



April 13, 2026

Via Electronic Submission

Lauren Sanchez
Chair, California Air Resources Board
1001 I Street
Sacramento, CA 95814

Re: SB 253 Public Workshop: California Corporate Greenhouse Gas Reporting
Program (March 23, 2026)

Ladies and Gentlemen:

The Bank Policy Institute¹ appreciates the opportunity to provide further feedback to the California Air Resources Board regarding its implementation of California Senate Bill 253 (2023) and Senate Bill 261 (2023), each as amended by Senate Bill 219 (2024), in response to CARB's solicitation of public comments on its March 23, 2026 public workshop, during which CARB requested feedback on its proposed regulatory concepts for subsequent regulation implementing SB 253 reporting requirements applicable in 2027 and beyond, as well as its initial regulation implementing the climate laws adopted at CARB's February 2026 public hearing.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 several comment letters on CARB's implementation of SB 253 and SB 261 (as amended and collectively, 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), available at <https://bpi.com/wp-content/uploads/2025/03/BPI-CARB-Comment-Letter-March-2025.pdf>; BPI, *SB 253/261/219 Public Workshop: Regulation Development and Additional Guidance* (August 21, 2025), available at <https://bpi.com/wp-content/uploads/2025/09/BPI-CARB-Comment-Letter-September-2025.pdf>; and BPI, *Proposed California Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk*

As discussed in the letter to CARB, dated April 3, 2026, jointly submitted by BPI and the Society for Corporate Governance, we are concerned that the April 13, 2026 deadline for public comments on the public workshop does not provide sufficient time for public input on the wide range of topics and proposals, requests, and questions presented at the public workshop. Accordingly, while this letter reflects our good-faith efforts to provide initial comments on the public workshop, we would welcome additional time beyond the deadline to engage further with CARB on our feedback on the public workshop and request confirmation that CARB will meaningfully consider any substantive input provided by us on or before June 1, 2026 in connection with its formal rulemaking of the subsequent regulation implementing SB 253.

I. Executive Summary

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 emissions and climate risk management.

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 the initial regulation³ and the upcoming subsequent regulation.⁴

To provide feedback on the topics discussed at the public workshop,⁵ and to support implementation of regulations under the climate laws designed to provide meaningful climate-related information to California consumers, investors and members of the public without imposing undue

Disclosure Initial Regulation, available at <https://bpi.com/wp-content/uploads/2026/02/BPI-Comments-on-Californias-Climate-Reporting-Initial-Regulation.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 public comments on its public workshop and is not expressing any view on the litigation. In addition, this letter does not take a position on or otherwise waive potential arguments relating to the authority of a state regulator to require reporting of information and payment of a fee in connection with such reporting from a national bank under applicable law, including 12 U.S.C. § 484.

³ The "initial regulation" refers to the regulation implementing the climate laws adopted at CARB's February 2026 public hearing. See Proposed California Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure Initial Regulation, published on December 23, 2025, *available at* <https://ww2.arb.ca.gov/sites/default/files/barcu/regact/2025/sb253-261/reg%20text.pdf>.

⁴ The "subsequent regulation" refers to the future regulation contemplated by CARB to establish reporting requirements under SB 253 applicable in 2027 and beyond, as discussed at the public workshop.

⁵ The "public workshop" refers to CARB's most recent public workshop held on March 23, 2026. See CARB, SB 253 Public Workshop California Corporate Greenhouse Gas Reporting Program (March 23, 2026) (the "Presentation"), <https://ww2.arb.ca.gov/sites/default/files/2026-03/SB%20253%20March%202026%20Workshop%20Slides%20Final.pdf>.

burdens on reporting entities,⁶ we urge CARB to consider the following recommendations in connection with its rulemaking to implement the climate laws:

- CARB should adopt a modified sectoral phase-in approach to scope 3 reporting that would require scope 3 reporting from the transportation and industrial sectors in 2027, with other sectors phased-in over time, while allowing all phased-in reporting entities the flexibility to not report emissions for scope 3 categories and activities they deem *de minimis*. If CARB nevertheless decides not to adopt our recommended scope 3 reporting approach, we urge CARB to incorporate our recommended *de minimis* exception regardless of the scope 3 reporting approach it adopts.
- We continue to urge CARB to permit maximum flexibility under the GHG Protocol standards and guidance and avoid requiring the use of any prescriptive GHG emissions reporting templates, organizational boundaries, GHG accounting methods, emissions factor datasets, or assurance standards in connection with its implementation of SB 253.
- We continue to urge CARB to establish December 31 as the annual deadline for GHG emissions reporting under SB 253, starting with the report due in 2027.
- CARB should reconsider certain aspects of the initial regulation to clarify the applicability of the climate laws and reduce uncertainty and increase efficiency in the implementation of the fee determination, invoice and payment processes.

II. CARB should adopt a modified sectoral phase-in approach to scope 3 reporting that would require scope 3 reporting from the transportation and industrial sectors in 2027, with other sectors phased-in over time, while allowing all phased-in reporting entities the flexibility to not report emissions for scope 3 categories and activities they deem *de minimis*. If CARB nevertheless decides not to adopt our recommended scope 3 reporting approach, we urge CARB to incorporate our recommended *de minimis* exception regardless of the scope 3 reporting approach it adopts.

A. A sectoral phase-in approach is more appropriate than the broad applicability approach and the category phase-in approach because on balance it provides the most meaningful scope 3 emissions information starting in 2027 without imposing undue burdens on all reporting entities.

During the public workshop, CARB proposed three regulatory options for scope 3 reporting beginning in 2027:

⁶ 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.

- Broad applicability approach. This approach would require all reporting entities to report on all scope 3 categories beginning in 2027; however, reporting entities would have flexibility to not report categories that they deem *de minimis*, with appropriate explanation.⁷
- Sectoral phase-in approach. This approach would require scope 3 reporting from the transportation and industrial sectors in 2027, with other sectors phased-in over time.⁸ CARB explained that under this approach, the initial focus would cover “transportation, technology and energy, cement production, and other manufacturing activities.”⁹
- Category phase-in approach. This approach would require all reporting entities across sectors to report the most reported five categories of scope 3 emissions in 2027 (*i.e.*, business travel, purchased goods and services, fuel and energy related activities, employee commuting, and waste generated during operations), while allowing reporting entities to voluntarily report the other categories.¹⁰

When considering the appropriate scope 3 reporting approach for its subsequent regulation, CARB should afford reporting entities the maximum flexibility under the GHG Protocol, which is explicitly referenced in SB 253 as the applicable standard for scope 3 reporting under SB 253.¹¹ This principle will support reporting entities’ efforts to apply reporting methodologies in a manner that is best suited for their businesses and circumstances, which, in turn, will further the goal of SB 253, whichever reporting option is adopted.

The GHG Protocol recognizes the need for methodology flexibility, allowing entities to remain nimble in their climate-related reporting and refine their approaches as newer data becomes available and as reporting processes improve. Importantly, this balances public accountability while focusing disclosures on the most significant and insightful categories of emissions. The flexibilities embedded in the GHG Protocol are particularly important for addressing the complexities of emissions reporting, including the challenges with scope 3 emissions.

As discussed in our previous comment letters, financial institutions face unique challenges in reporting scope 3 emissions:

- Data collection challenges. Financial institutions calculate the bulk of 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

⁷ Presentation, at 25.

⁸ *Id.* at 26.

⁹ *Id.*

¹⁰ *Id.* at 27.

¹¹ Cal. Health & Safety Code § 38532(c)(2)(A)(i)(I)(ii).

emissions data, which presents significant challenges, as the emissions data used for reporting may not reflect the most current operational activities of counterparties.

- 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, or derivatives lack specific guidance for calculating emissions.

To mitigate these challenges and to provide meaningful scope 3 information to the public, we strongly recommend CARB to adopt a modified sectoral phase-in approach that incorporates the sectoral phase-in approach proposed by CARB as well as the *de minimis* exception discussed in Section II.B below. We believe the modified sectoral phase-in approach on balance provides the most meaningful scope 3 emissions information to California consumers, investors and members of the public starting in 2027 without imposing undue burdens on all reporting entities. As CARB explained, the sectoral phase-in approach would align with CARB’s Scoping Plan for Achieving Carbon Neutrality by “prioritizing sectors responsible for the largest share of statewide emissions that are subject to the greatest transition risk.”¹²

Under the sectoral phase-in approach, we strongly support CARB’s proposal not to include financial institutions in the initial phase-in sectors. Most of financial institutions’ scope 3 emissions are category 15 financed emissions, the tracking and reporting of which work fundamentally differently from those for other industries. A financial institution’s category 15 emissions are the emissions of its clients, counterparties and investee companies, including those companies’ scope 1 and 2 emissions, as well as their scope 3 emissions where appropriate. For example, a manufacturer calculates scope 3 emissions by looking at its supply chain, its logistics, and its business travel, whereas a bank generally calculates scope 3 emissions by attributing a share of its clients’ emissions to itself based on the financial relationship. As a result, financial institutions’ scope 3 data quality is directly dependent on the availability and quality of their financing counterparties’ emissions data. When real economy companies report their emissions, financial institutions have more consistent and reliable data to work with for their financed emissions. As those same companies work through their own scope 3 reporting over time, that further improves the data available for financial institutions’ category 15 emissions calculations. Every year of real economy reporting, including under SB 253, before financial institutions are phased in

¹² Presentation, at 26.

will raise the quality and consistency of the inputs financial institutions will ultimately use for their scope 3 emissions reporting.

Adopting a sectoral phase-in approach where financial institutions are phased in later would also allow the broader GHG emissions reporting ecosystem to mature, data infrastructure to develop, and methodologies to get tested, all of which should help address the unique challenges financial institutions face in their scope 3 emissions reporting.

In addition, adopting a sectoral phase-in approach would provide CARB an opportunity to refine its approach, including assessing the usefulness of and timeline for phasing in additional sectors. Once CARB has determined its approach for phasing in additional sectors, CARB should provide reporting entities in those sectors adequate time to prepare for compliance with SB 253.

We urge CARB not to adopt the broad applicability approach as proposed. Even with the *de minimis* “category” exception contemplated by CARB, the broad applicability approach would be inconsistent with the flexible approach to scope 3 reporting under the GHG Protocol standards and guidance. As discussed in Section II.B below, the *de minimis* determination must also operate at the activities level, not solely at the category level. If CARB nevertheless determines to adopt the broad applicability approach, we urge CARB to incorporate into the approach the *de minimis* exception described in Section III.B, which provides flexibility at both the category and activity levels.

While we believe the modified sectoral phase-in approach with the *de minimis* exception described in Section III.B is the best path forward, if CARB nevertheless determines to adopt the category phase-in approach, we urge CARB to incorporate into the approach the same *de minimis* exception. Although we strongly agree with CARB’s proposal to exclude category 15 (investments) from the initial phase-in categories under this approach, this approach conflates currently most reported scope 3 categories across industry sectors with meaningful scope 3 information for particular industry sectors or reporting entities. Without any *de minimis* exception, this approach would result in undue burdens on reporting entities by requiring them to report scope 3 categories and activities that are *de minimis* for their industry sectors and/or them, without providing meaningful information to the public. This approach also fails to recognize variations in data availability and quality and maturity of calculation methodologies for emissions within a single scope 3 category. For example, scope 3 emissions under category 15 (investments) are not calculated pursuant to any single methodology; instead, category 15 encompasses dozens of distinct financial product types across where emissions calculations are at vastly different stages of methodological developments.

B. The sectoral phase-in approach should be modified to allow all phased-in reporting entities the flexibility to not report emissions for scope 3 categories or activities they deem *de minimis*.

The sectoral phase-in approach should be modified to allow all phased-in reporting entities the flexibility to not report emissions for scope 3 categories or activities they deem *de minimis*. As discussed above, the GHG Protocol provides entities with significant discretion. Under the GHG Protocol, entities can determine which categories (or subsets of emissions within categories) are too small to be worth

reporting, acknowledge when no reliable data and/or methodology exists, and prioritize reporting what is accurate and useful to investors, all of which align with CARB’s goals under the climate laws.¹³

This flexibility is not incidental to the GHG Protocol, it is a key design feature. The GHG Protocol recognizes that not every category or activity will have a reliable calculation methodology and that forcing disclosure where data quality is poor, methodologies are immature, or where emissions are insignificant would produce voluminous data without useful information. In addition, the GHG Protocol sets minimum boundaries for each scope 3 category, which ensure significant activities are covered, “without requiring companies to account for emissions endlessly across the value chain.”¹⁴ No major international GHG emissions reporting framework requires disclosure of all scope 3 categories without built-in flexibility, because regulators globally have recognized that requiring too much scope 3 information produces data that is not useful to stakeholders. International frameworks that have moved to implementation have consistently permitted flexibility like *de minimis* exclusions, phased implementation, materiality/significance-based filtering, and methodological feasibility carve-outs because such flexibility leads to better, more decision-useful data and less compliance burden. For example, the International Sustainability Standards Board (ISSB) includes a financial materiality overlay and limits required disclosure of financed emissions, allowing reporting entities to exclude facilitated emissions from capital markets activity.¹⁵ The EU European Sustainability Reporting Standard (ESRS) limits scope 3 reporting to significant categories.¹⁶ The Partnership for Carbon Accounting Financials (PCAF) has taken five years to expand from six to ten asset classes.¹⁷ The direction across all of these frameworks is consistent: focusing reporting on what is significant and methodologically feasible. Without a *de minimis* mechanism in CARB’s subsequent regulation, reporting entities would be in an untenable position: reporting data they know to be unreliable, highly estimated, and potentially misleading, or facing enforcement risk for not reporting. Neither outcome serves SB 253 or CARB’s goal, and CARB should affirmatively incorporate the *de minimis* flexibility into the subsequent regulation.

For clarity, we recommend that CARB codify the following five accounting and reporting principles (*i.e.*, relevance, completeness, consistency, transparency, and accuracy) as guiding principles

¹³ The GHG Protocol Corporate Value Chain (Scope 3) Standard provides clear guidance on these flexibilities in the following sections: (1) Section 6.2 – Boundary requirements, which allows companies to exclude categories where data cannot reasonably be obtained, provided the exclusions are disclosed and explained; and (2) Section 6.3 – Disclosing and justifying exclusions, which permits exclusions where emissions are deemed insignificant in the context of the company’s overall footprint. Section 6.3 also recognizes that “in some situations, companies may have scope 3 activities, but be unable to estimate emissions due to a lack of data or other limiting factors.”

¹⁴ Greenhouse Gas Protocol, *Scope 3 Frequently Asked Questions*, available at <https://ghgprotocol.org/scope-3-frequently-asked-questions-0>

¹⁵ See IFRS, *Amendments to Greenhouse Gas Emissions Disclosures*, available at <https://www.ifrs.org/content/dam/ifrs/publications/amendments/english/2025/issb-2025-1-amendments-ifrs-s2.pdf>

¹⁶ See Regulation (EU) 2023/2772, (31 July 2023), available at https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202302772.

¹⁷ See GHG Protocol, *The Global GHG Accounting and Reporting Standard for the Financial Industry*, available at <https://ghgprotocol.org/global-ghg-accounting-and-reporting-standard-financial-industry>.

for determining the appropriate scope of scope 3 reporting, including when a *de minimis* exception should apply.¹⁸ A reporting entity should be permitted to retain discretion to determine the appropriate scope of its scope 3 disclosure, subject to transparent explanation of any exclusions.

A reporting entity should be permitted to determine that a scope 3 category or activity is not required to be reported on the basis that it is *de minimis* where the entity determines that reporting would not produce information that is sufficiently accurate, consistent, or relevant. Specifically, such a determination may be based on any of the following:

- Estimated emissions are insignificant in size relative to total scope 3 emissions;¹⁹
- Lack of consensus on a standardized calculation methodology;²⁰
- A methodology exists but available data is of insufficient quality to produce reliable or comparable estimates;²¹
- The entity does not have sufficient influence over the activity or value chain to drive reductions;²² or
- Quantitative reporting would not produce reliable data, in which case the entity may provide a qualitative description instead.²³

¹⁸ See GHG Protocol, *Corporate Value Chain (Scope 3) Accounting and Reporting Standard*, at 23, available at https://ghgprotocol.org/sites/default/files/standards/Corporate-Value-Chain-Accounting-Reporting-Standard_041613_2.pdf

¹⁹ *Id.* at 60 (“In some situations, companies may have scope 3 activities, but be unable to estimate emissions due to a lack of data or other limiting factors. For example companies may find that based on initial estimates, some scope 3 activities are expected to be insignificant in size (compared to the company’s other sources of emissions) and that for these activities, the ability to collect data and influence GHG reductions is limited.”).

²⁰ *Id.* at 24, 60. Companies may have scope 3 activities, but “may be unable to estimate emissions due to a lack of data or other limiting factors.”

²¹ *Id.* at 25. Under the GHG Protocol, “data should be sufficiently accurate to enable intended users to make decisions with reasonable confidence that the reported information is credible.” Reporting low quality data would undermine this principle.

²² *Id.* at 61. (“Companies should prioritize activities in the value chain where the reporting company has the potential to influence GHG reductions.”). “Influence” is one of the six enumerated criteria for identifying relevant scope 3 activities.

²³ See IFRS S1, *General Requirements for Disclosure of Sustainability-related Financial Information*, at 14, available at <https://www.ifrs.org/content/dam/ifrs/publications/pdf-standards-issb/english/2023/issued/part-a/issb-2023-a-ifrs-s1-general-requirements-for-disclosure-of-sustainability-related-financial-information.pdf?bypass=on> (“If an entity determines that it need not provide quantitative information about the current or anticipated financial effects of a sustainability-related risk or opportunity applying the criteria set out in paragraphs 38–39, the entity shall: (a) explain why it has not provided

CARB may require reporting entities to qualitatively describe any exclusion and explain the rationale in their disclosures. Consistent with the GHG Protocol, CARB should not set a fixed quantitative threshold, as reporting entities are best positioned to make their own assessment based on their specific circumstances, taking into consideration input from relevant stakeholders. In addition, the same principle should also apply to any scope 1 and 2 reporting exclusion.

Additionally, the *de minimis* exception must operate at the activities level, not solely at the category level. This distinction is particularly important for categories that encompass a wide range of distinct emissions sources with varying levels of methodological maturity and data availability. Category 15 (investments) is a clear example. Category 15 includes corporate lending, project finance, listed equity, commercial real estate, residential real estate, sovereign debt, and other financial product types, each with different calculation methodologies, data sources, and data quality. Some of these can be reported credibly today; others have no standardized methodology at all. Under a *de minimis* definition that operates only at the category level, unless the entire category is *de minimis*, reporting entities would have to report on all activities under that category. For example, under a *de minimis* category exception, where category 15 as a whole is not *de minimis* for a financial institution (which we expect to always be the case), the financial institution would have to report on its scope 3 emissions for all activities under category 15, even when certain of its category 15 activities are *de minimis*. This outcome is contrary to the approach adopted by the GHG Protocol and would not serve the goals of SB 253 or CARB. The Technical Guidance for Calculating Scope 3 Emissions under the GHG Protocol includes tables distinguishing required from optional investment types, which is an explicit acknowledgement that different activities within a single category should be treated differently.²⁴ CARB's *de minimis* framework should follow the same approach.

C. If CARB nevertheless decides not to adopt the modified sectoral phase-in approach recommended above, CARB should ensure that any scope 3 reporting approach adopted provide the reporting entities with the flexibility of not reporting emissions for scope 3 categories or activities they deem *de minimis*.

For the reasons noted above, we strongly recommend CARB to adopt the modified sectoral phase-in approach described herein. However, if CARB nevertheless decides not to adopt our recommended approach, for the reasons and in the manner detailed in Section II.B above, CARB should ensure that any scope 3 reporting approach to be adopted provides the reporting entities with the flexibility of not reporting emissions for scope 3 categories or activities they deem *de minimis*.

The *de minimis* exception, as described in Section II.B, is critical to reporting entities' ability to tailor the scope 3 emissions information to their own industry sectors and businesses so that they

quantitative information; (b) provide qualitative information about those financial effects, including identifying line items, totals and subtotals within the related financial statements that are likely to be affected, or have been affected, by that sustainability-related risk or opportunity; and (c) provide quantitative information about the combined financial effects of that sustainability-related risk or opportunity with other sustainability-related risks or opportunities and other factors unless the entity determines that quantitative information about the combined financial effects would not be useful.”).

²⁴ See Greenhouse Gas Protocol, *Technical Guidance for Calculating Scope 3 Emissions*, Table 15.1 and 15.2, available at https://ghgprotocol.org/sites/default/files/standards/Scope3_Calculation_Guidance_0.pdf.

provide meaningful scope 3 emissions to California consumers, investors and members of the public. The *de minimis* exception is also essential to ensure that the subsequent regulation does not impose undue burdens on reporting entities. Accordingly, the *de minimis* exception to scope 3 emissions reporting is consistent with and in furtherance of the goal of SB 253 and should be incorporated by CARB in its subsequent regulation regardless of the scope 3 reporting approach CARB determines to apply.

III. We continue to urge CARB to permit maximum flexibility under the GHG Protocol standards and guidance and avoid requiring the use of any prescriptive GHG emissions reporting templates, organizational boundaries, GHG accounting methods, emissions factor datasets, or assurance standards in connection with its implementation of the climate laws.

We continue to believe that permitting maximum flexibility under the GHG Protocol standards and guidance and avoiding prescriptive reporting requirements should be key considerations in CARB's implementation of the climate laws. To achieve the goal of better informing the decision-making of California consumers, investors and members of the public, it is critical for reporting entities to be able to tailor the information to their own industry sectors and businesses and provide the context in relation to the climate-related data and information required under the climate laws. A prescriptive approach to reporting is also inconsistent with the general disclosure approach under the external climate reporting standards or protocols mandated by the climate laws, which focus on the substance, rather than the form, of climate-related disclosures. Furthermore, prescriptive reporting requirements would significantly hinder reporting entities' ability to minimize duplication of efforts and rely on substituted compliance, which are explicitly contemplated by the climate laws.

Therefore, CARB should not require the use of prescriptive GHG emissions reporting templates, organizational boundaries, GHG accounting methods, emissions factor datasets, or assurance standards in connection with its implementation of the climate laws. Any such prescriptive requirements would be inconsistent with SB 253's intent and would materially increase reporting entities' burdens without improving the decision-usefulness of the disclosures.

A. GHG Emissions Reporting Templates

In October 2025, CARB issued and sought public feedback on its Draft Scope 1 and 2 GHG Reporting Template.²⁵ However, the draft template went well beyond what SB 253 requires and was inconsistent with the flexible approach under the GHG Protocol. For example, the draft template includes fields for emissions reduction initiatives and targets, emissions intensity per million dollars in revenue (which would force private companies to publicly disclose financial information), biogenic scope

²⁵ CARB, *SB 253 Scope 1 and Scope 2 Greenhouse Gas (GHG) Emissions Draft Reporting Template* (Oct. 10, 2025), available at https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fww2.arb.ca.gov%2Fsites%2Fdefault%2Ffiles%2F2025-10%2FSB253_Draft_Scope1_2_GHG_Template.xlsx&wdOrigin=BROWSELINK; CARB, *California Corporate Greenhouse Gas Reporting Program: Scope 1 and Scope 2 Emissions Draft Reporting Template Memo* (Oct. 10, 2025), available at https://ww2.arb.ca.gov/sites/default/files/2025-10/Draft%20Memo_Scope1%262TemplatePublicRelease.pdf ("Reporting entities are not currently required to use the template; its use is voluntary for the 2026 reporting cycle.").

1 emissions Global Warming Potential (GWP) factor sources, and identification of specific third-party tools and platforms used to prepare data. Although CARB clarified that reporting entities are not currently required to use the draft template and its use is voluntary for the 2026 reporting cycle,²⁶ we are deeply concerned about the prescriptive approach taken by CARB in designing the draft template.

Requiring reporting entities to provide climate-related data and information pursuant to prescriptive reporting templates, such as the draft template, without the ability or with limited ability to provide the necessary context, would be counterproductive to the goal of providing meaningful information and could potentially result in incomplete or misleading data and information. Therefore, we recommend CARB not to develop any prescriptive templates for scope 1 and 2 reporting as part of the subsequent regulation for reporting entities to use in 2027 and beyond.

If CARB nevertheless determines to develop such templates, use of the templates should be optional. If, however, CARB decides to make the use of such templates mandatory, to avoid duplication of efforts and facilitate substituted compliance, such templates should provide reporting entities with flexibility to not report irrelevant or insignificant fields and allow reporting entities to rely on existing reports prepared to meet other reporting requirements or standards (e.g., ESRs, ISSB). In addition, the templates should avoid requiring disclosure of proprietary information. The templates should also accommodate variations of corporate structures and industry sectors of the reporting entities so that the reporting entities would not be forced into reporting emissions that would not provide meaningful emissions information regarding their businesses and operations.

B. Organizational Boundaries

Consistent with the GHG Protocol Corporate Standard,²⁷ CARB should allow reporting entities to select either the equity share approach or the control approach, and apply the chosen approach, rather than mandating one approach for all reporting entities.

Additionally, it should be sufficient for reporting entities to provide a simple disclosure explaining which approach was chosen and why it is appropriate for such entity's corporate structure. CARB should not require extensive justification for the choice of approach for establishing organizational boundary since both approaches are recognized and permitted by GHG Protocol.

C. GHG Accounting Methods

CARB should not limit reporting entities to the four proposed GHG accounting methods discussed at the public workshop (i.e., spend-based, activity-based, supplier-specific, and hybrid). The GHG accounting methods CARB proposed are designed for companies that buy, transport, or sell goods and services. While these accounting methods may work well for measuring emissions related to purchased goods, business travel, and upstream transportation, they do not work for all industry sectors

²⁶ CARB, *California Corporate Greenhouse Gas Reporting Program: Scope 1 and Scope 2 Emissions Draft Reporting Template* (Oct. 10, 2025), available at https://ww2.arb.ca.gov/sites/default/files/2025-10/Draft%20Memo_Scope1%262TemplatePublicRelease.pdf.

²⁷ See GHG Protocol, *A Corporate Accounting and Reporting Standard*, available at <https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf>.

or emissions categories. For example, none of the proposed methods is appropriate for calculating financial institutions' financed emissions. Specifically, calculating a financial institution's category 15 emissions generally requires determining what share of a borrower's or investee's emissions to attribute to the financial institution, which depends on the type of financial product, the sector the counterparty operates in, and what emissions data is available. In addition, where emissions data is not available, financial institutions may need to rely on proxies and estimates. Financial institutions have built sector-specific approaches around these variables. If a financial institution were required to use one of the four proposed methods to calculate its category 15 emissions, the output would be inaccurate or misleading, which would undermine the goal of SB 253.

Accordingly, reporting entities should be afforded the flexibility to choose a set of GHG accounting methods that are most appropriate for their industries and business activities. For example, financial institutions have developed sector-specific methodologies to address the unique characteristics of financed emissions, including approaches published by organizations such as PCAF. CARB should avoid adopting regulations that restrict the ability of reporting entities to apply methodologies that are consistent with the GHG Protocol framework.

D. Emissions Factor Datasets

Requiring reporting entities to only use emissions factor datasets specified by CARB²⁸ may significantly constrain reporting entities' capability and flexibility in GHG emissions reporting. Different industries, categories, and calculation approaches require different emission factors, and entities need the flexibility to select the ones that are most appropriate for their specific activities. There are emissions factor providers, beyond those specified by CARB at the public workshop, that could inform more accurate estimates of emissions for some categories for some reporting entities. In addition, the development of a "custom" emissions factor may be warranted under certain circumstances, including, for example, if a reporting entity has supplier-provided information about the emissions intensity of goods or services procured from that supplier. Furthermore, because some reporting entities will report estimated emissions in other jurisdictions and need to ensure consistent reporting across jurisdictions, any restrictions on the use of emissions factor datasets by CARB may constrain the general ability of reporting entities to accurately estimate and report their emissions, use substituted compliance or rely on consolidated reporting.

Therefore, CARB should not limit emission factor sources to a prescribed list; instead, the subsequent regulation should permit the use of any emission factor that meets certain general criteria that are designed to ensure the quality and appropriateness of the emission factor, taking into consideration factors such as transparency, geographical relevancy, and alignment with evolving science and regulatory standards.

²⁸ CARB staff mentioned the following datasets as potential emission factor sources for scope 3 categories: the Environmental Protection Agency's (EPA) Emissions & Generation Resource Integrated Database (eGRID), the IPCC Emissions Factor Database (EFDB), the EPA's Emission Factors (EF) Hub, and the U.S. Environmentally-Extended Input-Output (USEEIO). Presentation, at 16.

E. Assurance Standards

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. At the public workshop, the CARB staff listed several assurance standards as “[p]roposed [s]tandards for [c]urrent [r]ulemaking”. We support permitting the use of widely recognized international and U.S. standards, including but not limited to all those mentioned by CARB staff, for purposes of compliance with SB 253. Allowing flexibility ensures that reporting entities can leverage existing assurance processes while maintaining credibility and alignment with international practice, which should mitigate compliance challenges and avoid additional costs.

Furthermore, CARB should confirm that, where a consolidated report completed at the parent level is used for purposes of compliance with SB 253, the limited assurance provided by an independent third-party assurance provider is only required at that level, including where assurance is performed outside the United States.

IV. We continue to urge CARB to establish December 31 as the annual deadline for GHG emissions reporting under SB 253, starting with the report due in 2027.

Although the reporting deadline under the initial regulation will be August 10, 2026 for the first-year report under SB 253, CARB should establish December 31 as the annual deadline for scope 1, 2 and 3 GHG emissions reporting under SB 253, starting with reports due in 2027, in light of the complexity and challenges associated with GHG emissions reporting and related assurance requirements.

As discussed in our prior comment letters, a single annual reporting timeline for all required GHG emissions data is consistent with the statutory requirements of SB 253,²⁹ and is more efficient for both the reporting entities and CARB. This is how GHG emissions data is generally reported today, either voluntarily or pursuant to reporting requirements in other jurisdictions. Further, a single annual report under SB 253 with all required GHG emissions data is more useful for users of the information and supports CARB’s goal of providing accurate, comparable, and decision-useful climate information to investors, lenders, insurers, and the public in California. On the contrary, 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.

As discussed in our prior comment letters to CARB, we believe the single annual reporting deadline should be December 31 for all required GHG emissions data. This is because collecting,

²⁹ Cal. Health & Safety Code § 38532(c)(1); (G)(i).

reconciling, and obtaining assurance for global emissions data are complex, challenging, and time-consuming, particularly with respect to scope 3 emissions data.

For large financial institutions, scope 1 and 2 emissions 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.

Furthermore, and as discussed above, financial institutions face unique challenges in reporting scope 3 emissions, which make a deadline earlier than December 31 impractical. Value chain emissions data, by its nature, takes time to collect. A reporting entity cannot calculate its scope 3 emissions until its counterparties have first calculated and reported their own emissions. This challenge is particularly acute for financial institutions, whose scope 3 emissions are primarily the scope 1, 2, and 3 emissions of their borrowers and portfolio companies. A financial institution cannot report its category 15 emissions until those companies have completed their own reporting, and that data then needs to be collected, validated, and processed. Where counterparty reported data is not available, financial institutions rely on proxies and estimates sourced through external data vendors, but this data also takes time to collect, aggregate, and quality check before it can be used in reporting. This creates a structural lag of 12-18 months that no amount of process improvement can eliminate.

Additionally, given that assurance by an independent third-party assurance provider is required under SB 253, beginning with “limited assurance” in 2027³⁰ 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. Rushing the assurance process may undermine the credibility of California’s climate reporting program.

Because of these unique challenges, we believe that 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

³⁰ Although the text of SB 253 states that assurance is required beginning in 2026, CARB has provided additional guidance stating that assurance is *not* required for first-year reports in 2026. See *Frequently Asked Questions Related to Regulatory Development and Initial Reports* (Nov. 17, 2025), at 10, available at https://www2.arb.ca.gov/sites/default/files/classic/FAQs%20Regarding%20California%20Climate%20Disclosure%20Requirements_Nov.pdf (the “FAQs”) (“For 2026 reporting under [SB 253], CARB will exercise enforcement discretion for the first report due in 2026, allowing reporting entities to submit Scope 1 and Scope 2 emissions for their prior fiscal year based on information they already have or were collecting when this Notice was issued, whether or not the data received limited assurance.”).

significant time lag (*e.g.*, one year or more) for the scope 3 emissions data reported. Accordingly, we continue to urge CARB to establish December 31 as the annual deadline for GHG emissions reporting under SB 253, starting with the report due in 2027. In addition, the subsequent regulation should explicitly permit reporting entities to use the best available data (which may mean the most recent emissions data available from their counterparties' reporting periods) when calculating scope 3 emissions, even where that data does not align with the reporting entity's own reporting period (*e.g.*, the counterparty's data may be from an earlier reporting period).

V. CARB should reconsider certain aspects of the initial regulation to clarify the applicability of the climate laws and reduce uncertainty and increase efficiency in the implementation of the fee determination, invoice and payment processes.

A. CARB should clarify that the proposed definition of "revenue" incorporates the relevant regulations and interpretations regarding the definition of "gross receipts" under the California Revenue and Taxation Code and that an entity's gross receipts amount as reported in its tax filings with the California Franchise Tax Board is determinative of the entity's revenue for purposes of determining its "revenue" under the Climate Laws.

The initial regulation states that "revenue" has the same meaning as "gross receipts" under Section 25120(f)(2) of the California Revenue and Taxation Code ("RTC").³¹ We recommend CARB to clarify that the definition of "revenue" incorporates the relevant regulations and interpretations regarding the definition of "gross receipts" under the RTC to further align these definitions and avoid any discrepancies in how these definitions are interpreted and applied in practice.

For example, although the definition of "gross receipts" under Section 25120(f)(2) of the RTC does not include an explicit carve out for intercompany transactions, intercompany receipts from unitary group members would generally be excluded from taxable income for California income tax purposes under § 25106.5-1 of Title 18 of the California Code of Regulations. Without our recommended clarification, there would be ambiguity as to whether intercompany receipts from unitary group members would be required to be included as "revenue" for purposes of the climate laws, when they are generally excluded for corporate income tax purposes.

In addition, to provide further certainty to entities determining whether they exceed the revenue thresholds under the climate laws, CARB should clarify that an entity's gross receipts amount as reported in its tax filings with the Franchise Tax Board (FTB) is determinative of the entity's revenue for purposes of determining its "revenue" under the climate laws. During CARB's third public workshop held on November 18, 2025, CARB staff noted that gross receipts are verifiable in FTB filings, referencing

³¹ Gross Receipts is defined under Section 25120(f)(2) of the RTC as "[t]he gross amounts realized (the sum of money and the fair market value of other property or services received) on the sale or exchange of property, the performance of services, or the use of property or capital (including rents, royalties, interest, and dividends) in a transaction that produces business income, in which the income, gain, or loss is recognized (or would be recognized if the transaction were in the United States) under the Internal Revenue Code, as applicable for purposes of this part. Amounts realized on the sale or exchange of property shall not be reduced by the cost of goods sold or the basis of property sold."

specific line items of entities' California tax filings (*i.e.*, Schedule F, Line 1a of corporations' and S-corporations' tax filings on Form 100 and Form 100S, respectively, Line 1a of partnerships' tax filings on Form 565, and Schedule B, Line 1a of LLCs' tax filings on Form 568) as showing the amount of "total revenue."³² Our recommended clarification is consistent with the approach announced at the workshop and provides entities further clarity and certainty in determining whether they exceed the revenue thresholds under the climate laws. We note, however, that reporting entities may report their gross receipts on line items of their FTB tax filings different from those line items specifically identified by CARB staff at the November 18, 2025 public workshop and, therefore, we recommend CARB's clarification in this regard to only refer to gross receipts amount as reported on reporting entities' tax filings with the FTB without identifying specific line items of the relevant tax filings.

B. CARB should clarify that the proposed definitions of "doing business" and "doing business in California" incorporate the relevant regulations and interpretations regarding the definitions of "doing business" and the relevant prongs of "doing business in this state" under the RTC and an entity's in-state sales amount as reported in its tax filings with the FTB is determinative of the entity's in-state sales for purposes of determining whether the entity is "doing business in California" due to its in-state sales under the climate laws.

Under the initial regulation, "doing business" "shall have the same definition as set forth in section 23101(a) of the [RTC]", whereas "doing business in California" means "doing business and meeting either of the criteria set forth in subsections 23101(b)(1) or 23101(b)(2) of the [RTC]", subject to certain exceptions.³³ Section 23101(a) of the RTC defines "doing business" as "actively engaging in any transaction for the purpose of financial or pecuniary gain or profit".³⁴ Subsection 23101(b)(1) of the RTC provides that a taxpayer is doing business in California for a taxable year if the taxpayer is organized or commercially domiciled in California.³⁵ Subsection 23101(b)(2) of the RTC provides that a taxpayer is doing business in California for a taxable year if sales, as defined in Section 25120(e) or (f) of the RTC as applicable for the taxable year, of the taxpayer in California "exceed the lesser of five hundred thousand dollars (\$500,000) or 25 percent of the taxpayer's total sales."³⁶

We recommend CARB to clarify that the definitions of "doing business" and "doing business in California" incorporate the relevant regulations and interpretations regarding the definitions of "doing

³² CARB, *SB 253/261/219 Public Workshop: Update on California Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure Programs* (Nov. 18, 2025), at 21, available at <https://ww2.arb.ca.gov/sites/default/files/classic/SB%20253%20261%20Nov%20Workshop%20slides%20%28Updated%29.pdf>.

³³ Initial Regulation § 96072(a)(8).

³⁴ Cal. Rev. & Tax. Code § 23101(a).

³⁵ Cal. Rev. & Tax. Code § 23101(b)(1).

³⁶ Cal. Rev. & Tax. Code § 23101(b)(2) ("For purposes of this paragraph, sales of the taxpayer include sales by an agent or independent contractor of the taxpayer. For purposes of this paragraph, sales in this state shall be determined using the rules for assigning sales under Sections 25135 and 25136 and the regulations thereunder, as modified by regulations under Section 25137.").

business” and the relevant prongs of “doing business in this state” under the RTC to further align these definitions and avoid any discrepancies in how these definitions are interpreted and applied in practice.

For example, subsection 23101(c)(1) requires the FTB to annually revise the \$500,000 threshold for in-state sales to adjust for inflation.³⁷ The in-state sales dollar threshold for 2025 is \$757,070.³⁸ Without our recommended clarification, there will be discrepancies between how the same term or phases will be interpreted and applied under the climate laws and the RTC.

In addition, to provide further certainty to entities determining whether they are deemed to be “doing business in California” under the climate laws, CARB should clarify that an entity’s in-state sales amount as reported in its tax filings with the FTB is determinative of the entity’s in-state sales for purposes of determining whether the entity is “doing business in California” due to its in-state sales under the Climate Laws. During CARB’s third public workshop, CARB staff noted that whether a company has sufficient in-state sales to be deemed to be “doing business in California” can be verified in California FTB filings, referencing Schedule R-1, column (b) of entities’ California tax filings (i.e., Form 100, Form 100S, Form 565 and Form 568 for corporations, S-corporations, partnerships and LLCs, respectively) for the amount of in-state sales.³⁹ Our recommended clarification is consistent with the approach announced at the workshop and provide entities further clarity and certainty in determining whether they are deemed to be doing business in California due to its in-state sales under the climate laws.

C. CARB should clarify certain aspects of the initial regulation to reduce uncertainty and increase efficiency in the implementation of the fee determination, invoice and payment processes.

The initial regulation imposes a flat fee structure on reporting entities under the climate laws. Under the initial regulation, CARB will provide a written fee determination notice to each reporting entity of the amount due on or by September 10, beginning in fiscal year 2026 and for each year thereafter. We recommend CARB to consider the following clarifications to help reduce uncertainties in the implementation of the fee determination, invoice and payment processes.

1. CARB should clarify that it is responsible for determining the reporting entities under the climate laws.

Under the initial regulation, CARB is responsible for issuing fee determination notices to reporting entities, while entities are required to maintain records demonstrating whether they meet the applicable revenue and “doing business in California” thresholds and to provide such records upon

³⁷ Cal. Rev. & Tax. Code § 23101(c)(1).

³⁸ State of California Franchise Tax Board, *Doing Business in California*, available at <https://www.ftb.ca.gov/file/business/doing-business-in-california.html>.

³⁹ CARB, *SB 253/261/219 Public Workshop: Update on California Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure Programs* (Nov. 18, 2025), at 21, available at <https://www2.arb.ca.gov/sites/default/files/classic/SB%20253%20261%20Nov%20Workshop%20slides%20%28Updated%29.pdf>.

request.⁴⁰ Accordingly, we believe it is implied that CARB is also responsible for determining which entities are reporting entities and the number of reporting entities under each Climate Law; however, the regulatory text is ambiguous in this regard. Clarifying that CARB is responsible for determining which entities are in scope of the climate laws would help avoid confusion and would support more efficient and consistent compliance with the fee provisions, especially for parent companies reporting on behalf of many reporting entity subsidiaries under one consolidated, parent-level report.

If, on the other hand, CARB intends to rely on information submitted by entities to determine the total number of reporting entities for purposes of determining the per-entity fee under each Climate Law, CARB should propose the information required to be submitted by reporting entities and the timeline for submitting such information. Because the fees are assessed on an individual reporting entity basis⁴¹ and because companies may rely on consolidated reporting as permitted under the climate laws, solely relying on the number of entities submitting reports under each Climate Law would not provide CARB with an accurate total number of reporting entities for purposes of the fee calculation.

2. CARB should allow a consolidated fee invoice and payment process to increase efficiency.

Although the initial regulation establishes fee liability at the reporting entity level, it does not address how CARB intends to invoice and collect fees where a parent company submits consolidated reporting on behalf of multiple subsidiaries.

To reduce administrative burden and improve payment efficiency, CARB should clarify that it will permit a consolidated invoice and payment option under which CARB will issue a single fee determination notice to a parent entity that itemizes the fees attributable to each reporting entity within the corporate group, and allow the parent entity to remit a single payment on behalf of all reporting entities within the corporate group.

We believe the recommended approach is consistent with CARB's prior guidance. In the FAQs, CARB noted that "[f]ees may be paid by the parent company level".⁴² To provide certainty and further increase efficiency, we recommend CARB to explicitly provide for a consolidated fee invoice and payment process in the implementing regulations.

3. CARB should provide a process for resolving disputes regarding reporting entity status and reconciling any change to per entity flat fee.

The initial regulation is silent on how to resolve any disputes between CARB and an entity. For example, if there are disputes between CARB and entities regarding whether such entities are reporting entities and therefore should pay fees, it is unclear how such disputes would be resolved between CARB and the entities or how any resolution of such disputes would affect the other reporting entities in light

⁴⁰ Initial regulation § 96074(d).

⁴¹ FAQs, at 9 (Item 18).

⁴² See FAQs, at 9 (Item 18).

of the per entity flat fee structure.

Accordingly, CARB should propose a process for resolving fee-related disputes for public comment, which should, at a minimum, address (1) the process and timeline for resolving a dispute between CARB and an entity as to whether the entity is a reporting entity under the relevant Climate Law, and (2) the process for reconciling any change to per entity flat fee under the relevant Climate Law after resolving disputes relevant to the determination of the number of total reporting entities under the relevant Climate Law.

* * *

BPI appreciates the opportunity to provide feedback to CARB regarding the public workshop. We thank CARB for its continued efforts seeking public feedback to inform its implementation of the 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,

/s/ Sam Riley

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