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April 13, 2026

Submitted electronically via https://ww2.arb.ca.gov/
Lauren Sanchez
Chair
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Re: Comments on Proposed Concepts for Subsequent SB 253 Rulemaking Presented at the March 23, 2026 CARB Virtual Public Workshop

Dear Chair Sanchez:

The Securities Industry and Financial Markets Association ("SIFMA")[1] appreciates the opportunity to submit this letter to the California Air Resources Board ("CARB") to inform the implementation of the Climate Corporate Data Accountability Act ("SB 253"), as amended by the Greenhouse gases: climate corporate accountability: climate-related financial risk Act ("SB 219").

The matters addressed at the SB 253 Public Workshop on the California Corporate Greenhouse Gas Reporting Program, held on March 23, 2026 (the "March 23 Public Workshop"), are complex and highly technical issues that go to the heart of SB 253. A three-week comment period concluding on April 13 is insufficient for matters of this importance and complexity. It is infeasible to prepare a comprehensive and informed response in this limited timeframe. While SIFMA acknowledges that CARB published a statement on its website noting that "It would be most helpful to get cost-related comments by April 13. Informal comments will be received until June 1," that statement is unclear as to whether comments received after April 13 on topics other than costs will be considered or receive the same level of engagement and attention from CARB staff as those received earlier.[2]

[1] SIFMA is the leading trade association for broker-dealers, investment banks and asset managers operating in the U.S. and global capital markets. On behalf of our industry's nearly 1 million employees, we advocate on legislation, regulation, and business policy affecting retail and institutional investors, equity and fixed income markets and related products and services. We serve as an industry coordinating body to promote fair and orderly markets, informed regulatory compliance, and efficient market operations and resiliency. We also provide a forum for industry policy and professional development. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit http://www.sifma.org. SIFMA appreciates the assistance of Michael Littenberg and Marc Rotter of Ropes & Gray LLP in the preparation of this response.

[2] That ambiguity was further heighted by the fact that the statement posted by CARB on April 6, 2026 initially read: "It would be most helpful to get staff comments by April 13. Informal comments will be received until June 1" and was later changed to refer to "cost-related comments."

As such, given the importance of the topics addressed at the March 23 Public Workshop and in an effort to continue its ongoing productive engagement with CARB[3] and provide input to help inform further development of those matters, a working group of SIFMA members has prepared a preliminary response addressing the matters discussed at the March 23 Public Workshop.

Given the limited time provided between March 23 and April 13 to review and digest the proposals shared at the March 23 Public Workshop, our review remains ongoing. SIFMA may have further comments. We plan to continue to engage with CARB on these topics. To facilitate that engagement and provide other members of the public with a meaningful opportunity to comment on the matters addressed at the March 23 Public Workshop, we strongly encourage CARB to clarify that comments received on all topics addressed at the March 23 Public Workshop between April 14 and June 1 will be given the same level of consideration as comments received on or before April 13.

Many SIFMA members are actively working to comply with new climate disclosure regulations being implemented by regulators worldwide. In addition to these requirements, many firms have already been voluntarily reporting their greenhouse gas ("GHG") emissions and climate-related financial risks, often using international voluntary frameworks such as the TCFD recommendations, the GHG Protocol, SASB standards, World Economic Forum Stakeholder Capitalism Metrics, and GRI standards. SIFMA members also use climate-related information disclosed by others to inform investment and business decisions. Given this experience, SIFMA is well-positioned to offer insights on how the information provided at the March 23 Public Workshop regarding proposed concepts for subsequent SB 253 rulemaking can produce reliable disclosures while minimizing the burden on reporting companies.

1. Proposed Regulatory Options for Scope 3 Reporting

- <u>CARB should permit reporting entities to exclude Scope 3 emissions due to lack of relevance, reliability and/or feasibility, taking an approach that is consistent with the GHG Protocol standards as currently in effect</u>. At the March 23 Public Workshop, CARB requested feedback on three proposed options for initial reporting of Scope 3 emissions. The first option proposed that reporting entities have the flexibility to not report categories of emissions that they deem *de minimis*, with appropriate explanation. The ability to exclude *de minimis* emissions, as well as emissions for which there is no widely

[3] SIFMA has made six other CARB submissions regarding the implementation of SB 253 and the California Climate-related Financial Risk Act ("SB 261"). The first was written comments to CARB on March 8, 2025, providing a discussion of key principles that should inform CARB's approach to regulation under SB 253 and SB 261, along with specific responses to select questions included in CARB's Information Solicitation (the "March 8th SIFMA Letter"), available here. The second, on August 14, 2025, was a document summarizing key takeaways from SIFMA's June 17 virtual meeting with CARB staff. The third was a letter submitted by SIFMA on August 29, 2025 addressing CARB's proposal to publish a list of companies that CARB believes would be required to report under SB 253 and SB 261 under the approach discussed by CARB staff at the August 21, 2025 virtual public workshop on SB 253, SB 261 and SB 219. The fourth was a letter submitted by SIFMA on September 11, 2025 addressing the August 21, 2025 Climate Disclosure Workshop, available here. The fifth was a letter submitted by SIFMA on October 27, 2025 addressing the draft reporting template CARB provided for Scope 1 and Scope 2 GHG emissions pursuant to SB 253 (the "October 27th SIFMA Letter"), available here. The sixth was a letter submitted by SIFMA on February 9, 2026 addressing CARB's Proposed Corporate Greenhouse Gas Reporting and Financial Risk Disclosure Regulation (the "February 9th SIFMA Letter"), available here.

accepted, established methodology, should be a permanent feature of any approach to Scope 3 reporting adopted by CARB.

- Consistent with the GHG Protocol (as defined below), CARB's rulemaking should explicitly provide reporting entities with the flexibility to not report categories of Scope 3 emissions deemed to be de minimis and/or unreliable. This flexibility is fundamental to the GHG Protocol framework. The GHG Protocol is built on the recognition that certain categories and activities are not relevant for stakeholders (e.g., because they are insignificant in size) and/or lack mature calculation methodologies, that available data may be too poor to support credible estimates, and that requiring disclosure under those conditions generates volume without improving the quality or usefulness of information available to stakeholders. The GHG Protocol accordingly permits entities to exclude or not report such activities and to exercise judgement as to which emissions are significant enough for disclosure such that reported emissions are relevant for that company's business goals. Absent a comparable de minimis exclusion mechanism in CARB's rulemaking, reporting entities would face an unworkable choice: to prepare, seek assurance over and publish disclosures they know to be not decision-useful, unreliable and potentially misleading or risk enforcement consequences for omitting certain emissions categories altogether. Neither option would advance the objectives of SB 253 or produce useful data that CARB and other stakeholders are seeking.

- Rather than setting a fixed, quantitative de minimis threshold, CARB's definition of "de minimis" should codify the GHG Protocol's five accounting and reporting principles of relevance, completeness, consistency, transparency and accuracy as guiding principles for determining the appropriate scope of Scope 3 reporting, including for determining when a de minimis exception should apply. A reporting entity may determine that a Scope 3 category or activity encompassed within a Scope 3 category is not required to be reported on the basis that it is *de minimis* if 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;[4] lack of consensus on a standardized calculation methodology;[5] available data is of insufficient quality to produce reliable or comparable estimates;[6] or the

[4] *See* GHG Protocol, *Corporate Value Chain (Scope 3) Accounting and Reporting Standard,* at 60, available at https://ghgprotocol.org/sites/default/files/standards/Corporate-Value-Chain-Accounting-Reporing-Standard_041613_2.pdf. ("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)…In such cases, companies may exclude scope 3 activities from the report…").

[5] *See* GHG Protocol, *Corporate Value Chain (Scope 3) Accounting and Reporting Standard,* at 60, available at https://ghgprotocol.org/sites/default/files/standards/Corporate-Value-Chain-Accounting-Reporing-Standard_041613_2.pdf. ("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.") Those other factors may be a lack of calculation methodology.

[6] *See* GHG Protocol, *Corporate Value Chain (Scope 3) Accounting and Reporting Standard,* at 25, available at https://ghgprotocol.org/sites/default/files/standards/Corporate-Value-Chain-Accounting-Reporing-Standard_041613_2.pdf. ("Data should be sufficiently accurate to enable intended users to make decisions with

entity does not have sufficient influence over the activity or value chain to drive emissions reductions.[7] These principles and concepts are presented clearly throughout the Corporate Value Chain (Scope 3) Accounting and Reporting Standard and the Technical Guidance for Calculating Scope 3 Emissions.

- The text of SB 253 (Health and Safety Code Section 38532(c)(1)(A)(ii)) requires that a reporting entity measure and report its GHG emissions "in conformance with the Greenhouse Gas Protocol standards and guidance, including the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard and the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard developed by the World Resources Institute and the World Business Council for Sustainable Development, including guidance for scope 3 emissions calculations that detail acceptable use of both primary and secondary data sources, including the use of industry average data, proxy data, and other generic data in its scope 3 emissions calculations" (together, the "GHG Protocol"). Notably, SB 253 does not abdicate the legislature's or CARB's responsibility to set reporting standards by requiring reporting with the GHG Protocol as it may be amended by its publisher from time to time.
- To comply with that statutory mandate and provide regulatory certainty, CARB's rulemaking should explicitly codify that reporting entities are permitted to report in accordance with the GHG Protocol as in effect at the time SB 253 was adopted. SB 253 clearly identifies the relevant standard for use in reporting as the GHG Protocol as in effect at the time SB 253 was adopted. SB 253 states that "in 2033 and every five years thereafter, the state board may survey and assess currently available greenhouse gas accounting and reporting standards. At the conclusion of this assessment the state board may adopt a globally recognized alternative accounting and reporting standard if it determines its use would more effectively further the goals of this section." That language makes clear that CARB is not empowered to and should not change the reporting standard from the GHG Protocol in effect at the time SB 253 was adopted prior to 2033. To the extent amendments are made to the GHG Protocol, CARB would only be empowered to require that companies report in accordance with those amendments as part of a review it may conduct in, but not before, 2033. It also makes clear that CARB should not develop its own unique methodology for emissions accounting at any time (requiring that, even beginning in 2033, CARB may only utilize a "globally recognized" standard). Materially changing the approach taken in the GHG Protocol, including with respect to the ability to exclude certain emissions from reporting, would be tantamount to CARB creating its own unique standard, which is contrary to CARB's statutory mandate.

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reasonable confidence that the reported information is credible. It is important that any estimated data be as accurate as possible to guide the decision-making needs of the company and ensure that the GHG inventory is relevant.")

[7] *See* GHG Protocol, *Corporate Value Chain (Scope 3) Accounting and Reporting Standard,* at 61, available at https://ghgprotocol.org/sites/default/files/standards/Corporate-Value-Chain-Accounting-Reporing-Standard_041613_2.pdf. ("Companies should prioritize activities in the value chain where the reporting company has the potential to influence GHG reductions."). "Influence" is one of the enumerated criteria for identifying relevant scope 3 activities.

- Reporting companies should be permitted to apply the de minimis threshold at the activity level, rather than only at the category level. That is particularly important for Category 15 of Scope 3 (financed emissions) because of the breadth of different activities that fit within that category, not all of which will be relevant or useful for each reporter, and because methodologies have not yet been developed for all relevant activities. Absent that, reporting entities will be unable to disclose Scope 3 Category 15 emissions in an accurate, comparable and decision-useful manner that is subject to appropriate data controls.
- SIFMA agrees that, consistent with the GHG Protocol, reporting entities should be required to provide disclosure regarding emissions that are omitted under the *de minimis* standard. That disclosure should be qualitative in nature and focus on the approach taken by the reporting entity.
- The approach suggested above is consistent with existing reporting obligations in other jurisdictions. No major international frameworks require disclosure of all categories of Scope 3 emissions. For example, the International Sustainability Standards Board ("ISSB") IFRS S2 standard and the European Sustainability Reporting Standards ("ESRS") both include provisions that allow entities to focus their reporting on the most significant and methodologically feasible data. Requiring entities to report across certain categories of Scope 3 with immature methodologies, poor data quality or irrelevant emissions produces a volume of numbers that obscures rather than reveals the entity's emissions profile.

- With the addition of a *de minimis* standard, "Option 2: Sectoral Phase-in" is the most appropriate approach to begin Scope 3 reporting. Providing for a sectoral phase-in focused on the companies responsible for the largest share of emissions would provide CARB and stakeholders with the most critical data starting in 2027. Many of the companies operating in the sectors enumerated in the March 23 Public Workshop proposal (transportation, technology and energy, cement production and other manufacturing activity sectors in 2027) are already subject to existing GHG emissions reporting requirements and are therefore familiar with the complex processes involved in measuring and disclosing Scope 3 emissions data. Further, prioritizing these "real economy" sectors strengthens the data foundation that other sectors draw upon, particularly financial services. A financial institution's Scope 3 emissions are largely comprised of category 15 financed emissions, which represent the emissions of its clients, counterparties, and investee companies. This includes not only those companies' Scope 1 and 2 emissions, but their Scope 3 emissions as well. The quality of a financial institution's Scope 3 disclosure is therefore directly dependent on the quality and availability of emissions data from those underlying clients, counterparties and investee companies. As such, phasing in reporting in the manner proposed by CARB will result in more accurate initial disclosures by companies in the financial services and other sectors, when those sectors are phased in at a later date.
    - A sectoral phase-in is an efficient way to develop a Scope 3 reporting program that provides decision-useful information to stakeholders rather than rushing the disclosure of inaccurate or unreliable data. Under this approach, CARB would have the opportunity to review data from early reporters, learn which aspects of the disclosures are working and address any issues and challenges before applying the

Scope 3 requirements to a broader range of sectors. Prior to scoping in additional sectors, such as financial services, CARB should assess the costs and benefits requiring Scope 3 reporting by entities in those sectors and provide sufficient notice to any newly scoped-in sectors such that they have time to prepare for compliance prior to initial reporting obligations going into effect. In addition to permitting entities in the phased-in sectors to apply the de minimis exclusion (as discussed above), CARB should consider the costs and benefits of reporting with respect to specific categories of Scope 3 emissions – in particular, focusing on data and calculation methods are already more established, and adding others over time as methodologies are developed, would lead to more reliable and useful disclosures.[8]

2. Approach to Setting Organizational Boundaries

- SIFMA generally supports CARB's proposed approach to organizational boundaries, recognizing that CARB will maintain flexibility in recognition that companies have different approaches for setting boundaries. As CARB staff suggested at the March 23 Public Workshop, CARB should permit reporting entities to take an equity share or control approach to organizational boundaries rather than prescribing one approach or requiring entities to report against both approaches. That approach is permitted under the GHG Protocol standard and is broadly consistent with the approach taken by the U.S. Securities and Exchange Commission when it adopted its climate disclosure rules (which, as discussed in the March 8 SIFMA Letter, allowed for even greater flexibility by permitting companies to use any of the methods permitted under the GHG Protocol or an alternative method). Reporting entities should be permitted to choose their own approach and provide a simple, qualitative disclosure explaining which approach was chosen.

3. GHG Accounting Methods, Emissions Factors and Assurance Standards

- CARB should provide for maximum flexibility and interoperability with existing GHG emissions reporting and assurance standards and frameworks in its approach to prescribing GHG accounting methods and emissions factors. At the March 23 Public Workshop, CARB requested feedback on proposed GHG accounting methods, emissions factor datasets and emissions standards. With respect to each of these topics, SIFMA is supportive of CARB's general approach to allow reporting entities to comply with any recognized standard. That approach maximizes interoperability with other reporting regimes, allowing companies (many of whom, especially multi-national enterprises, already do or will need to report and obtain assurance over GHG emissions to comply with other reporting regimes) to leverage and utilize reporting and assurance efforts and in other jurisdictions to comply with SB 253, and minimizes duplication of costs and efforts by companies required to report under multiple standards and, with respect to assurance, will help to mitigate assurance provider capacity constraints. It will also limit confusion among users of reports by avoiding situations in which the same company is

[8] SB 253 states that a reporting entity "shall not be subject to an administrative penalty under this section for any misstatements with regard to scope 3 emissions disclosures made with a reasonable basis and disclosed in good faith." CARB's regulations should further clarify and reiterate this non-enforcement provision to promote transparency and avoid incentivizing overly defensive disclosure. As discussed above, Scope 3 emissions are subject to inherent data and methodological limitations. Reporting entities should not be subject to enforcement or liability when relying on reasonable estimates, proxy data or industry-average inputs so long as such disclosures are made in good faith and in accordance with applicable standards and frameworks.

forced to report different emissions data in various jurisdictions because the use of divergent standards is mandated. It also allows for companies to utilize appropriate approaches to their disclosure rather than being bounded by sources that may become less relevant – for example, the U.S. Environmentally-Extended Input-Output (USEEIO) is no longer being updated by the EPA and many financial institutions are shifting to utilize the Comprehensive Environmental Data Archive (CEDA) instead. We encourage CARB to provide maximum flexibility and interoperability with existing reporting and assurance standards and frameworks.[9]

4. Proposed Adjustments to Scope 1 and Scope 2 Reporting Template

- CARB should design the final Scope 1 and Scope 2 emissions reporting templates to provide entities with maximum flexibility to rely on existing reporting, maintain alignment with the GHG Protocol and provide for consistency with reporting obligations in other jurisdictions. As previously discussed in the October 27th SIFMA Letter, the draft template for Scope 1 and Scope 2 emissions reporting released by CARB in October 2025 went well beyond the statutory requirements of SB 253 and the GHG Protocol. It included fields for, among other things, emissions reduction initiatives and targets, emissions intensity per dollar of revenue[10] and identification of specific third-party tools and platforms used to prepare data, none of which are required by the GHG Protocol. CARB's final template should be consistent with the GHG Protocol and be designed to accommodate a diverse range of reporting entities in different industries and with different corporate structures. For additional details on our specific recommendations regarding the draft reporting template, please refer to the October 27th SIFMA Letter, available here.
    - More generally, the use of any reporting template ultimately adopted by CARB should be strictly voluntary or serve as a guide to disclosure. We understand that use of the current draft Scope 1 and Scope 2 emissions reporting template would be voluntary for the initial year of reporting, but we believe voluntary use of the template should be extended to reports submitted beyond 2026.

5. Topics from the Initial Regulation That Need to be Revisited

- CARB should clarify the definition of "Revenue" provided in the initial regulation adopted at the February 26 Board hearing. At the March 23 Public Workshop, CARB requested feedback on any topics from the initial regulation adopted at the February 2026 Board hearing that should be revisited, including applicability definitions and/or exemptions. As previously discussed in the February 9th SIFMA Letter, the definition of "revenue" provided in CARB's initial regulation and the definition provided in the

[9] SIFMA members are continuing to evaluate if standards additional to those identified by CARB staff should be specifically referenced and may provide additional input on that topic.

[10] As previously noted in the October 27th SIFMA Letter, non-public companies are generally not required to otherwise make public disclosures concerning revenue. If reporting entities are required to disclose this metric, a reader of the disclosure could simply divide the emissions by the intensity value to recalculate a company's revenue. Requiring an intensity metric based on revenue would thus impose a very significant new public disclosure obligation with respect to financial performance that is not mandated by the statute on a large subset of privately held companies required to report under SB 253. Private companies have a strong interest in maintaining confidentiality of non-public financial information. CARB should not require privately held companies to disclose confidential and sensitive financial information.

materials from its November 18, 2025 workshop (the "November Workshop") and May 29, 2025 workshop (the "May Workshop") are inconsistent. At the November Workshop, CARB stated that corporations should calculate "revenue" by reference to what they reported on California FTB Form 100, Schedule F, Line 1a ("gross receipts") for the applicable fiscal year. CARB staff then stated at the November Workshop that "certain financial institutions such as holding companies and mutual funds would be excluded by virtue of the definition of revenue staff are proposing as they generally do not report gross receipts." At the May Workshop, CARB acknowledged feedback in its workshop materials (slide 24) that "income sources in the financial sectors such as interest, fees, dividends, and investment income should not be considered revenue as they do not represent GHG emissions." However, the definition of "gross receipts" under Rev. & Tax. Code § 25120(f)(2), which CARB proposed adopting as the definition "revenue" for assessing reporting obligations under SB 253 and SB 261, includes amounts not reported under that line item. CARB should align the regulations with its workshop guidance by revising the proposed regulatory definition of "revenue" to reference the amount reported on Form 100, Schedule F, Line 1a, explicitly excluding any income such as interest, fees, dividends and investment income.

- CARB should revisit the annual reporting deadline for reporting year 2027 and beyond. As previously discussed in the February 9th SIFMA Letter, the annual reporting deadline should be updated in CARB's subsequent rulemakings. An August 10 deadline, which is already impractical for assured Scope 1 and 2 emissions disclosures, will be extremely difficult to sustain as Scope 3 disclosure requirements are phased in beginning in 2027 and as assurance requirements become more extensive. Any effort to ease compliance burdens by creating staggered deadlines for reporting would present significant issues, including duplicative assurance costs and data integrity concerns. Establishing a single deadline of December 31 for all emissions reporting, as suggested in the February 9th SIFMA Letter, is critical to creating an effective, credible and durable climate disclosure program.

6. Cost estimates.

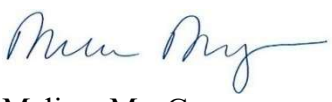
- The cost estimates should be revised with significant input from reporting companies. The cost ranges provided by CARB in the March 23 Public Workshop slides are understated for larger, more complex entities with global operations, multiple subsidiaries and emissions sources across numerous jurisdictions. The estimated annual cost per entity should be increased to reflect the heightened costs faced by larger institutions, which include the time and resources required to establish and maintain appropriate controls. The limited time between the March 23 Public Workshop and April 13, 2026 has not provided an opportunity for SIFMA to collect detailed data on cost estimates from its members.

SIFMA appreciates CARB's engagement with stakeholders as it develops the regulatory framework for SB 253. The recommendations outlined above are intended to help CARB achieve its objectives of enhancing climate-related transparency and accountability, while ensuring that the resulting requirements are practical, administrable, and aligned with established reporting and assurance practices. By adopting the recommendations described above, CARB can facilitate high-quality, decision-useful disclosures without imposing unnecessary burdens on

reporting companies. SIFMA and its members remain committed to supporting CARB's efforts as the rulemaking process continues.

If you have any questions or would like to discuss any of these points further, please contact Melissa MacGregor (mmacgregor@sifma.org; 202 962 7300), Kim Chamberlain (kchamberlain@sifma.org; 202 962 7411), or our counsel Michael Littenberg (Michael.Littenberg@ropesgray.com; 212 596 9160) and Marc Rotter (Marc.Rotter@ropesgray.com; 212 596 9138) at Ropes & Gray LLP.

Sincerely,



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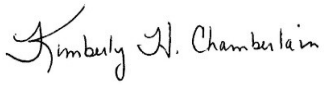

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