February 9, 2026

SUBMITTED ELECTRONICALLY AT *https://ww2.arb.ca.gov/applications/public-comments*

TO: California Air Resources Board

RE: Proposed California Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure Initial Regulation (Implementation of Senate Bills 253 and 261, as amended by SB-219)

The Natural Resources Defense Council (NRDC), Earthjustice, and Sierra Club California welcome the opportunity to comment on the California Air Resources Board's (the "Board) proposed regulation to establish fees, timelines, and definitions for implementing the California Climate Corporate Data Accountability Act[1] ("SB 253") and the Climate-Related Financial Risk Act[2] ("SB 261") (together, the "Acts"). We strongly support a speedy implementation of the Acts. We urge the Board to remove the proposed exclusion for insurers from emissions reporting, which is unauthorized by the language of the Acts.

NRDC is an international nonprofit environmental organization with more than three million members and online activists. Since 1970, our lawyers, scientists, and other environmental specialists have worked to protect the world's natural resources, public health, and environment. NRDC has offices in Los Angeles, San Francisco, New York City, Washington D.C., Chicago, Montana, New Delhi and Beijing. Through its finance and legal experts, NRDC advocates for sensible financial regulation that allows our financial system to incorporate financial risks from climate change into day-to-day risk management.

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1 California Senate Bill (SB) 253, Wiener, Stats. 2023, ch. 382; codified in Health and Safety Code Section 38532, as amended.

2 California SB 261, Stern, Stats. 2023, ch.383; codified in Health and Safety Code section 38533, as amended.

Earthjustice is the nation's original and largest nonprofit environmental law organization. Nationally and within California, Earthjustice uses the law to protect people's health, preserve magnificent places and wildlife, advance clean energy, and combat climate change. The California Regional Office works extensively on issues concerning air pollution and climate, including participation at the Board's public rulemaking, scoping plan development, and program development workshops. Earthjustice works with a broad range of clients and coalition partners to reduce emissions from industrial, transportation, construction, and area sources across the state. Nationally, we have advocated for and defended the development of strong climate-related corporate disclosure rules and greenhouse gas regulations.

Sierra Club California is the legislative and regulatory arm of Sierra Club's 13 local chapters in California, representing half a million members and supporters, with a mission to practice and promote the responsible use of the earth's ecosystems and resources; to educate and enlist humanity to protect and restore the quality of the natural and human environment; and to use all lawful means to carry out these objectives. Among Sierra Club's highest priorities is advocating for federal regulatory policies that address the impacts of climate change, including impacts to the financial system. Sierra Club also has an investment portfolio of approximately $62 million and represents millions of members and supporters, many of whom have significant investments of their own. The Sierra Club and its members seek more reliable and comparable climate-related disclosures.

Climate-fueled disasters are having devastating effects on California's communities, businesses, and natural resources. Understanding how companies are contributing to and managing those risks is crucial for the state to protect investors, consumers, taxpayers, and state and local resources. Corporate decisions that fail to consider climate-related impacts such as shifting weather patterns or resource availability, or longer and more intense wildfire seasons, exacerbate risk with damaging outcomes. Investors know that decisions made without considering climate-related risks will impact their bottom line. When this information remains opaque, unusable, or not easily comparable, the risk to investors and large customers (including the state) of business failure or underperformance increases. Implementation of these laws should provide transparency that can improve market health and long-term returns that retirees rely on.

<u>Definitions; Exclusions from Applicability</u>

We support the proposed use of California Revenue and Tax Code section 23101(a), (b)(1), and (b)(2) to define "doing business" and "doing business in California" (Sections 96072(a)(7)-(8) of the proposed regulation). As discussed in more detail in our joint comment to the Board dated March 21, 2025, the definition of "doing business in California" contained in Section 23101 is an appropriate definition to reference for purposes of the reporting requirements of SB 253 and SB 261: it is well-established, will provide clarity to businesses, and contains limitations that appropriately exclude out-of-state entities with minimal or negligible business in California. We further support the exclusion of wholesale electricity sales from the calculation of an entity's sales in California for purposes of that definition, for the reasons of legislative intent discussed in detail in our March 21, 2025 joint comment (and referenced in the Board's December 9, 2025 Staff Report (the "Staff Report")).

We take issue, however, with the proposed exclusions in sections 96071(b)(2) and 96072(a)(5) for insurance companies. The Staff Report states correctly that SB 261 "excludes business entities subject to regulation by the Department of Insurance in this state, or . . . in the business of insurance in any other state." The proposed regulation would extend that exclusion to the application of SB 253 as well. This is not authorized by the plain terms of SB 253. The California State Legislature evidently knew how to draft an explicit insurance company exclusion when needed, as it did so in SB 261. It did not require or permit such an exclusion in SB 253.

The proposal does not seek to justify this exclusion beyond stating that it is being proposed "for continuity." This is no justification at all. The two laws already differ in scope with respect to the number and size of firms that are subject to reporting requirements. Excluding insurance companies from the requirements of SB 253 would not provide "continuity" in any meaningful sense, and is more importantly beyond the Board's statutory remit.

The Legislature had sound reasons for this difference between the Acts. Insurance companies were excluded from SB 261's reporting mandate because they are already subject to climate risk oversight through the California Department of Insurance and are required to report climate risk information in alignment with the Task Force on Climate-Related Financial Disclosures ("TCFD") framework under a standard adopted by the National Association of Insurance Commissioners. No parallel requirement for emissions reporting applies to insurers that would justify excluding them from SB 253, and there are large gaps in U.S. insurers' voluntary emissions reporting.[3] Indeed, a review of the most recent TCFD filings with the Department of Insurance[4] by the top ten California property and casualty insurers[5] reveals that only one made complete disclosure of Scope 3 emissions, and three made no emissions disclosures at all. As the Legislature stated in Section 1 of SB 253:

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3 Ceres, *The Measurement Gap: A Deep Dive into Climate Risk Reporting in the U.S. Insurance Sector* (Aug. 12, 2025).

4 California Dept. of Insurance, Climate Risk Disclosure Survey Database, https://interactive.web.insurance.ca.gov/apex_extprd/f?p=201:6:::NO:RP,6,1::

5 California Dept. of Insurance, 2023 California Property and Casualty Market Share Report, https://www.insurance.ca.gov/01-consumers/120-company/04-mrktshare/2023/upload/Top25grps2023.pdf

- California investors, consumers, and other stakeholders deserve transparency from companies regarding GHG emissions, to inform their decisionmaking;
- Accurate and comprehensive data is required to determine a company's GHG emissions and develop means to reduce them;
- Mandating annual, full-scope GHG emissions reporting will inform investors, empower consumers, and activate companies to improve risk management, and is a critical step for California to protect the state and its residents.

There is no statutory or other justification for excluding insurance companies from this mandate.

<u>Scope 2 reporting rules must be updated in line with the Greenhouse Gas Protocol</u>

SB 253 calls for reporting in conformance with the Greenhouse Gas Protocol (GHGP) accounting and reporting standards. As noted in SB 253's Section 1, the GHGP is the globally recognized GHG emissions accounting and reporting standard. It is a widely adopted, relied upon, and trusted methodology, and appropriate for the statutory purpose. The GHGP has been or is being integrated in a number of policies and standards worldwide.[6] We note, however, that the Board's SB 253 implementation process falls squarely in the GHGP Scope 2 Guidance update process – the first update in a decade, and one that is intended to significantly strengthen the integrity and impact of Scope 2 reporting. To meet the statutory goals of transparency and corporate accountability, it will be critical that the Board implement SB 253 such that the required Scope 2 reporting evolves with the GHGP methodology as that methodology is updated.

The existing GHGP Scope 2 rules have played an important role in developing corporate demand for clean and renewable energy, spurring the growth of renewable energy markets and supporting the deployment of renewable energy on grids across the world.[7] That said, as grids across the world integrate more renewables, led by jurisdictions like California, research shows the need to move towards more granular time and location matching of clean energy generation with corporate claims of clean energy use, in order to ensure rigorous claims for Scope 2 emissions and drive continued decarbonization.[8] That is the focus of the pending GHGP Scope 2 update,

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6 ttps://ghgprotocol.org/sites/default/files/2024-03/GHG-Protocol-Integration.pdf#page=20&zoom=100,92,116

7 https://about.bnef.com/insights/finance/corporate-clean-power-buying-grew-12-to-new-record-in-2023-according-to-bloombergnef/

8 https://arxiv.org/pdf/2511.03049
https://www.cell.com/joule/pdf/S2542-4351(23)00499-3.pdf

and it is imperative for consistency and transparency that CARB adopt the updated methodology in due course. We understand that CARB will consider the details of implementing Scope 2 reporting in a future rulemaking, and we look forward to providing more detailed comments on this topic at that time.

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We thank the Board for its consideration of these comments and for its work to advance the implementation of these critical laws, and would be happy to discuss our comments further with the Board's staff.

Respectfully submitted,

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https://www.sciencedirect.com/science/article/pii/S2211467X24001950?via%3Dihub
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