



COMMENTS OF THE CENTER FOR CLIMATE AND ENERGY SOLUTIONS - SB 219

This document constitutes the comments of the Center for Climate and Energy Solutions (C2ES) in response to the information solicitation to inform implementation of California climate-disclosure legislation: Senate Bills 253 and 261, as amended by SB 219.

C2ES is an independent, nonprofit, nonpartisan organization dedicated to advancing strong policy and action to reduce greenhouse gas emissions, promote clean energy, and strengthen resilience to climate impacts. In preparing its comments, C2ES gathered feedback from its Business Environmental Leadership Council (BELC), a group of leading companies across sectors committed to climate action, with extensive experience in reporting scopes 1, 2 and 3 emissions over the past decade, and with emerging experience in climate related financial disclosures across different global jurisdictions. Of note, though C2ES gathered feedback from BELC members in preparation for these comments does not mean that all the issues BELC members wish to raise regarding the CARB information solicitation are covered herein.

C2ES's recommendations are designed to enable transparency and create flexibilities and efficiencies in scaling climate reporting, while also being decision-useful to meet the needs of policymakers, businesses, and investors.

General: Standards in Regulation

Question 3. CARB is tasked with implementing both SB 253 and 261 in ways that would rely on protocols or standards published by external and potentially non-governmental entities.

a. How do we ensure that CARB's regulations address California-specific needs and are also kept current and stay in alignment with standards incorporated into the statute as these external standards and protocols evolve?

C2ES Comments:

- CARB should allow companies to report using well-recognized frameworks and standards (i.e., the GHG Protocol or ISO 14064 for SB 253, and TCFD or ISSB Standards for SB 261), especially those developed through multi-stakeholder, consensus-based processes that follow best practices in standards development. The aforementioned frameworks have been developed with extensive stakeholder input and are widely understood by both preparers and users.
- CARB should not modify these standards and frameworks, as companies have been reporting against them for many years and policymakers and investors have extensive experience analyzing GHG-Protocol and TCFD-compliant reporting. This consistency enables greater comparability and reduces confusion.
- As the GHG Protocol is currently undergoing a revision, where it is expected to fill gaps and reflect solutions to current corporate greenhouse gas reporting challenges, in principle, C2ES supports CARB referencing the most up-to-date GHG Protocol as it evolves so that future reporting also remains harmonized and consistent across companies. Given that the GHG Protocol is still in the early stages of its revision, CARB should consider providing an opportunity for review and public comment on the extent to which updates to the GHG Protocol continue to align with the intent of

SB 253 and SB 261 before requiring that companies use the updated version. Should the updated version continue to be fit for purpose for SB 253 and SB 261, companies should have at least two reporting years to comply with reporting against the updated GHG Protocol standard, and not revise any prior reports that were developed under previous versions of the standard. The same approach should be applied to other standards to enable consistency in reporting across companies.

- Today, existing guidance provides direction on how to account for only some of a growing list of mitigation investments and climate action strategies companies are implementing across their value chains. To overcome the significant challenges of decarbonizing scope 3 emissions, companies may take mitigation action by investing in decarbonization projects via the purchase of energy attribute certificates (EACs) and other market instruments. CARB should allow for the optional use of new and emerging standards that will enable companies to disclose on corporate climate mitigation impacts not reflected within currently established greenhouse gas accounting standards, thereby filling a gap. Of note, C2ES is part of the Secretariat of the AIM Platform, which is in the process of developing a consensus-based, multi-stakeholder-informed methodology for how companies can demonstrate emission reductions from their investments in specific scope 3 interventions, often using market instruments.

b. How could CARB ensure reporting under the laws minimizes a duplication of effort for entities that are required to report GHG emissions or financial risk under other mandatory programs and under SB 253 or 261 reporting requirements?

C2ES Comments:

- CARB should permit companies to use reports prepared for other jurisdictions to avoid duplicative efforts and allow for “substituted compliance”—using reports prepared under other mandatory regimes where they also satisfy California’s disclosure requirements. Without this flexibility, companies would likely face greater compliance costs and potentially cause confusion among policymakers in different jurisdictions due to conflicting disclosures.
- CARB should provide companies a list acceptable reporting frameworks of greenhouse gas accounting and climate-related financial risk disclosures that would comply with SB 253 and SB 261.
- CARB should explore the use of XBRL tags as a strategy to streamline reporting and reduce duplication of effort. CARB should ensure that reporting systems are able to recognize and use XBRL tags to collect required data from existing corporate reports that use recognized XBRL tags. Submitting XBRL tagged data should be one reporting option available to companies, but not be mandated as the only reporting option. To minimize reporting burdens, CARB should ensure that its reporting systems are compatible with XBRL tagging and align with existing tagging frameworks developed for other standards (e.g., GHG Protocol, ISSB Standards, CSRD) wherever possible

c. To the extent the standards and protocols incorporated into the statute provide flexibility in reporting methods, should reporting entities be required to pick a specific reporting method and consistently use it year-to-year?

C2ES Comments:

- Companies should have the option to select a specific reporting method and consistently use it year to year. Flexibility should be allowed for when methods change and/or a company’s circumstances necessitate a change.
- If companies change their reporting methods from one year to the next, they should document the changes and clarify the differences in their report.

SB 253: Climate Corporate Data Accountability Act

7. Entities must measure and report their emissions of greenhouse gases in conformance with the GHG Protocol, which allows for flexibility in some areas (i.e. boundary setting, apportioning emissions in multiple ownerships, GHGs subject to reporting, reporting by sector vs business unit, or others). Are there specific aspects of scopes 1, 2, or 3 reporting that CARB should consider standardizing?

C2ES Comments:

- Many companies have been disclosing greenhouse gas emissions in all three scope categories for a decade, where they determine which emissions are most significant and relevant to their businesses, and which emissions are measurable. As such CARB should give companies flexibility to use established voluntary reporting boundaries for compliance. Flexibility in boundary setting will help minimize multiple and conflicting datasets from an entity, as well as recognize existing competing reporting requirements (e.g. EPA GHG Reporting Program).
- C2ES supports companies disclosing data for all scopes 1, 2, and 3, where feasible, recognizing that data is estimated for many scope 3 categories. CARB may determine, separately, that it could be beneficial to provide broader optional guidance outlining where significant emissions in scopes 1, 2, and/or 3 could be anticipated for companies, depending on the ownership structure and industry sector.
- In the case of reporting scope 2 emissions, C2ES supports providing, where feasible, more detail on the purchase of renewable energy. The GHG Protocol Scope 2 Guidance provides guidance on how additional features about RECs can be disclosed including¹: age of the facility that generated the renewable energy credits, facility location, and energy resource type (i.e., “mix”, “multiple renewables” or a specific resource). Greater information on REC purchases can provide insights on the expansion of clean energy in a specific the grid region and other key information on clean energy development. C2ES this recommends flexibility in how scope 2 disclosure can be reported.

8. SB 253 requires that reporting entities obtain “assurance providers.” An assurance provider is required to be third-party, independent, and have significant experience in measuring, analyzing, reporting, or attesting in accordance with professional standards and applicable legal and regulatory requirements.

a. For entities required to report under SB 253, what options exist for third-party verification or assurance for scope 3 emissions?

¹ [Greenhouse Gas Protocol, Table 8.1](#)

C2ES Comments:

- CARB should allow companies to signal which scope 1 emissions were reported under EPA’s GHG Reporting Program and/or CARB’s Mandatory Greenhouse Gas Reporting Program, as they are subject to data assurance requirements, which may differ, and may be more stringent, from other data assurance schemes. The same would apply for CARB’s mandatory greenhouse gas reporting program and associated the cap-and-trade program for scope 1 reporting. For SB 253 compliance, data reporting timing should have the option to be the same for verification of data from EPA, CARB, and other agencies, and have it third-party assured.

9. How should voluntary emissions reporting inform CARB’s approach to implementing SB 253 requirements? For those parties currently reporting scopes 1 and 2 emissions on a voluntary basis:

- c. What frequency (annual or other) and time period (1 year or more) are currently used for reporting?**
- d. When are data available from the prior year to support reporting?**

C2ES Recommendation:

CARB should set reporting deadlines aligned with companies’ reporting realities around data collection and assurance. SB 253 gives CARB discretion on when greenhouse gas disclosures must be published. CARB should require disclosure of greenhouse gas accounting information no earlier than mid-year annually following the reporting year, to provide time to make the necessary calculations, in some cases obtain regulatory verification of data from EPA and other agencies, and the information third- party assured. CARB should require disclosure no later than the last day of the following fiscal year, providing companies enough time to collect data and obtain assurance.

- Under SB 262, companies should be allowed to report in line with their own fiscal year, since a climate risk report may be tied to a company’s financial statement.
- Under SB 261, CARB should clarify that each report only covers one fiscal year to prevent outdated and confusing disclosures.
- CARB should provide an initial compliance grace period for companies to adapt to the new rules, recognizing that companies need time to establish compliance systems. For any fiscal year ending within six months of final rule adoption, companies should only be subject to enforcement for non-filing, not for incomplete or inaccurate disclosures, provided they are making good-faith efforts to comply.

12. SB 261 requires entities to prepare a climate-related financial risk report biennially. What, if any, disclosures should be required by an entity that qualifies as a reporting entity (because it exceeds the revenue threshold) for the first time during the two years before a reporting year?

- It would be useful for CARB to compile a non-exhaustive list of sector-specific guidance and resources, beyond what is in the International Financial Reporting Standards (IFRS) Sustainability

Disclosure Standards, that can inform preparers on how to comply with reporting to SB 261 well in advance of the compliance due date so companies can collect and analyze the data and report accordingly.

13. Many entities that are potentially subject to reporting requirements under SB 261 are already providing other types of climate financial risk disclosures.

f. What other types of existing climate financial risk disclosures are entities already preparing?

g. For covered entities that already report climate related financial risk, what approaches do entities use?

h. In what areas, if any, is current reporting typically different than the guidance provided by the Final Report of Recommendations of the Task Force on Climate-related Financial Disclosures?

i. If not consistent with the Final Report of Recommendations of the Task Force on Climate-related Financial Disclosures, are there other laws, regulations, or listing requirements issued by any regulated exchange, national government, or other governmental entity that is guiding the development of these reports?

C2ES comment:

- Companies are preparing, or have prepared disclosures, in accordance with the TCFD, ISSB ((IFRS 1 and 2), and EU CSRD. Many companies are also preparing to comply with the EU CSRD and mandatory disclosure regulations in other jurisdictions that are adopting the ISSB Standards. UK TCFD is also endorsing adoption of the ISSB Standards, and Australia's mandatory climate disclosure law also aligns with the ISSB Standards. Some companies have expressed desire for flexibility in using the TCFD or ISSB standards, noting some slight differences. Other companies prefer harmonization and consistency and designation of one approach for global reporting.

-###-