

3Degrees' Comments on CARB's March 2026 SB 253 Workshop Questions

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3Degrees Group Inc. (3Degrees) appreciates the opportunity to provide feedback to the California Air Resources Board (CARB) on the implementation of the California Corporate Greenhouse Gas Reporting Program—otherwise referred to as Senate Bill (SB) 253.

3Degrees supports the intent of the program to improve access to consistent, standardized, and decision-useful information about greenhouse gas (GHG) emissions from California's largest companies. At the same time, 3Degrees believes that CARB should strengthen elements of the SB 253 reporting framework to prioritize comparability, clarity, and administrative feasibility while also preserving alignment with industry standards and other climate-related reporting frameworks.

3Degrees' comments focus on the following key recommendations to strengthen CARB's SB 253 reporting framework:

- **Organizational Boundaries:** 3Degrees recommends that CARB align organizational boundary options with the GHG Protocol's (2004/2015) established approaches
- **Accounting Methods:** 3Degrees recommends CARB (1) require companies to dual report emissions for scope 2 disclosure; (2) precisely define contractual instruments in CARB's reporting template; and (3) specify that the SB253 Reporting Guidance aligns with GHG Protocol's Scope 2 Guidance (2015)
- **Emission Factors:** 3Degrees supports CARB providing recommended emission factor datasets for all scopes and recommends CARB establish differentiated scope-specific criteria that clearly distinguishes required vs. preferred datasets as well as conditions for using proprietary data
- **Scope 3 Reporting:** 3Degrees supports the Broad Applicability approach to scope 3 reporting in order to provide reporting flexibility for de minimis categories
- **Requested Feedback on Alternatives:** 3Degrees requests that CARB implement a ***complete reporting exemption*** for companies that exceed the revenue threshold but emit fewer than 10,000 mt CO₂e across scopes 1 and 2

3Degrees is a leading global climate solutions provider and a certified B Corporation whose work is driven by the need for urgent climate action. 3Degrees delivers a full suite of clean energy and decarbonization solutions to help global Fortune 500 companies, utilities, and other organizations achieve their climate goals. Our company offers a commitment to integrity and deep expertise in climate strategy and implementation across scopes 1, 2, and 3 emissions, including advising on net zero commitments and renewable energy and carbon project development. We focus on developing and deploying

impactful climate solutions that make good business sense and advance an equitable transition to a low-carbon future.

3Degrees' feedback to CARB on the implementation of SB 253 draws on decades of experience supporting companies in achieving and transparently disclosing renewable energy and carbon-reduction goals. Our recommendations are also grounded in our own perspective as a reporting entity that will be required to comply with SB 253.

Requested Feedback on GHG Accounting - Organizational Boundaries

3Degrees recommends that CARB align organizational boundary options with the GHG Protocol's (2004/2015) established approaches: equity share, financial control, and operational control. CARB should avoid creating additional boundary approaches unless necessary to address a specific California regulatory objective. Allowing companies to choose among the existing GHG Protocol boundary approaches is appropriate because companies vary significantly in corporate structure, ownership arrangements, operational control, and financial consolidation practices. 3Degrees recommends that CARB require reporting entities to select one organizational boundary approach, disclose that selection clearly, and apply it consistently year over year. Consistency is essential to ensure emissions data are comparable across reporting years and useful for evaluating trends.

As part of disclosing a company's organizational boundary approach, companies should also disclose the following information:

- Whether the company uses equity share, financial control, or operational control.
- Whether the selected boundary aligns with the company's financial accounting and reporting boundary.
- How the selected boundary reflects the company's actual authority, ownership, or control over operations.
- How the boundary applies to subsidiaries, joint ventures, associates, leased assets, outsourced operations, franchises, and other relevant arrangements.
- Whether any entities, operations, or emissions sources are excluded from the reporting boundary and the reason for those exclusions.
- Whether the boundary has changed from a prior reporting year.
- Whether prior-year data or base-year data have been recalculated following a boundary change.

3Degrees urges CARB to align with GHG Protocol's treatment of organizational boundary changes and re-baselining requirements. CARB should provide guidance on the types of circumstances under which reporting entities may change their organizational boundary approach, including appropriate circumstances such as corporate restructuring, acquisitions or divestitures, a change in ownership or control, changes in financial

consolidation, or other material changes in business structure. In these specific instances, CARB should require reporting entities to disclose the rationale for the change and, where feasible, rebaseline or restate prior-year emissions to preserve comparability.

Requested Feedback on GHG Accounting - Accounting Methods

3Degrees recommends that CARB enhance its guidance on GHG accounting and the proposed SB253 GHG reporting template to provide clarity on the following topics:

- **Require companies to dual report emissions for scope 2 disclosure**

3Degrees recommends that CARB **require** companies to disclose scope 2 emissions using both the location-based and market-based method as part of SB253 compliance. As currently presented in the SB253 GHG reporting template, CARB asks companies to indicate which emissions are in their scope 2 location-based and market-based reporting boundary. However, when asked to **disclose** scope 2 emissions on lines 54-58 of the SB253 reporting template, CARB simply requires a scope 2 total indirect emissions metric number and does not specify whether companies should report using the location- or market-based method, or both methods.

Dual reporting is important because the two methods provide different but complementary information. The location-based method reflects the average emissions intensity of the grids where electricity consumption occurs. The market-based method reflects emissions associated with electricity that companies have purposefully chosen through contractual instruments such as energy attribute certificates, renewable energy certificates, power purchase agreements, specified electricity products, and residual mix data.

Dual reporting supports transparency by allowing investors, consumers, and regulators to distinguish between changes in emissions due to grid conditions, changes in operational electricity consumption, and changes in corporate procurement decisions. It also aligns with widely used scope 2 accounting practice codified in the GHP Protocol Scope 2 Guidance (2015) and helps reduce the risk of inconsistent or incomplete reporting across entities.

- **Precisely define contractual instruments**

3Degrees recommends that CARB use precise and consistent language in the SB253 reporting template when defining and referring to the types of contractual instruments companies should disclose. As written, the template implies that only direct contracts for renewable electricity or renewable gas are relevant to disclosing emissions reductions. Instead, the SB253 reporting template should recognize that companies may use contractual instruments across a range of procurement and market activities.

Consistent with the GHG Protocol Scope 2 Guidance (2015), contractual instruments may include instruments used in voluntary and compliance renewable energy markets, such as unbundled renewable energy certificates, bundled renewable electricity products, power purchase agreements, utility green tariffs, supplier-specific emission factors, and residual mix data. CARB should therefore adopt terminology that aligns with the GHG Protocol Scope 2 Guidance and reflects the full range of contractual instruments used in U.S. electricity markets; rather than implying that only direct contracts are relevant or required for reporting.

- **Align the SB253 Guidance with GHG Protocol's 2015 Scope 2 Guidance**
CARB should clearly specify that SB 253 reporting must be based on the current GHG Protocol guidance, specifically the GHG Protocol's Corporate Standard (2004) and Scope 2 Guidance (2015). The GHG Protocol Corporate Standard suite has been under revision since 2023, and key documents, including the Corporate Standard, Scope 2 Guidance, and Scope 3 Guidance, remain in development. Final revised standards are not expected until 2028 and it is unclear when users may be required to adopt the revised guidance.

In the absence of finalized revised guidance, CARB should avoid ambiguity about which version of the GHG Protocol companies are expected to apply. Clearly referencing the Corporate Standard (2004) and Scope 2 Guidance (2015) would provide consistency, comparability, and regulatory certainty for reporting entities. It would also help ensure that companies prepare SB 253 disclosures using established accounting requirements rather than draft standards. Once GHG Protocol's revisions are complete, CARB should conduct additional stakeholder consultation to determine how climate-related disclosures should incorporate the new guidance.

Requested Feedback on GHG Accounting - Emission Factors

3Degrees supports CARB providing recommended emission factor datasets for all scopes of reporting to promote data comparability and consistency of reported data. 3Degrees further recommends that CARB establish differentiated criteria by scope that clearly distinguishes which datasets are required or preferred and under what conditions companies may use proprietary data. For example, because there are commonly used emission factor data sets available for scope 2 reporting, it is appropriate for CARB to recommend and require reporters to use specific data sets to ensure comparability and standardization in scope 2 reporting. However, emission factor data for many scope 3 categories are less readily available and often less precise or accurate. Therefore, it is not appropriate for CARB to strictly prescribe a single dataset or fixed set of datasets for scope

3 reporting. For scope 3, reporters should be allowed to choose from a list of predetermined emission factor datasets from CARB or use proprietary datasets where this improves accuracy and relevance. When using proprietary data, CARB should require strong documentation and verification to preserve comparability while also enabling more accurate disclosures.

Requested Feedback on Scope 3 Reporting

3Degrees supports Regulatory Option 1–Broad Applicability– of CARB’s proposed scope 3 reporting options as this option includes appropriate reporting flexibility for *de minimis* categories. Broad scope 3 applicability best aligns with the purpose of SB 253 because value chain emissions can represent a significant portion of many companies’ total GHG footprint. Limiting scope 3 reporting to certain sectors or only the most commonly reported categories may omit material emissions sources and reduce the usefulness of disclosures for investors, consumers, and other stakeholders. A broad approach would also better align with current voluntary reporting practices and emerging international climate disclosure expectations.

However, CARB should recognize that scope 3 reporting is inherently more assumption-based than scope 1 and scope 2 reporting. Companies often do not have direct access to primary data from suppliers and customers. As a result, scope 3 inventories frequently rely on spend-based methods, modeled data, screening tools, and assumptions. CARB should design its scope 3 requirements to require transparency and consistency without creating unrealistic expectations of precision.

3Degrees supports CARB allowing companies to identify certain scope 3 categories as *de minimis*, provided that entities conduct and disclose a reasonable scope 3 screening assessment. Not all scope 3 categories are relevant to every company and may be immaterial or not applicable for some companies, so requiring full quantification of every scope 3 category regardless of relevance would increase reporting burden without producing decision-useful information. 3Degrees therefore recommends CARB define *de minimis* as emissions less than 20% of total scope 3 emissions, and require companies to explain why these categories are omitted. Companies should also disclose the basis for that determination, and whether the conclusion was based on quantitative screening, business model relevance, data availability, or another factor.

Requested Feedback on Alternatives - Reporting Exemption for Companies Below Defined Metric-ton Threshold

In addition to the feedback CARB requested on SB253’s implementation, 3Degrees requests that CARB implement a ***complete reporting exemption*** for companies that exceed the revenue threshold but emit fewer than 10,000 mt CO₂e across scopes 1 and 2. This creates an exemption threshold analogous to the state’s Mandatory Reporting Rule -

though a more stringent one as it includes scope 2. Creating a de minimis exemption threshold that relies only on scope 1 and 2 calculations will eliminate the burden of completing complex scope 3 calculations to determine eligibility for the exemption.

As background, revenue is not always a reliable proxy for emissions magnitude. 3Degrees, for example, is above SB253's revenue threshold yet our scope 1, 2 and 3 emissions are ~1600 tons annually; our scope 1 and 2 (location-based) emissions are less than 25 tons. Requiring such companies to complete full reporting and assurance imposes disproportionate costs and administrative burdens on both reporting entities and CARB, both of which must devote resources to prepare, review, and process disclosures with limited climate-related information value.

3Degrees recommends CARB enable companies to qualify for the reporting exemption by submitting one assured scope 1 and 2 footprint to establish their exempt status, and repeating the submission every 5 years, unless the company experiences a material change in operations, organizational boundary, acquisitions, divestitures, or emissions profile in the interim period.

3Degrees appreciates the opportunity to provide feedback on CARB's implementation of SB 253. We hope these comments help strengthen the reporting framework and enhance access to consistent, decision-useful, and standardized information from California's largest companies about their GHG emissions and exposure to climate-related risks.

Sincerely,

/s/ Laura Vendetta

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