Invested in America

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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 July 21, 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").

Many SIFMA members are actively working to comply with new climate disclosure regulations being implemented by regulators worldwide. In addition to SB 253, many firms have already been voluntarily reporting their greenhouse gas ("GHG") emissions, often using widely adopted international voluntary frameworks such as the Task Force on Climate-Related Financial Disclosures ("TCFD") recommendations, the Greenhouse Gas Protocol (the "GHG Protocol"), the Sustainability Accounting Standards Board ("SASB"), World Economic Forum Stakeholder Capitalism Metrics and the 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 CARB regulations under SB 253 can produce reliable disclosures while minimizing the burden on reporting companies. Given the importance of the topics addressed at the July 21, 2026 CARB Virtual Public Workshop (the "July 21 Workshop") and in an effort to continue its ongoing productive engagement with CARB[2], a working group of

[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] SIFMA has made seven 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

SIFMA members has prepared a response addressing the matters discussed at the July 21 Workshop to inform CARB's regulatory approach to the subsequent SB 253 rulemaking.

CARB's presentation at the July 21 Workshop and associated materials (the "July 21 Workshop Materials") make clear that CARB's approach is intended to maximize alignment with the GHG Protocol and interoperability with other reporting regimes, while providing regulatory certainty and a structured phase-in of reporting obligations to support the development of a robust and workable reporting regime. SIFMA supports those key principles, including:

- CARB's effort to promote regulatory certainty (and comply with its statutory obligations and obligations under the California Administrative Procedures Act) through incorporating the GHG Protocol as currently in effect;
- Phased implementation of requirements to support the development of a reliable reporting framework, including CARB's December 2024 Enforcement Notice, CARB staff's guidance that assurance will not be required in the first year of reporting, and the proposed phase-in of Scope 3 categories over time beginning with the five most commonly reported categories in 2027;
- The establishment of a single November 10 reporting deadline applicable to Scope 1, Scope 2 and Scope 3 emissions; and
- CARB's commitment to interoperability with other mandatory reporting regimes, including the International Sustainability Standards Board's ("ISSB") IFRS S2 Climate-related Disclosures standard and the European Sustainability Reporting Standards ("ESRS"), which will reduce fragmentation and avoid duplicative reporting for multinational entities.

However, several aspects of the approach proposed at the July 21 Workshop are inconsistent with the key principles of alignment with the GHG Protocol, interoperability and regulatory certainty. We identify several of those items below, including specific proposals to bring those aspects of CARB's approach into alignment with the key principles described above and the statutory mandate set out in SB 253, and promote the development of a reporting regime that results in disclosure of reliable and decision-useful information.

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 (the "September 2025 Letter"), 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. The seventh was a letter submitted by SIFMA on April 13, 2026 addressing CARB's proposed concepts for the subsequent SB 253 rulemaking presented at the March 23, 2026 CARB Virtual Public Workshop (the "April 13th SIFMA Letter), available here.

1. **Data Exclusions**

SIFMA agrees that reporting companies should be permitted to exclude certain information from SB 253 reports in order to both avoid presenting users of those reports with wide swaths of irrelevant information to sift through and to prevent companies from needing to commit significant time and resources and incur substantial costs to gather, develop controls to ensure the accuracy of, and obtain assurance over, information that will not provide any benefit to users. However, the approach to data exclusions discussed at the July 21 Workshop does not achieve those objectives or align with the key principles described above.

At the July 21 Workshop, CARB proposed that reporting entities may exclude GHG emissions sources, activities, Scope 3 categories or other information "where the omission, misstatement, or obscuring could not be reasonably expected to influence the decisions, assessments, or understanding of users of the disclosure regarding the reporting entity's GHG emissions inventory, climate-related risks, opportunities, or impacts." CARB further proposed that reporting entities be required to "explain and disclose the basis for all data exclusions" and, for each category, source, facility, operation or disclosure excluded, "disclose an estimate of the emissions magnitude of exclusions, if quantifiable."

That proposed approach is not compatible with other climate reporting regimes such as the ISSB standards or ESRS E1 and would be infeasible for companies to apply in a consistent manner or to eventually obtain assurance over. It also goes beyond what is required in principle in the GHG Protocol. CARB should revise the proposed data exclusions standard as suggested below and eliminate the requirement to estimate the emissions magnitude of, and include disclosure regarding, excluded items.

The Proposed Data Exclusion Standard is Misaligned with Other Frameworks, and Would Be Unusable in Practice.

CARB's proposed standard appears to require reporting entities to establish a negative about a hypothetical: that no reasonable member of a broad and undefined audience ("users of the disclosure") would have understood "the reporting entity's GHG emissions inventory, climate-related risks, opportunities, or impacts" differently had the omitted information been included. "Users" is nowhere defined in the proposal, but would presumably encompass investors, researchers, non-governmental organizations, consumers and the general public. In practice, reporting entities could not meet this standard with confidence, and assurance providers would be unable to test or verify adherence to it. As proposed, the standard discussed at the July 21 Workshop would require disclosure if the information "could be … reasonably expected to influence the decisions, assessments, or understanding of users of the disclosure regarding the reporting entity's GHG emissions inventory, climate-related risks, opportunities, or impacts." It appears that the above test would need to be considered with respect to *any* individual that might review SB 253 disclosure, regardless of whether or not such individual was reasonable or informed, and regardless of the purpose or lens through which they were evaluating the information, including whether or not they were engaged in any form of business with the reporting entity or other exercise for which they might need to use the data so long as their "understanding" of the data might be affected. A reporting entity might not be able to comfortably conclude that any information could be excluded under this standard, as that would seem to require a conclusion that the information could not affect the "understanding" or "assessment" of any individual user anywhere, which is likely to be impossible to reach and to obtain assurance over.

While the standard discussed at the July 21 Workshop bears some superficial similarities to standards used in other reporting regimes, in substance it is radically different. The below table highlights some key differences:

	Relevant stakeholder for determining materiality	Characteristics of relevant stakeholder	Purpose of assessing information	Key standard
CARB's Proposed Approach	Any potential "user." "User" is undefined.	None specified. The standard would appear to apply to any individual, regardless of whether or not that individual is unique in their position or views, informed or reasonable. The "reasonableness" qualifier is drafted to apply to the reporting company's expectations of how any user might view the information; it does not seem to permit the reporting company to limit its assessment to reasonable or informed users.	Any purpose, including just the user's own "understanding" or "assessment" of the information even if such user is not making any decisions with respect to the information.	Provides for an extremely broad standard, requiring consideration not just of whether or not the information is decision-useful but whether it could "influence" any user's understanding or assessment "of the disclosure regarding the reporting entity's GHG emissions inventory, climate-related risks, opportunities, or impacts." The word "influence" is not qualified by a requirement that the influence be significant or meaningful to any decision-making, assessment or understanding.
IFRS S1[3]	In contrast to CARB's proposed approach, identifies a specific stakeholder group to consider: Primary users of general purpose financial reports.	In contrast to CARB's proposed focus on any individual user, focuses on "common information needs of primary users" rather than needs of any individual user. Specifically provides that disclosures are "prepared for primary users who have reasonable knowledge of business and economic activities and who review and analyse information diligently."	In contrast to CARB's proposed approach, references decisions that "relate to providing resources to the entity and involve decisions about: (a) buying, selling or holding equity and debt instruments; (b) providing or settling loans and other forms of credit; or (c) exercising rights to vote on, or otherwise influence, the entity's	In contrast to CARB's proposed approach, provides a focused test related to influencing specific types of decisions, stating that "Materiality of information is judged in relation to whether omitting, misstating or obscuring that information could reasonably be expected to influence decisions of primary users of general purpose financial reports, which provide information about

[3] Available at: https://www.ifrs.org/issued-standards/ifrs-sustainability-standards-navigator/ifrs-s1-general-requirements/. See paragraphs B13 – B18.

	Relevant stakeholder for determining materiality	Characteristics of relevant stakeholder	Purpose of assessing information	Key standard
			management's actions that affect the use of the entity's economic resources."	a specific reporting entity."
ESRS 1[4]	In contrast to CARB's proposed approach, identifies stakeholders group to consider: "Users of sustainability statements are primary users of general-purpose financial reporting (existing and potential investors, lenders and other creditors including asset managers, credit institutions, insurance undertakings), as well as other users, including the undertaking's business partners, trade unions and social partners, civil society and non-governmental organisations."	In contrast to CARB's proposed focus on any individual user, focuses on "the information that groups of such users need, without aiming to meet all the specific information needs of each individual user." Specifically provides that reports "are addressed to users with a reasonable knowledge of the general subject matters of such reports."	In contrast to CARB's proposed approach, provides that "[t]he reported information shall be decision-useful for the users of general-purpose sustainability statements," including with regards to decisions "relating to providing resources to the undertaking; or decisions, including informed assessments, that other users of 'general-purpose' sustainability statements make based on the sustainability statement regarding the undertaking's material impacts, risks and opportunities and how the undertaking manages them."	In contrast to CARB's proposed approach, focuses on decisions rather than amorphous references to "assessment" or "understanding," stating that "[i]nformation is material when omitting, misstating or obscuring that information could reasonably be expected to influence" the decisions referred to in the prior column.
SEC[5]	In contrast to CARB's proposed approach, identifies a specific stakeholder group to consider: Investors.	In contrast to CARB's proposed focus on any individual user, provides an objective standard looking to the "reasonable investor"—not the subjective understanding of any individual.	In contrast to CARB's proposed approach, focuses on investment and voting decisions.	In contrast to CARB's proposed approach, focuses on the importance of the information to decision making by a reasonable investor, providing that "there must be a substantial likelihood that the disclosure of the omitted fact would have been viewed by the reasonable investor as having significantly altered the 'total mix' of information made available."

In addition to being difficult to implement and significantly different from standards used in other reporting regimes, CARB's proposed language departs from the approach the GHG Protocol itself takes where it addresses exclusions. The GHG Protocol's treatment of exclusions is grounded in its five accounting principles—relevance, completeness, consistency, transparency and accuracy—and permits companies to exclude sources where data are unavailable or emissions are not significant, without regard to a reasonable user. The GHG

[4] Available at: https://knowledgehub.efrag.org/eng/interactive/simplified-esrs/esrs-1/delegated-act/1.
[5] See Basic, Inc. v. Levinson, 485 U.S. 224 (1988); TSC Industries, Inc. v. Northway, Inc., 426 U.S. 438 (1976).

Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (the "GHG Protocol Scope 3 Standard") further provides that companies may exclude emissions where: estimated emissions are insignificant in size relative to total Scope 3 emissions; there is a lack of consensus on a standardized calculation methodology; available data is of insufficient quality to produce reliable or comparable estimates; or the entity does not have sufficient influence over the activity or value chain to drive emissions reductions.[6]

Overlaying a standard loosely drawn from (and that is inconsistent with and substantially more amorphous and broader than) other frameworks would be tantamount to CARB creating its own unique standard, changing the scope of what would need to be reported relative to the requirements of the GHG Protocol, and deviates from CARB's statutory mandate to require reporting entities to report emissions "in conformance with the GHG Protocol standards and guidance."

Recommended Approach: To further promote consistency with the GHG Protocol, the data exclusion standard provided by CARB in the subsequent rulemaking should be revised as follows: "*Data Exclusions. Reporting entities may exclude GHG emissions sources, activities, Scope 3 categories, or other information* ***in accordance with the GHG Protocol****~~, where the omission, misstatement, or obscuring could not be reasonably expected to influence the decisions, assessments, or understanding of users of the disclosure regarding the reporting entity's GHG emissions inventory, climate-related risks, opportunities, or impacts~~.*

In determining data exclusions, reporting entities ***should take into account****~~shall consider whether an exclusion would impair~~ the relevance, completeness, consistency, transparency,* ***and****~~or~~ accuracy of the reported emissions inventory.* ***In addition, with respect to Scope 3 emissions, reporting entities may exclude emissions where: estimated emissions are insignificant in size relative to total Scope 3 emissions, there is a lack of consensus on a standardized calculation methodology, available data is of insufficient quality to produce reliable or comparable estimates, or the entity does not have sufficient influence over the activity or value chain to drive emissions reductions****. ~~Data exclusions shall be assessed using both quantitative and qualitative factors.~~*"

CARB's Proposed Requirement to Disclose the Basis for Exclusion Determinations is Inconsistent with Other Frameworks.

The approach discussed at the July 21 Workshop would require reporting entities to explain and disclose the basis for all data exclusions and to disclose an estimate of the emissions magnitude of exclusions, if quantifiable. In practice, this documentation requirement defeats much of the purpose of having a flexibility mechanism. A reporting entity cannot estimate the magnitude of omitted emissions without first identifying all relevant activities, gathering data and quantifying the associated emissions—the very rigorous analytical work regarding information that is not meaningful to users that the data exclusion provision is meant to avoid. By requiring disclosure and quantification, CARB converts a mechanism intended to bring the costs of reporting into line with the benefits to users of doing so into an additional compliance

[6] GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard, Section 6.3, available at https://ghgprotocol.org/sites/default/files/standards/Corporate-Value-Chain-Accounting-Reporing-Standard_041613_2.pdf.

obligation, exposing companies to potential liability, potentially requiring companies to obtain assurance over the underlying analysis, and cluttering reports with immaterial information, making them less accessible to users. CARB should remove that requirement from its proposed approach.

That approach is inconsistent with the approaches taken by the ISSB and ESRS (as well as the SEC's general disclosure requirements, which do not require companies to justify materiality determinations in the public disclosure). The ESRS generally does not require companies to provide disclosure as to the basis for concluding that information is immaterial.[7] No other major mandatory sustainability reporting regime, including the SEC's disclosure regime for public companies, requires entities to publicly disclose and justify every materiality or exclusion determination.

IFRS S2 similarly does not have a general requirement to disclose justifications or quantifications of immaterial information. However, the ISSB did confront a related question with respect to a specific exclusion from Scope 3 Category 15 disclosures – in particular, paragraph 29A of IFRS S2 includes a specific provision permitting entities to exclude emissions related to certain activities from Scope 3 Category 15 disclosures. Companies availing themselves of that relief are required to include a qualitative description of activities excluded from their Scope 3 Category 15 disclosures. That exception is not analogous to CARB's proposal, as it becomes relevant only if such disclosures were otherwise material and required to be reported under the IFRS S2 framework.

Recommended Approach: For the reasons set forth above, CARB should revise its proposed approach to data exclusions to remove the requirement that reporting entities explain and disclose the basis for all data exclusions and to disclose an estimate of the magnitude of excluded emissions.

2. **Measurement Uncertainty**

CARB should not require reporting entities to provide quantitative disclosures of measurement uncertainty, including confidence intervals, and should instead frame measurement uncertainty as a recommended qualitative disclosure consistent with the GHG Protocol.

At the July 21 Workshop, CARB proposed that reporting entities be required to "assess the uncertainty associated with quantification methodologies used to calculate emissions, including underlying data sources, assumptions, and models, and report confidence intervals with data points, where applicable." The GHG Protocol includes discussion of measurement uncertainty as part of its guidance on inventory quality management and recommends that companies discuss uncertainties, their likely causes and recommendations for improving data quality, but does not impose a requirement to disclose confidence intervals or other quantitative uncertainty metrics. Similarly, neither the ISSB's IFRS S2 nor the ESRS requires reporting entities to disclose confidence intervals for emissions estimates. Converting this GHG Protocol recommendation into a mandatory disclosure requirement is inconsistent with both the GHG

[7] The ESRS contains a very limited exception whereby, if the undertaking has reached the conclusion that climate change is not material to their business and therefore omitted all disclosures related to climate change, they must include a statement regarding the basis for concluding that climate change is not material.

Protocol and other mandatory disclosure frameworks and represents a substantial and burdensome expansion of reporting requirements relative to those frameworks.

For financial institutions, emissions estimates rely on a heterogeneous mixture of reported data, sector averages, modeled data, proxies and attribution methodologies. Developing a statistically meaningful confidence interval across such diverse inputs may not be technically feasible in many cases and could convey a false sense of mathematical precision rather than providing decision-useful information to stakeholders. Requiring a single quantitative uncertainty measure may obscure the fact that data quality varies significantly across portfolios, sectors and asset classes.

Recommended Approach: In order to enhance interoperability with the GHG Protocol and other mandatory disclosure regimes, CARB should eliminate the mandatory measurement uncertainty disclosure requirement and instead frame measurement uncertainty as a recommended qualitative disclosure, consistent with the GHG Protocol's existing approach.

3. **Disaggregation of Gases and Other Deviations from the GHG Protocol**

CARB should not expand the reporting requirements of the GHG Protocol. Doing so is inconsistent with its statutory mandate and the principle of interoperability. CARB should not require reporting entities to report any information or data that is categorized as a "recommendation" (indicated by use of the word "should" rather than "shall") under the GHG Protocol standards. Additionally, CARB should not introduce California-specific disclosure requirements or modifications that are not otherwise included in the GHG Protocol in order to align with existing California regulations. Converting recommendations into binding requirements and adding new California-specific disclosure obligations would be tantamount to CARB creating its own unique standard, contrary to its statutory mandate. In addition to the items previously discussed in this letter regarding data exclusions and measurement uncertainty, specific examples of where CARB's proposals go beyond the requirements of the GHG Protocol, including a discussion of concerns (in addition to being inconsistent with the statutory mandate) with those proposals, are below.

- *Disaggregation of Scope 2 Component Gases.* In the July 21 Workshop Materials, CARB proposed requiring reporting entities to disclose Scope 2 GHG emissions by individual GHG (CO_2, CH_4, N_2O, HFCs, PFCs, SF_6 and NF_3) in addition to total CO_2e, stating that this is "required by the Scope 2 Guidance." That is an overstatement of the GHG Protocol's approach. GHG Protocol guidance provides for disaggregation by constituent gas only "where available."[8] For large institutions that operate in a number of locales, such data is rarely available or included in sustainability reports.

  Neither IFRS S2 nor ESRS E1 requires disaggregation of Scope 2 emissions by constituent gas. Requiring disaggregation is not only infeasible for many reporting entities—few will be equipped to report all seven constituent gases with the precision required for assured disclosure.

[8] GHG Protocol Scope 2 Guidance, page 49, available at https://ghgprotocol.org/sites/default/files/2023-03/Scope%202%20Guidance.pdf.

Recommended Approach: SIFMA urges CARB to align with other reporting regimes and market practice by permitting, but not requiring, component gas disclosure for Scope 2. If CARB were to move forward with a disclosure requirement regarding disaggregation of constituent gases, it should make clear that companies are only required to disaggregate by constituent gas when such data is available (consistent with the GHG Protocol), and should clarify that data will only be treated as "available" to the extent the reporting company can obtain it without undue cost or burden, in a manner that provides for reliable and assurable data, and only when it is available on an enterprise-wide basis (as opposed to being required to disaggregate by constituent gas for particular locations even when enterprise-wide data is not available). CARB should also make clear that any data exclusion provisions it ultimately adopts clearly apply to any requirement it adopts regarding disaggregation by constituent gas.

- *Disaggregation of Scope 2 Emissions Sources.* In the July 21 Workshop Materials, CARB proposed requiring reporting entities to disclose Scope 2 GHG emissions by source type, including electricity, steam, heating, and cooling emissions. While the GHG Protocol Scope 2 Guidance requires reporting of this consumption data separately from emissions totals, it does not require separate disclosure disaggregated by source type, nor is such disclosure required by any major reporting emissions framework. Requiring disaggregation by source type would therefore create additional burden for reporting entities with limited incremental benefit to users.

  Recommended Approach: For those reasons, CARB should not require reporting entities to disaggregate Scope 2 GHG emissions by source type.

- *Disclosure of Scope 3 Primary Data Percentage.* In the July 21 Workshop Materials, CARB proposed requiring reporting entities to disclose the "percent of emissions calculated using primary data obtained from suppliers or other members of the value chain." Neither the ISSB's IFRS S2 nor the ESRS requires reporting entities to disclose a quantified percentage of Scope 3 emissions calculated using primary data. This emphasis on a quantified "primary data percentage" is inconsistent with both the GHG Protocol and other mandatory disclosure regimes and is not workable in practice. Third-party data frequently blends company-reported figures with modeled or industry-averaged inputs. Reasonable preparers will classify the same inputs differently, resulting in disclosure of metrics that appear comparable across entities but are not.

  Recommended Approach: CARB should not require companies to make the distinction between "primary" and secondary data in a quantified metric and instead should permit entities to provide a qualitative description of data types and methodologies employed, consistent with the GHG Protocol Scope 3 Standard.

- *Primary Data Prioritization.* In the July 21 Workshop Materials, CARB solicited feedback on converting a GHG Protocol *recommendation* that reporters prioritize primary data over secondary data into a regulatory mandate. The GHG Protocol treats primary data as a preference rather than a requirement because such data is frequently unavailable. CARB's own proposed Scope 3 requirements expressly permit reporting entities to "use industry average data or spend-based methods to estimate upstream lifecycle GHG emissions." Financial institutions rely extensively on third-party data and estimation methodologies because counterparties and portfolio companies often do not report emissions data.

Moreover, primary data is not inherently more accurate than well-established secondary methodologies; its value depends on completeness, consistency and verifiability. A fragmented set of vendor responses of uneven quality can produce less reliable inventory data than well-established spend-based methods applied consistently across the value chain. CARB has already proposed a mechanism for transparency through the disclosure of quantification methods and data types, which provides sufficient visibility into data quality without creating a hierarchy that does not reflect the realities of Scope 3 measurement.

Recommended Approach: Consistent with the GHG Protocol, reporting entities should be permitted to rely on industry-average and spend-based calculation methods where appropriate.

- *Methodology Change Disclosures.* CARB should clarify that routine, immaterial refinements do not trigger extensive annual narrative requirements. Reporting entities regularly make minor refinements to quantification methods, data sources and emission factors in the ordinary course of maintaining an emissions inventory, and the GHG Protocol contemplates such continuous improvement. Requiring narrative disclosure of every methodology change, regardless of significance, would clutter reports with insignificant information, increase preparation and assurance costs, and obscure the changes that are meaningful to users.

  Recommended Approach: CARB should limit any methodology change disclosure requirements to changes that have a significant impact on reported emissions, consistent with the significance-based approach the GHG Protocol applies to recalculation.

4. **Recalculation of Prior Year Data**

In the July 21 Workshop Materials, CARB proposed that reporting entities treat their first reporting year as the base year and recalculate all emissions if the cumulative effect of all structural and methodological changes—including changes to organizational boundaries, quantification methods, data sources and emission factors—results in a change greater than five percent of total GHG emissions for the base year.

- *Base Year*. Establishing the first reporting year as the base year is inconsistent with the GHG Protocol. The GHG Protocol addresses base years in its guidance on tracking emissions over time; in practice, a base year is utilized when a company elects to set an emissions reduction target or track performance against a stated goal, representing emissions at the time the target or goal is set so that progress toward the target can be tracked. SB 253 is an annual emissions disclosure program, not a target-setting program, and importing a base year construct borrows a concept designed for a different purpose.

  Further, the base year construct is inconsistent with other mandatory climate disclosure regimes. Mandatory regimes such as the CSRD and IFRS S2 instead require annual reporting with comparative data against the prior year, not against a fixed base year. A mandatory base year, especially one not aligned with existing reporting, will raise expenses and confuse users. Those companies that have set base years in connection with voluntary reporting or mandatory reporting in connection with other emissions disclosure regimes will need to change their base year or maintain multiple base years, imposing extra costs on companies that have taken meaningful steps to track and reduce emissions.

Recommended Approach: CARB should not mandate reporting entities to set a base year. If CARB does provide for a base year requirement, CARB should permit reporting entities the flexibility to determine their own base years where verifiable emissions data are available rather than mandating that the first reporting year serve as the base year. This approach will create consistency with existing reporting for companies that currently voluntary report emissions data for base years, reducing the risk of confusion among users.

- *Recalculation Threshold*. Where a company has established a base year, the GHG Protocol provides it shall develop a base year emission recalculation policy and disclose the basis for recalculations, including any significance threshold, but does not mandate a five percent trigger. Recalculation is triggered by structural changes (mergers, acquisitions, divestments), changes in calculation methodology or improvements in emission factor accuracy that have a significant impact, and discovery of significant errors. Organic growth or decline does not trigger recalculation.

  In practice, CARB's mandatory five percent recalculation trigger is impractical for many reporting entities. Most reporting entities will cross the five percent threshold repeatedly merely due to changes in inputs beyond the reporting entity's control, including emission factor database updates, data provider methodology revisions and third-party data source changes. The requirement would function as a rolling restatement obligation, with previously reported emissions being updated despite no corresponding change in actual emissions. Users would be deprived of a stable reference point for tracking genuine trends over time.

  SIFMA supports recalculation only where genuinely warranted—where the reporting entity has made a deliberate change to its own calculation methodology that results in significant changes to previously reported information or has identified a significant error in prior reporting.

- **Recommended Approach**: CARB should remove the five percent recalculation trigger and limit the recalculation obligation to significant changes within the reporting entity's own control and significant reporting errors, and should exclude changes resulting from external factors, rather than requiring restatement for external changes such as emission factor database updates and data provider methodology revisions.

- *Recalculation of Intervening Years and Timing of Recalculation Disclosures.* As discussed above, SIFMA's position is that CARB should not mandate a base year; the following comments apply only in the event CARB nevertheless adopts a base year construct and its associated recalculation framework. In the July 21 Workshop Materials, CARB stated that where the cumulative impact of structural and methodological changes exceeds the 5% threshold, "all emissions pursuant to this subarticle shall be recalculated for all affected previous reporting years, and the updated emissions data for those years shall be included in the next annual GHG emissions report along with a description of the changes that led to the recalculation." CARB should not require reporting entities to recalculate emissions for all intervening years since the base year. Under the GHG Protocol, recalculation of intervening years is permitted but not required. The GHG Protocol recognizes that the core purpose of providing for a baseline is to track emissions against that baseline year, not the intervening years. Practically, requiring recalculation of intervening years would impose significant costs on companies and expand the scope of assurance, making this a more burdensome and costly process. Requiring such disclosure is inconsistent with the GHG Protocol and imposes added costs without a commensurate benefit to users.

Additionally, CARB should clarify what constitutes the "next annual GHG emissions report" and provide additional flexibility for reporting entities that identify a recalculation trigger during the preparation of the current year's emissions disclosure. For example, a company may determine while calculating emissions for its most recent reporting period that cumulative methodological or structural changes exceed a recalculation threshold. That determination may not be made until well into the process of preparing disclosure – after the company has engaged in collecting and assessing data for the relevant report period. Requiring the company to then recalculate prior years and incorporate those revisions into its disclosure (as well as assess the broader implications of a recalculation, including how it may affect any emissions targets) in advance of the upcoming report would create significant operational burden and assurance challenges within a compressed reporting timeline.

Recommended Approach: Consistent with the GHG Protocol,[9] where recalculation occurs, CARB should not require reporting entities to disclose updated calculation and restatement for intervening years. If CARB does not mandate a base year, recalculation should be required only against the prior year's reporting.

Additionally, CARB should permit reporting entities to disclose that a recalculation is underway in the current reporting year and allow restated emissions data to be submitted in the subsequent annual filing. This approach would preserve transparency while providing sufficient time to complete recalculations, obtain assurance, assess impacts on emissions targets and reporting baselines, and ensure the accuracy of disclosed information.

5. **Assurance Requirements**

CARB should not impose a mandatory requirement for the rotation of assurance firms, and should adopt a principles-based approach to acceptable assurance standards.

Assurance Provider Rotation.

In oral comments at the July 21 Workshop, CARB staff briefly indicated that the rulemaking may set forth a requirement for the rotation of assurance providers. Mandatory rotation of assurance providers is not required by any existing mandatory climate disclosure regime, including the ISSB standards or the Corporate Sustainability Reporting Directive (the "CSRD"). Nor is auditor rotation required by the SEC's rules for public companies (though periodic rotation of the partner at the relevant audit firm is required). Even in jurisdictions where auditor rotation is required for public company financial statement auditors—including the European Union, which requires rotation of the statutory auditor for financial statements every twenty years and mandatory tendering of the audit engagement every ten years—no comparable rotation requirement applies to sustainability assurance providers. CARB's proposal is inconsistent with the interoperability principle and with market practice for emissions data reporting.

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[9] The Greenhouse Gas Protocol, A Corporate Accounting and Reporting Standard, Chapter 5, available at https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf.

Developing effective assurance over emissions inventories requires the assurance provider to build familiarity with a reporting entity's organizational structure, emissions sources, calculation methodologies, internal controls and data limitations. Mandating rotation would force duplicative work and likely increase costs while potentially reducing assurance quality. Existing independence and professional standards are sufficient to address any legitimate concerns.

Recommended Approach: For those reasons, CARB should not mandate rotation of assurance providers.

Assurance Standards.

CARB should provide flexibility to multinational reporting entities to leverage existing assurance processes, consistent with CARB's stated goals of interoperability and reduction of duplicative efforts. Many reporting entities operate globally and may already obtain assurance using different established standards in different jurisdictions. Restricting companies to a fixed list could require duplicative assurance engagements and increase costs without improving reliability. While we agree that CARB's adoption of a list of acceptable assurance standards provides useful certainty to reporting companies, that list should not be treated as exclusive.

Recommended Approach: CARB should adopt a list of acceptable assurance standards to provide certainty, however in addition to that list it should adopt a principles-based approach permitting the use of other widely recognized international and U.S. assurance standards.

Scope of Assurance.

Extending assurance to cover GHG Protocol recommendations—such as measurement uncertainty quantification, component gas disaggregation and primary data percentages—would represent a significant additional burden without corresponding benefit to users. Since these data points are not currently subject to assurance, their inclusion in the assurance scope is likely to increase engagement costs and present significant new complexity.

Recommended Approach: CARB should clarify that reporting entities are not required to obtain assurance over disclosures that are not required by the GHG Protocol.

6. **"Revenue" Definition**

CARB should clarify the definition of "revenue" provided in the initial regulation. As previously discussed in the February 9th SIFMA Letter and the April 13th SIFMA Letter, the definition of "revenue" provided in CARB's initial regulation and the definition provided in the 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 of "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. This is a threshold question with respect to whether or not many entities that, for example, hold investments rather than engage in operations are potentially in scope for reporting under SB 253.

Recommended Approach: CARB should affirm that the guidance in its May Workshop continues to be operative in a timely manner.

Separately, SIFMA supports the clarification provided in the modified text of the initial regulations released for the 15-day public comment period, specifying that intercompany transactions between business entities within the same combined reporting group are excluded from the calculation of "revenue."

Recommended Approach: CARB should explicitly maintain this exclusion in any subsequent rulemaking.

7. **Treatment of Insurance Companies**

CARB should maintain the insurance company exemption and ensure that it is extended to all entities within an insurance holding company's system. State insurance regulators and the NAIC have historically recognized the holding company system as a unified regulatory unit for reporting purposes, and CARB's exemption should be consistent with that approach to avoid duplicative reporting. As discussed in prior SIFMA comment letters, the initial regulation appropriately exempted insurance companies from 2026 reporting to avoid duplication with the California Department of Insurance ("CDI") climate disclosure. CARB is now proposing that, beginning in 2027, insurance entities will be required to supplement their CDI reports if those CDI reports do not meet all of the disclosure requirements of SB 253 and the regulations issued pursuant thereto. Requiring SB 253 reporting in addition to the existing CDI requirements is duplicative and increases compliance costs and burdens without producing meaningfully different or more useful information to stakeholders. CARB's rationale that CDI reporting does not include Scope 3 emissions or assurance requirements is not sufficient to justify creating a second reporting requirement, especially in the context of heavily regulated entities whose prudential regulators, which have substantial expertise in the business of those entities and the information important to gain an understanding of them, have already adopted a reporting requirement on the same topic.

As also discussed in our prior letters, the exemption should be extended to all entities within the insurance holding company's ecosystem that otherwise meet the SB 253 reporting thresholds. If the exemption is not extended in this manner, insurance holding companies or affiliated asset management entities could be required to report under SB 253 even though the insurance subsidiary is exempt. This would result in duplicative and potentially inconsistent disclosures within the same corporate group and would effectively nullify the insurance exemption for groups organized under a holding-company structure.

Recommended Approach: CARB should maintain the insurance company exemption and clearly extend it to all entities within the relevant insurance company's system.

8. **Scope 3 Phase-Ins**

At the July 21 Workshop, CARB staff proposed that, beginning in 2027, reporting entities will be required to disclose five categories of Scope 3 GHG emissions in accordance with the GHG Protocol Scope 3 Standard: Category 1 (Purchased Goods and Services); Category 3 (Fuel and Energy Related Activities); Category 5 (Waste Generated During Operations); Category 6 (Business Travel); and Category 7 (Employee Commuting). SIFMA supports the proposed phase-in of these five categories, which have the most established data sources and mature quantification methods.

Recommended Approach: The mandatory disclosure of these five categories should remain subject to the ability to exclude emissions data and categories pursuant to the data exclusions provisions described above.

SIFMA appreciates CARB's continued 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 maintaining consistency with the GHG Protocol, promoting interoperability with other mandatory disclosure regimes and providing regulatory certainty, 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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