences. Namely, revenue volatility from fiscal and monetary policies can cause a bank to qualify for reporting in some years and not in others. For example, due to fiscal stimulus and changes in interest rate levels, industrywide annual gross interest income

¹ See page 14 of the slide deck used during the August 21 online workshop,

increased by 80 percent from 2019 to 2024 even though it declined by 20 percent between 2019 and 2021. Net interest income, in contrast, increased by 28 percent between 2019 and 2024, declining only 4 percent between 2019 and 2021. Considering gross interest income has more than doubled since the 2021 to 2022 legislative session in which the bills were initially introduced,² various community banks are now required to report, which may not be within the original legislative intent.

With all this in mind, bankers recommend that CARB's guidance and regulations clarify that total revenue for regulated banking institutions be calculated as net interest income plus non-interest income. Applying the formula this way will reflect Federal and state banking regulatory examination metrics, as well as how financial analyses are prepared by Dun & Bradstreet and Standard & Poor's. Further, it will mitigate the likelihood of banks scoping in and out of the laws due to fiscal and monetary policies over which they have no control.

If CARB plans to use the definition of revenue in the August 21 slide deck — "[r]evenue is the total global amount of money or sales a company receives from its business activities, such as selling products or providing services" — bankers suggest amending the definition to include "[f]or a bank, a bank holding company, or a credit union regulated by a Federal or state agency, total revenue shall be calculated as net interest income plus non-interest income as reported in audited financial statements."

Preliminary List of Reporting/Covered Entities

Bankers continue to have significant concerns about the Preliminary List of Reporting/Covered Entities that CARB released on September 24. In addition to the banks our association expected to see on the list, there are at least 34 out-of-state and international banks on the list (including two banks from Japan and two banks from Canada). Most of these 34 banks do not regularly engage in California state legislation or regulations and many will be surprised by a new climate reporting obligation in a state where these banks have a minimal touchpoint. Adjusting the definition of doing business in California and adjusting the definition of revenue for banks as recommended in this letter, would have a positive effect.

Credit Unions

The largest credit unions do not appear on the CARB's preliminary list. In contrast to organizations with charitable intent or other community benefit that qualify as a tax-exempt under section 501(c)(3) of the Internal Revenue Code (IRC), credit unions are nonprofits organized under either Section 501(c)(1) or 501(c)(14) the benefit of their members. Bankers believe limiting the exemption to those organizations that qualify as

² The original bills were AB 1504 and SB 260.

tax-exempt under section 501(c)(3) of the IRC would be in accordance with the legislative intent.

Safe Harbor

Should CARB persist in using unexpected and expansive definitions for doing business in California and gross revenues, CBA is aware of certain banks on the preliminary list that have not started preparation efforts for compliance with SB 261, SB 253, or both. At this late date, it is difficult to envision these entities will be prepared to comply with the upcoming reporting deadlines. Safe harbor should be granted for reports that are submitted up to a year after the initial statutory deadlines.

Thank you again for the opportunity to offer preliminary comments. We welcome any questions you may have regarding our letter, including a more detailed discussion of how industry regulation as well as monetary and fiscal policies impact banking revenues, please feel free to contact me at (916) 438-4411 or cschultz@calbankers.com.

Sincerely,



Chris Shultz
Vice President, Government Relations
California Bankers Association

CS:ec