

 **Columbia Law School** | COLUMBIA CLIMATE SCHOOL
SABIN CENTER FOR CLIMATE CHANGE LAW

February 5, 2026

Clerk of the Board, California Air Resources Board
1001 I Street
Sacramento, California 95814

Re: Proposed California Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure Initial Regulation

To Whom it May Concern:

Columbia Law School’s Sabin Center for Climate Change Law (“Sabin Center”) respectfully submits this comment in response to the December 23, 2025 Notice of Public Hearing to Consider the Proposed California Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure Initial Regulation, from the California Air Resources Board (“CARB”).¹

The Sabin Center develops legal techniques to fight climate change and advance climate justice, trains students and lawyers in their use, and provides the public with resources on key topics in climate law and regulation.

Introduction

We write to commend CARB on its prompt and rigorous implementation of SB 253’s and SB 261’s statutory mandate, as well as to respectfully recommend one revision to the December 9, 2025 proposed Climate Data and Financial Risk Reporting Fee Regulation. We encourage CARB not to exempt insurers from emissions reporting under Health and Safety Code section 38532.

In particular, we wish to reinforce the California state legislature’s emphasis on mandatory, uniform, and quantitative emissions-reporting frameworks for addressing today’s climate risks.²

¹ [Notice of Public Hearing to Consider the Proposed California Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure Initial Regulation](#) (Dec. 23, 2025).

² [SB-253 Climate Corporate Data Accountability Act](#) (Oct. 7, 2023) (“The current approach for disclosure of climate emissions from public and private corporate enterprises relies largely on voluntary reporting of GHG inventories, goals, commitments, and agreements, and lacks the full transparency and consistency needed by residents and financial markets to fully understand these climate risks”).

Voluntary reporting, for instance through the National Association of Insurance Commissioners’ (“NAIC”) discretionary policy on Scope 3 data, may provide a stopgap in commercial contexts lacking the regulatory authority or political support for more substantive disclosure requirements. However, CARB, one of the nation’s premier emissions regulators, here possesses strong support and arguably an obligation to fulfil the state legislature’s mandate that “[t]he people, communities, and other stakeholders in California, facing the existential threat of climate change, have a right to know about the sources of carbon pollution, as measured by the comprehensive GHG emissions data of those companies benefiting from doing business in the state, in order to make informed decisions.”³

The academic literature on climate-era disclosure regimes helps explain what makes a public mandate so crucial to reducing insurance-industry emissions. The California legislature’s decision to expressly exempt insurers from Section 38533 coverage, but not from Section 38532 coverage, further clarifies this mandate. The fact that more than 80% of a typical insurer’s emissions, via Scope 3 activities such as underwriting and investment, need not be disclosed under current industry self-regulation amplifies the need for this mandate. And the legislature has determined that CARB should administer this particular emissions-disclosure mandate, regardless of whether the state’s Department of Insurance also measures insurers’ climate risks.

1. The Relevant Academic Literature Calls for Mandatory Insurance Industry Emissions Disclosure

Empirical research confirms that insurers’ climate-related disclosures prompt statistically significant emissions reductions. Cheng et al. (2024) use states’ incremental adoption of the NAIC’s Climate Risk Disclosure Survey (“CRDS”) to examine the impacts of mandatory climate risk disclosures on insurers’ investment portfolios.⁴ The authors find that, post-disclosure, CRDS-compliant insurers decreased their fossil fuel investments by an average of 13.1%.⁵ This study suggests that, when required to disclose their climate risk, insurers “significantly adjust their investment strategies toward more environmentally responsible investments.”⁶ The authors note distinct characteristics of the insurance sector that contribute to meaningful emissions outcomes, such as: the industry’s total financial assets of roughly \$9 trillion dollars⁷; its search for high returns to fund ongoing business operations, including payouts to claimants; and its “investment choices that can exacerbate climate change” (here pointing to the industry’s substantial holdings in fossil fuel related assets).⁸

³ *Id.*

⁴ Jiang Cheng, Jia Guo, Jeffrey Ng, and Tjomme Rusticus, The Effect of Mandatory Climate Risk Disclosure on Environmentally Responsible Investing: Evidence from the U.S. Insurance Industry, HKU JOCKEY CLUB ENTERPRISE SUSTAINABILITY GLOBAL RESEARCH INSTITUTE PAPER SERIES, 1 (2024), <https://ssrn.com/abstract=4771738>.

⁵ *Id.* at 14.

⁶ *Id.* at 3.

⁷ Michelle Wong, *U.S. Insurance Industry’s Cash and Invested Assets Rise Over 5% to Close in on \$9 Trillion as of Year-End 2024*, NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS (May, 2025), <https://content.naic.org/sites/default/files/capital-markets-special-reports-asset-mix-ye2024.pdf>.

⁸ Cheng et al., *supra* note 4, at 2.

More broadly, academic research in the U.S.,⁹ the U.K.,¹⁰ and France¹¹ shows that climate risk disclosures by corporations and investment funds can prompt notable GHG emissions reductions. Mandatory, quantitative, and uniform disclosures (of the type that the NAIC’s Climate Risk Disclosure Survey requires for Scopes 1 and 2, but not for Scope 3) tend to yield more meaningful reductions than voluntary, qualitative, or open-ended disclosures.¹² The reductions can be significant, with covered U.K. companies reducing emissions by more than 15% relative to their non-covered peers,¹³ and with French institutional investors reducing aggregate portfolio emissions by over 30% upon entering Article 173 compliance (which requires detailed reporting by French institutional investors of their exposure to climate-related risks, and their efforts to mitigate climate change).¹⁴ These reductions may be further enhanced if the data is subject to third-party assurance reports—improving data accuracy, and limiting distortive framing in a firm’s self-presentation of its emissions record.¹⁵

2. Voluntary Emissions Disclosure via Insurance Industry Organizations Does Not Suffice for Addressing Today’s Climate Risks

Voluntary emissions reporting shows some promise of reducing emissions. Yet the academic literature suggests that voluntary regimes underperform mandatory regimes. Research also shows significant variation depending on the industry in which a firm operates. Most notably, voluntary regimes appear to work best in sectors perceived as heavy-emitting by the public—typically manufacturing-based sectors, rather than service-based sectors such as insurance, where emissions occur primarily as a consequence of underwriting and investment practices.

Kim and Lyon (2011) research the emissions impacts of the U.S. Department of Energy’s (“DOE”) voluntary registry program, which permits companies to file their claimed GHG emissions reductions. To measure the accuracy of these disclosures, Kim and Lyon also compare voluntary DOE-reported data to the required emissions reporting of electric utility companies, since those companies must report to the Federal Energy Regulatory Commission (“FERC”).¹⁶ The study finds a large gap between voluntarily reported emissions and actual emissions, with 68% of firms that voluntarily reported emission reductions to DOE reporting actual emission

⁹ Sorabh Tomar, Greenhouse Gas Disclosure and Emissions Benchmarking, 61 JOURNAL OF ACCOUNTING RESEARCH, 451, 467 (2023).

¹⁰ Benedikt Downar, Jürgen Ernstberger, Hannes Rettenbacher, Sebastian Schwenen, and Aleksandar Zaklan, Fighting Climate Change with Disclosure? The Real Effects of Mandatory Greenhouse Gas Emission Disclosure, 1795 DIW BERLIN DISCUSSION PAPER 1, 2 (2019), <https://ssrn.com/abstract=3352390>.

¹¹ Jean-Stéphane Mésonnier and Benoît Nguyen, Showing off Cleaner Hands: Mandatory Climate-Related Disclosure by Financial Institutions and the Financing of Fossil Energy, 2 (2022), <https://ssrn.com/abstract=3733781>.

¹² Cynthia A. Williams, Does Climate Disclosure Work to Reduce Greenhouse Gas Emissions? Emerging Evidence Suggests Cautious Optimism, 48 SEATTLE U. L. REV. 571, 577 (2025).

¹³ Downar et al., *supra* note 10, at 4; Valentin Jouvenot and Philipp Krueger, Mandatory Corporate Carbon Disclosure: Evidence from a Natural Experiment 1 (July 13, 2021), <https://ssrn.com/abstract=3434490>.

¹⁴ Mésonnier and Nguyen, *supra* note 11, at 2.

¹⁵ Lily Hsueh, Do Businesses that Disclose Climate Change Information Emit Less Carbon? Evidence from S&P 500 Firms, 13 CLIMATE CHANGE ECONOMICS, 1 (2022).

¹⁶ Eun-Hee Kim and Thomas Lyon, Strategic Environmental Disclosure: Evidence from the DOE’s Voluntary Greenhouse Gas Registry, JOURNAL OF ENVIRONMENTAL ECONOMICS AND MANAGEMENT, 311 (2011).

increases to FERC.¹⁷ This suggests that such firms “viewed the [voluntary DOE] program as a form of greenwash.”¹⁸

Hsueh (2022) compares S&P 500 corporations’ voluntary Carbon Disclosure Project (“CDP”) reporting between 2011 and 2016 to verified emissions data, finding company-wide emissions mostly unchanged (or in some cases increasing) following the adoption of CDP disclosures.¹⁹ Participants who voluntarily reported taking additional steps to implement carbon management practices increased total carbon emissions by approximately 2.4%.²⁰ Some sectoral heterogeneity also emerged, with non-GHG-intensive sectors and consumer-oriented sectors more likely to claim inaccurate emissions reductions, whereas companies in GHG-intensive sectors showed actual company-wide reductions after opting into the CDP.²¹ Hsueh attributes the emissions reductions of “dirtier” industries to enhanced scrutiny by regulators, politicians, and the public.²² By contrast, industries with cleaner reputations engaged in reporting practices and related rhetoric that stakeholders were less able or inclined to verify.

Overall, the empirical findings on voluntary GHG emissions disclosures suggest that such regimes should be pursued when necessary, but should be replaced by a transparent and uniform regulatory mandate when legally and politically possible. The political will here is clear, and we encourage CARB to follow the California legislature’s lead by not exempting insurers from Section 38532 coverage.

3. Mandatory Scope 3 Reporting Will Fill a Critical Gap in Insurance Industry Self-Reporting

We recognize that CARB’s implementation timeline for SB 253 has not yet necessitated providing a detailed definition of reporting entities’ Scope 3 obligations. However, this forthcoming Scope 3 focus will only further clarify the importance of including insurance-industry data.²³

Given the U.S. insurance industry’s roughly \$9 trillion in assets, insurers’ vast Scope 3 emissions have direct bearing on climate risk outcomes for the state’s broader economy and its social well-being.²⁴ Yet voluntary reporting regimes have not provided sufficient disclosure of these emissions.

¹⁷ *Id.* at 320.

¹⁸ *Id.* at 311.

¹⁹ Hsueh, *supra* note 15, at 5.

²⁰ *Id.* at 18.

²¹ *Id.* at 23.

²² *Id.* at 5.

²³ *Underwriting the Transition: A Deep-Dive Transition Plan Guide for Insurance and Reinsurance Underwriting Portfolios*, FORUM FOR INSURANCE TRANSITION TO NET ZERO (July, 2025), https://www.unepfi.org/wordpress/wp-content/uploads/2025/07/2nd-FIT-Transition-Plan_Final.pdf provides useful guidance on calculating Scope 3 emissions for this sector.

²⁴ Wong, *supra* note 7.

The World Resource Institute’s GHG Reporting Protocol, which supplies accounting standards for 97% of S&P 500 companies participating in the voluntary Carbon Disclosure Project,²⁵ notes that “equity investments made by insurance companies using insurance premiums are required to be reported (although companies may establish a threshold for equity investments).” Yet CERES’ 2025 publication *The Measurement Gap: A Deep Dive into Climate Risk Reporting in the U.S. Insurance Sector* finds that the insurance industry’s reporting performance “remains extremely limited; with near-zero compliance...for financed emissions targets and negligible response rates for most other scope 3 categories.” CERES further explains that Scope 3 sources represent “simultaneously the greatest challenge and the most significant opportunity for insurance industry climate risk management leadership,” given that emissions from investing and underwriting practices account for 80-90% of a typical insurers’ GHG footprint.²⁶

With disclosure of such noteworthy Scope 3 emissions lagging under voluntary reporting frameworks, retaining insurers in CARB’s Section 38532 coverage is crucial to providing the “people, communities, and other stakeholders in California,” the “right to know about the sources of carbon pollution, as measured by the comprehensive GHG emissions data of those companies benefiting from doing business in the state.”

4. The Department of Insurance Is Not Positioned to Fulfill SB 253’s Mandate

In its December 9, 2025 Statement of Reasons for these drafted regulations, CARB notes that since SB 261 already excludes from coverage business entities subject to regulation by California’s Department of Insurance (“CDI”), CARB now proposes to exclude such entities from Section 38532 coverage as well, “for continuity.”²⁷ Respectfully, we submit that preserving SB 253’s broad statutory scope provides a more fitting means of maintaining “continuity” in implementing the state’s legislative mandate—rather than imposing SB 261’s express exemption for insurers onto SB 253, which declines to offer any such exemption.²⁸

We appreciate CDI’s ongoing efforts to proactively address climate risk, including through its pending Long-Term Solvency Regulation, proposed October 28, 2025.²⁹ Yet we would highlight for CARB’s consideration that CDI’s proposed regulation does not require emissions-data disclosure, but instead focuses on insurers’ long-term business risks and mitigation strategies.

²⁵ [GHG Protocol, Category 15: Investments](#), WORLD RESOURCES INSTITUTE.

²⁶ *The Measurement Gap: A Deep Dive into Climate Risk Reporting in the U.S. Insurance Sector*, CERES (Aug. 12, 2025), <https://www.ceres.org/resources/reports/the-measurement-gap-a-deep-dive-into-climate-risk-reporting-in-the-us-insurance-sector>.

²⁷ [Public Hearing to Consider the Proposed California Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure Initial Regulation \(Staff Report: Initial Statement of Reasons\)](#) (Dec. 9, 2025).

²⁸ *California Climate Disclosure Laws: Recent Developments*, DEBEVOISE & PLIMPTON (Nov. 15, 2024), <https://www.debevoise.com/-/media/files/insights/publications/2024/11/california-climate-disclosure-laws-recent.pdf> notes that California’s Senate Committee on Environmental Quality exempted insurers from SB 261 coverage in order to avoid “double-reporting” scenarios, given NAIC’s existing disclosure standards. Regarding SB 253’s emissions data, however, it is worth reinforcing that NAIC’s Climate Risk Disclosure Survey leaves Scope 3 reporting voluntary, and that roughly 20 states, comprising roughly 15% of the U.S. insurance market, still do not participate in the survey, even for Scopes 1 and 2 reporting.

²⁹ [Long-Term Solvency Planning \(Workshop Text of Regulation\)](#), (Oct. 28, 2025).

Though important for assessing insurers' capacity to pay claims,³⁰ the documentation (not necessarily even disclosure) of these particular data points falls far short of SB 253's mandate to proactively inform the "people, communities, and other stakeholders in California... about the sources of carbon pollution, as measured by the comprehensive GHG emissions data of...companies."

We have also previously commended CDI for its Climate Risk Carbon Initiative and related climate disclosure initiatives.³¹ However, these disclosures regarding insurers' fossil fuel investments fulfill a different function than SB 253's cross-sector reporting of emissions data by a wide range of businesses. Cross-sector reporting facilitates the public's capacity to track divergent emissions trends across the state's economy, to determine which industries have lagged in meaningful sustainability measures, and to promote appropriately tailored policy responses (or, as SB 253 put it, "to make informed decisions"). Here especially, uniform emissions reporting by numerous economic sectors proves valuable to investors seeking to assess which industries and businesses deserve their targeted support.

Conclusion

CARB should revise its drafted regulations for Health and Safety Code section 38532, preserving coverage of insurers. Empirical research shows mandatory, uniform, and quantitative emissions disclosures prompt the greatest emissions reductions. By expressly exempting insurers from Section 38533 coverage, but not from Section 38532 coverage, the legislature indicated its intent that Section 38532 cover insurers. Voluntary disclosure initiatives for insurers' especially extensive Scope 3 emissions have proved ineffective at promoting compliance. Finally, the legislature has determined that CARB, rather than CDI, should administer this disclosure mandate.

Thank you for the opportunity to provide comments. Please do not hesitate to contact the Sabin Center with any questions.

Respectfully submitted,

Cynthia Hanawalt, Director of Climate and Business Law
Andy Fitch, Fellow, Climate and Business Law

³⁰ "Expect the Unexpected": Commissioner Lara Moves to Safeguard Californians' Financial Future With New Regulation, CALIFORNIA DEPARTMENT OF INSURANCE (Oct. 28, 2025), <https://www.insurance.ca.gov/0400-news/0100-press-releases/2025/release073-2025.cfm>.

³¹ Cynthia Hanawalt and Andy Fitch, Comment Letter on PreNotice Public Discussion on Long-Term Solvency Planning from the California Department of Insurance (Nov. 12, 2025), <https://climate.law.columbia.edu/sites/climate.law.columbia.edu/files/content/Comment%20On%20California%20Department%20Of%20Insurance%20Prenotice%20Public%20Discussion%20on%20Long-Term%20Solvency%20Planning%20%2811.12.2025%29.pdf>.