

April 13, 2026

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

Re: CalChamber Initial Comments on Compliance Cost Issues Presented at SB 253 Public Workshop: California Corporate Greenhouse Gas Reporting Program (March 23, 2026)

Ms. Sanchez:

The California Chamber of Commerce (CalChamber)¹ appreciates the extension to June 1, 2026, for stakeholders to provide responsive comments following the SB 253 Public Workshop held on March 23, 2026 (March Workshop). In granting this extension, the California Air Resources Board (CARB) encouraged parties to provide cost-related feedback by April 13, 2026. While we understand the desire to move expeditiously, particularly given the need for CARB to perform a Standardized Regulatory Impact Assessment (SRIA), this interim deadline provided an exceptionally limited window for stakeholders to develop and validate meaningful cost data in light of the breadth and complexity of the issues presented.

CalChamber, along with other stakeholders, continues to actively develop additional cost information and analysis for submission ahead of the June 1 deadline. In the interim, and recognizing the constrained timeframe, CalChamber offers the following initial comments² focused on significant methodological concerns with the cost assumptions and approaches reflected in staff's March Workshop presentation. CalChamber reserves the right to supplement these comments as additional data and analysis become available, as well as to address other substantive issues raised during the workshop.

I. The Cost Estimates Relied Upon by Staff Are Fundamentally Flawed and Not Fit for Regulatory Use

The cost estimates presented in the March Workshop are not an appropriate or reliable basis for evaluating the economic impacts of SB 253. The figures rely on outdated, incomplete, and non-representative data sources, and systematically understate the real-world costs that will be borne by covered entities under a mandatory California reporting regime for Scope 1, 2, and 3 emissions.

As a threshold issue, CARB staff used "reporting costs" estimated in the SEC's 2022 federal climate disclosure rulemaking as its proxy for data. As the SEC's final rule explained, "reporting costs" **refer solely to the costs of preparing information to be presented in Commission filings**, separate from any prior costs or resources expended in obtaining or developing such information.³ Using such a limited

¹ CalChamber represents a broad and diverse cross-section of California employers, including manufacturers, retailers, logistics providers, technology companies, energy producers, and service providers, many of whom would be directly affected by the proposed rule package.

² CalChamber is currently a party to a lawsuit filed in federal court challenging the constitutionality of SB 253 and SB 261. As we explain in *Chamber of Commerce of the United States of America et al. v. Randolph, No. 2:24-cv-00801- ODW-PVC (C.D. Cal.)*, SB 253 and SB 261 unconstitutionally compel companies to speak on a controversial topic, in clear violation of their First Amendment rights, impermissibly burden interstate commerce, and further violate constitutional and statutory limitations on California's ability to regulate beyond its borders. While these comments do not cure any of the defects at issue in the CalChamber lawsuit, they are provided by the undersigned in the hopes of reducing the burden on reporting entities in the event CARB implements these laws.

³ SEC Final Rule RIN 3235-AM87 at p. 652

definition “reporting cost” to represent the cost of compliance that needs to be estimated under the SRIA is grossly inadequate. It ignores direct costs such as the cost of obtaining data, developing or maintaining compliance systems, assurance costs, and legal or disclosure review costs. Those are all compliance costs that the regulated community will be forced to bear. If the SRIA limits its analysis of compliance costs to the technical costs of preparing a report substantially, it will substantially underestimate the economic burden imposed by these regulations. The SRIA should analyze the broader costs of compliance to reporting entities, such as legal spend, assurance, and capacity building, rather than narrowly focus on a subset of costs that will be incurred under this rule. These elements introduce substantial legal, operational, and reputational costs that are not captured in the underlying estimates.

The workshop presentation further tries to minimize the “reporting costs” by framing them as less than 0.02% of the \$1 billion minimum revenue threshold for each reporting entity. Such framing is misleading and obscures the real economic impact. The purpose of a SRIA is to assess the impact of a proposed regulatory package across the economy, not as a percentage of revenue for a particular company. Even small percentage costs to individual companies can translate into substantial absolute expenditures across the economy that must be analyzed under a SRIA.

It is further worth noting that staff’s estimates are derived from a limited industry survey of just 39 companies prepared for the 2022 SEC final rule. These data points are not representative of the universe of entities that will be subject to SB 253, which will include thousands of companies across sectors, operational structures, and levels of reporting maturity. A small, self-selected sample, many of whom were early adopters of voluntary disclosure, cannot reasonably be extrapolated to a broad, mandatory program with materially different requirements.

Critically, early adopters are not situated similarly to the broader regulated population. These companies have, in many cases, already invested over multiple years in internal data systems, emissions inventories, governance structures, and dedicated sustainability personnel. They often benefit from established supplier engagement processes, existing methodologies for estimating Scope 3 emissions, and institutional knowledge developed through prior voluntary reporting or participation in frameworks such as CDP or TCFD. As a result, their marginal cost of compliance is substantially lower because they are building on existing infrastructure rather than starting from scratch.

By contrast, a significant portion of the entities that will be newly subject to SB 253 have not historically engaged in comprehensive greenhouse gas accounting; particularly with respect to Scope 3 emissions. These companies will face first-time implementation costs that are both substantial and unavoidable, including the need to design internal reporting frameworks, procure or build data management systems, establish organizational boundaries, develop estimation methodologies, train personnel, and engage third-party consultants and assurance providers. For many, compliance will also require building entirely new channels of communication with suppliers and downstream partners to obtain data that has never previously been collected or standardized.

This distinction goes directly to the reliability of the cost estimates. Early adopter data reflects a mature, optimized compliance posture, whereas SB 253 will impose costs on a population that is, in many cases, at a baseline of zero. Using early adopter costs as a proxy therefore introduces a systematic downward bias, capturing steady-state or incremental costs while omitting the significantly higher upfront and transitional costs that will dominate the initial years of program implementation. In effect, the estimates assume that all covered entities are already operating at a level of readiness that only a small subset of companies have achieved. For these reasons, reliance on several year old voluntarily reported early adopter cost data materially understates both the scale and distribution of compliance costs and does not provide a sound foundation for evaluating the economic impacts of SB 253.

Taken together, these deficiencies demonstrate that the current cost estimates are not a sound basis for the Standardized Regulatory Impact Assessment. An SRIA that relies on non-representative data, excludes major categories of compliance cost, and does not account for reasonably foreseeable market conditions risks failing to satisfy the requirements of Government Code section 11346.3. A revised approach must be grounded in representative data, reflect the full scope of compliance obligations, and account for the transition from voluntary disclosure to a mandatory, enforceable regulatory regime.

II. CARB Materially Understates the Burden of Scope 3 Reporting

At the March Workshop, CARB staff estimated that Scope 3 reporting will impose only \$8,635 to \$25,904 in incremental annual costs per entity, a figure that is not credible given the scale and complexity of the obligations under consideration. This narrow cost range is particularly striking because CARB simultaneously identifies Scope 3 as the primary driver of compliance burden under SB 253. The disconnect between the acknowledged complexity of Scope 3 reporting and the modest costs assigned to it reflects a fundamental flaw in the agency's underlying assumptions.

Scope 3 reporting is, by definition, the most complex, resource-intensive, and least mature component of corporate greenhouse gas disclosure. It requires companies to collect, analyze, and validate emissions data across their value chains, including upstream suppliers and downstream activities that are often outside the reporting entity's direct control. For many entities, particularly those that do not currently report Scope 3 emissions, compliance will not represent an incremental extension of existing practices. Instead, it will require the development of entirely new capabilities, including supplier engagement strategies, data collection systems, estimation methodologies, and internal controls to manage inherently uncertain and highly variable data inputs. Despite this, CARB's estimates treat Scope 3 as only a limited add-on cost relative to Scope 1 and Scope 2 reporting, significantly understating the true compliance burden.

CARB's own data further undermines the assumption that Scope 3 reporting can be implemented at relatively low cost. The workshop materials indicate that approximately **43 percent of companies do not report any Scope 3 categories at all**. This is not evidence of a mature or low-cost reporting environment; it reflects the absence of established systems, methodologies, and data access across a substantial portion of the regulated population. For these entities, compliance will require building reporting capabilities from the ground up, with associated costs far exceeding those implied by CARB's current estimates.

Moreover, the range of policy options under consideration will have a decisive impact on compliance costs. Approaches that require reporting across all Scope 3 categories, or that emphasize supplier-specific or activity-based methodologies, will necessitate significantly greater data collection, validation, and coordination across value chains than more limited or estimation-based approaches. Yet CARB's current framework does not meaningfully differentiate among these alternatives, instead presenting a compressed cost range that obscures the wide variability in burden across sectors and regulatory pathways.

In sum, CARB staff assigns Scope 3 reporting a relatively minor incremental cost while simultaneously recognizing it as the most complex and burdensome element of the program. This internal inconsistency highlights a broader issue: the cost estimates do not reflect current market readiness, existing reporting practices, or the scale of transformation required to implement Scope 3 reporting across a mandatory, economy-wide regime. A credible economic analysis must account for the substantial gap between current disclosure behavior and regulatory requirements, and fully incorporate the complexity, variability, and first-time implementation costs inherent in Scope 3 compliance.

III. CARB's Cost Assumptions Fail to Account for the Near-Term Compliance Surge and Resulting Capacity Constraints

CARB's cost assumptions do not reflect the practical realities of implementing a mandatory, economy-wide reporting regime on a compressed timeline. SB 253 will require thousands of companies to stand up new compliance systems within a narrow window, creating a near-term surge in demand for a limited pool of qualified service providers. This includes third-party consultants, data management vendors, and assurance providers capable of performing engagements under recognized professional standards. The resulting competition for these services will be intense, particularly in the initial years of implementation, and will place significant upward pressure on costs.

The timing of the program is central to this issue. Unlike a gradual, market-driven adoption of voluntary disclosure, SB 253 effectively requires a large population of companies to seek similar services at the same time. This creates a classic demand shock in a specialized labor market that cannot rapidly scale. The need to stand up new qualified assurance providers limits the speed at which new capacity can enter the market. CARB's own workshop materials acknowledge uncertainty in this area, including questions regarding how many assurance engagements firms can perform annually and how costs vary across entities.

Current market conditions further underscore this constraint. Today, assurance is typically obtained on a voluntary basis, often at a limited level and for a relatively small subset of companies. SB 253 would transform this into a mandatory requirement for all covered entities (at least for Scope 1 and 2), while also increasing the rigor, standardization, and liability associated with those engagements. This shift will materially expand demand while simultaneously narrowing the pool of eligible providers to those that can meet applicable assurance standards. The result is more demand for a more specialized and capacity-constrained service.

Basic market dynamics make the implications clear. When a large number of entities are required to procure specialized services within a limited timeframe, and the supply of those services cannot expand commensurately, prices increase. This effect is likely to be most pronounced in the early years of implementation, when companies are racing to establish compliance and providers are operating at or near capacity. Yet CARB's current cost assumptions do not reflect this near-term surge in demand or the resulting competition for scarce resources. Instead, the analysis appears to rely on static or even declining cost expectations that are inconsistent with the realities of scaling a mandatory reporting and assurance regime.

IV. Requested Actions

To ensure that the SB 253 rulemaking proceeds on a sound and defensible analytical foundation, CARB should revise its approach to the economic analysis and cost estimation. At a minimum, CARB should discontinue reliance on SEC-derived cost estimates and associated survey data, which are not comparable to the mandatory, standardized reporting regime under consideration here. CARB should also expand the scope of what it considers to be compliance costs beyond the narrowly-defined "reporting costs" from the SEC final rule.

CARB should further align its cost estimates with clearly defined regulatory scenarios. This includes differentiating among alternative policy pathways for Scope 3 implementation, accounting methodologies, and reporting requirements, and evaluating how those choices affect compliance burden. Where uncertainty remains, CARB should present a range of outcomes tied to specific assumptions, rather than relying on generalized averages.

CalChamber is continuing to work with a broad range of stakeholders to develop more comprehensive and representative cost data reflective of real-world compliance conditions. Given the complexity of the

issues and the limited timeframe associated with the April 13 interim deadline, this work remains ongoing. CalChamber looks forward to submitting additional analysis in advance of the June 1, 2026 deadline to further inform CARB's economic analysis.

If you have any questions or would like to discuss the above comments, please feel free to reach out to me at jonathan.kendrick@calchamber.com.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jonathan Kendrick".

Jon Kendrick
Policy Advocate
California Chamber of Commerce

JK:nr