

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

13 April 2026

Re: Comments on SB 253 March Public Workshop: Proposed Concepts for Subsequent Rulemaking

Submitted via CARB public docket

Dear Chair Sanchez and Members of the Board,

Watershed appreciates the California Air Resources Board's continued leadership in developing regulations to implement the Climate Corporate Data Accountability Act (SB 253). We welcome the staff concepts presented at the March 23, 2026 workshop and the opportunity to provide feedback.

Watershed is a global climate platform helping companies measure, disclose, and manage greenhouse gas emissions in line with global standards. Our comments below respond to the feedback requests posed in the workshop, organized by priority. The thread connecting all of our recommendations is the same principle we have emphasized in each prior submission: **interoperability with the GHG Protocol and globally recognized frameworks is the single most effective way to reduce compliance burden while producing comparable, decision-useful data.**

1. Scope 3 reporting: CARB should adopt Option 1 (Broad Applicability)

Watershed strongly supports Option 1, which aligns with global disclosure standards and responds to demand for regulatory interoperability.

In our work with reporting entities preparing for multiple disclosure mandates, the most common concern is divergent requirements across jurisdictions. Option 1 is the only option which preserves full alignment with the GHG Protocol, as well as the legislation, and reflects how other major jurisdictions (EU CSRD, IFRS S2, Australia AASB S2) have implemented Scope 3 requirements.

Options 2 and 3 would create California-specific deviations without clear benefits. Option 2's sectoral phase-in prioritizes industries with [high Scope 1 emissions](#) (transportation, industrial), missing the purpose of Scope 3 disclosure, which is to surface value-chain impacts. Option 3's category phase-in, based on reporting frequency rather than materiality, would exclude critical categories like Investments (Category 15) for financial institutions or Use of Sold Products (Category 11) for energy or manufacturing companies.

California-specific deviations require separate data collection, dual reporting systems, and disclosures that cannot be reused for CSRD, IFRS, or CDP submissions. This directly undermines the interoperability principle codified in HSC § 38532(c), which asks CARB to "consider and, to the extent feasible, incorporate established reporting standards and programs."

The statute also helpfully addresses implementation concerns. SB 253 includes a safe harbor protecting entities from penalties for Scope 3 misstatements made with a reasonable basis and disclosed in good faith. This acknowledges data limitations without requiring categorical exemptions. Companies routinely produce comprehensive Scope 3 inventories using estimation where primary data is unavailable—the GHG Protocol explicitly permits this approach, and the safe harbor ensures good-faith estimates do not create liability.

2. De minimis: defer to the GHG Protocol rather than creating a new definition

We recommend that CARB not adopt a novel definition of de minimis and continue to align with GHGP.

The GHG Protocol already provides adequate flexibility: companies may exclude categories from their Scope 3 inventory provided the exclusion is disclosed and justified under the principles of relevance, completeness, accuracy, consistency and transparency. This framework has been applied successfully for over a decade and is the basis on which most existing corporate Scope 3 inventories have been constructed. We also note that this is an evolving topic within GHGP, with the latest [Scope 3 progress update paper](#)'s recommendations including a requirement that organizations account for and report at least 95% of required Scope 3 emissions.

Creating a California-specific de minimis threshold would risk diverging from the GHG Protocol, from IFRS S2, and from other jurisdictional regimes, which reference the GHGP principles. CARB should align with the current Protocol and plan processes to review and integrate those updates when finalized.

3. Economic analysis: estimated costs are in the right magnitude but likely higher than the actual cost of baseline compliance

CARB's cost estimates are adapted from the SEC's 2022 climate disclosure rulemaking and adjusted for inflation. While the overall order of magnitude is reasonable, the estimates do not reflect structural changes in the market for emissions reporting services since that analysis was conducted, and are likely higher than the actual cost of baseline compliance.

Two developments have materially reduced compliance costs since the SEC's analysis. First, the carbon accounting and reporting market has grown significantly in recent years, alongside advancements in technology which have made disclosures significantly easier: software-based providers now offer Scope 1–3 measurement as a standardized, largely automated service, delivering inventories in weeks rather than months and at a fraction of the cost of consulting-heavy engagements that characterized the market four years ago. The adoption of AI-enabled tools across the market has further accelerated this shift, automating data collection, classification, and estimation tasks that previously required significant manual effort.

Second, reporting entities themselves have matured: many companies subject to SB 253 have been disclosing emissions voluntarily for several years, which means the systems, internal processes, and data infrastructure are already in place. The incremental cost of California compliance for these entities is substantially lower than a first-time reporting cost.

On assurance specifically, CARB's estimates likely reflect pricing from large financial accounting firms (i.e. the Big Four). Smaller sustainability assurance providers—whose engagements are permitted under SB 253's proposed standards list—charge meaningfully less. The assurance market has also become more competitive as the number of qualified providers has grown in response to global mandatory disclosure requirements, and the pricing estimates should reflect that.

We encourage CARB to account for these market dynamics when finalizing the Standardized Regulatory Impact Assessment, including by soliciting updated cost data directly from reporting platforms and assurance providers. While many large, multinational companies will be spending six-figure sums on external providers, this often reflects complex global programs, reporting obligations across multiple jurisdictions, or bespoke advisory support—not the baseline cost of complying with SB 253's requirements.

4. Emission factors: provide an optional list of sources

We support CARB's approach of identifying a list of emission factor datasets to provide companies a starting point. Rather than prescribing a closed list, we would recommend suggesting this list as optional and allowing auditors to determine whether emissions factors used in individual footprints are credible, using the assurance standards CARB has proposed recognizing.

With regards to providing that list, we note that some stakeholders have raised continuity concerns regarding federal emission factor datasets, particularly EPA's USEEIO and eGRID. The [Cornerstone Sustainability Data Initiative](#)—a collaboration among Stanford, Watershed, and ERG—now independently maintains and updates both datasets as free, open-access resources. Cornerstone has already independently generated eGRID2024 using EPA's published methodology and public input data.

CARB could direct filers towards Cornerstone via cornerstonedata.org, as part of its suggested list of emissions factor sources, where they will be able to access the USEEIO and CEDA databases, allowing Scope 3 compliance without additional cost.

5. Organizational boundaries: align with GHGP

We support CARB's proposed approach of allowing entities to select equity share, financial control, or operational control boundaries. This is consistent with the GHG Protocol and maintains interoperability with CSRD, IFRS S2, and CDP. We recognize that some frameworks are more closely aligned with financial control, though mandating a single approach would force companies to reconstruct existing inventories and produce incompatible numbers across jurisdictions.

We also recognize that the GHG Protocol is actively revising its corporate standards. CARB should preserve flexibility in the near term while monitoring this process and retaining the ability to align with any future updates as they are finalized. Entities should be required to disclose their chosen boundary methodology, provide a brief rationale for the selection, and document any year-over-year changes. A standardized disclosure field in the reporting template would be sufficient.

6. GHG accounting methods: allows the proposed approaches

We support CARB's proposed flexibility for spend-based, activity-based, supplier-specific, and hybrid accounting methods. In practice, almost all reporting entities use a hybrid approach—applying activity-based or supplier-specific methods where high-quality data is available and falling back to spend-based estimation elsewhere. This is consistent with the GHG Protocol's hierarchy and reflects the reality of corporate data availability.

7. Assurance standards: allow the proposed list

We support CARB's proposed list of accepted assurance standards (AA1000AS v3, AICPA AT-C 210/205, ISAE 3000/3410, ISSA 5000, and ISO 14064-3). This list is comprehensive and reflects the standards already in use across global assurance engagements.

Thank you for consideration of these comments. We support the work CARB is doing to deliver a credible, interoperable corporate emissions reporting program, and remain available to support CARB's ongoing work.

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