February 9, 2026

Chair Lauren Sanchez
California Air Resources Board
1001 I Street
Sacramento, CA 95814

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

Dear Chair Sanchez and Staff,

Ceres is grateful for the opportunity to comment on the initial proposed regulation that the California Air Resources Board (CARB) posted in December 2025, which the Board will consider at a public hearing scheduled for February 26, 2026. We appreciate CARB staff's hard work to draft the regulations implementing the corporate disclosure programs established by Senate Bill (SB) 253, the Climate Corporate Data Accountability Act, codified at Health & Safety Code Section 38532; and SB 261, the Climate-Related Financial Risk Act, codified at Health & Safety Code Section 38533.

As we have done in the past to inform comment letters to CARB, Ceres convened a series of virtual corporate roundtables on January 7 and 8, 2026, to solicit input from members of our Policy Network, Company Network, and Investor Network. These include some of the largest global companies with whom we work on an in-depth basis on climate strategy and disclosure, as well as large institutional investors and other financial institutions. The roundtables were held under the Chatham House Rule: participants were free to use the information they received, but statements could not be attributed to any individuals or organizations. All views expressed in this submission are anonymized if they originated from a member of Ceres' networks; where indicated, some statements represent Ceres' independent organizational views.

Over the course of the two roundtables we hosted in early January, Ceres reached more than two dozen climate and financial reporting practitioners representing companies and trade associations from a diverse variety of sectors. We also discussed CARB's initial proposed regulation in one-on-one engagements with several companies and received written feedback in some cases. A few companies that have participated in prior convenings indicated that they did not join these latest roundtables because they did not have comments on CARB's initial proposed regulation. We anticipate more robust engagement related to CARB's forthcoming regulation(s) dealing with the substance of emissions reporting under SB 253.

The provisions discussed herein are the only elements of the initial proposed regulation for which Ceres has feedback; if a section of the regulation is not discussed, it indicates that Ceres does not have comments to provide. Our comments are listed in order of priority.

#1: SB 253 reporting deadline

§ 96076. Deadline for Reporting Under Health and Safety Code Section 38532.

- § 96076(a) establishes that entities reporting under SB 253 shall report their Scope 1 and Scope 2 emissions for the first reporting year (2026) **on or before August 10, 2026**, for the applicable preceding fiscal year as determined in § 96076(b).
    - In § 96076(b), CARB staff have proposed that if a reporting entity's fiscal year ends on or before February 1, the applicable preceding fiscal year would be the one ending in the *current* calendar year. Meanwhile, if a reporting entity's fiscal year ends after February 1, the applicable preceding fiscal year would be the one ending in the *previous* calendar year. CARB staff explained in the *Staff Report: Initial Statement of Reasons* accompanying the proposed regulation: "This approach guarantees at least six months of time between fiscal year end and the proposed reporting deadline, to provide additional flexibility and accommodate the wide range of fiscal year timelines."
- In response to CARB's December 2024 information solicitation to inform the implementation of these laws, Ceres commented that while companies generally agree that emissions data are available six to nine months after the end of a company's fiscal reporting year, the availability of the data does not necessarily mark the end of the reporting process. When we solicited corporate feedback to inform that earlier comment letter, many companies expressed a preference for the ability to report in Q4; one company observed: "Data supporting the carbon footprint can lag the close of the year by a number of months, as much as 4 months after the close of a year/period."
- Companies reiterated these concerns in response to CARB's proposed August 10 reporting date. Several underscored that there is no way to complete assurance engagements in time for an August 10 reporting date, particularly considering the potential shortage of third-party verification providers to meet the demand created by SB 253. One company opined in our recent roundtable: "It opens our company to legal and reputational risk to provide a GHG inventory without assurance where there likely will be changes to our data. It's one thing to put the data in a voluntary sustainability report without assurance; it's another to put it in a regulatory proceeding like this."
    - Another company suggested that an August deadline would necessitate the submission of an initial report without verification, followed by a final submission after assurance has been completed, increasing the administrative burden on both reporting entities and CARB.
- **Companies are requesting a reporting deadline of October 31 or later, to allow ample time for the processing and calculation of GHG emissions data and a roughly 90-day assurance process thereafter**. Several companies suggested that CARB could open the reporting docket on August 10, then keep it open and accept reports on a rolling basis through the end of the calendar year without penalty.

Ceres recognizes that CARB is exercising substantial enforcement discretion in 2026. As the agency indicated in its December 2024 enforcement notice, entities that were not collecting data (or were not planning to collect data) at the time of the enforcement notice are not expected to submit data for this first reporting cycle. Furthermore, staff guided in the November 2025 public

workshop that limited assurance will not be required for data submissions in 2026, unless the reporting entity will have already received third-party verification on its Scope 1-2 emissions. Considering these accommodations—and recognizing that CARB has only formally proposed an August 10 deadline *for the 2026 reporting year* in this regulation—we appreciate that there is less urgency to amend the reporting deadline in this initial rulemaking. However, most of the companies providing feedback to Ceres have been voluntarily supplying emissions data for a long time; they would like to report their most recent available data from the immediately preceding fiscal year, and they worry that an August 10, 2026, deadline could set a precedent for future reporting deadlines in forthcoming regulation(s).

If you have any leeway to move this deadline back to at least October, especially for reporting years after 2026 (which we acknowledge will be established in subsequent regulation), these companies would greatly appreciate the flexibility to adhere to their existing reporting calendars. Such flexibility would align with the statutory provision in Health & Safety Code Section 38532: "The reporting timelines shall consider industry stakeholder input and shall take into account the timelines by which reporting entities typically receive scope 1 emissions, scope 2 emissions, and scope 3 emissions data, as well as the capacity for an independent assurance engagement to be performed by a third-party assurance provider."

#2: Intercompany transactions within the proposed revenue definition

§ 96072. Definitions.

- § 96072(a)(13) specifies: "'Revenue' has the same meaning as 'gross receipts' under section 25120(f)(2) of the California Revenue and Taxation Code." One company recommended the following clarification: "'Revenue' has the same meaning as 'gross receipts' under section 25120(f)(2) of the California Revenue and Taxation Code. Gross receipts should exclude any intercompany transactions as defined under Cal. Code Regs. Tit. 18, §§ 25106.5-1."
    - When intercompany sales are excluded, the scoping results will match the tax filings for taxpayers submitting a California combined return (i.e., the entity and revenue total used for scoping would be the same as the revenue included in a company's tax filing), which is required pursuant to California tax law. If intercompany sales are included, there is a misalignment between which subsidiaries are doing business for California tax purposes. For example, an entity may come into scope based on intercompany sales that are not listed in a company's tax filing. If intercompany sales are included, CARB may not be able to verify its list of reporting entities with Franchise Tax Board records. Additionally, since partnerships are subject to the implementation fee under the proposed rules, their revenue creates a double counting problem. For tax purposes, partnership revenue flows through to the partners/owners who report their proportionate share on their own tax returns. For example, if a partnership generates $100 in revenue and has two C-corporation owners with 50% ownership each, those owners will each report $50 of partnership revenue on their individual tax returns. Under the proposed fee structure, this same $100 would be counted twice: once at the partnership level (which is subject to the fee) and again

at each partner/owner level (who are also subject to the fee). To avoid this double counting, revenue flowing from partnerships to their partners/owners should be excluded from the partners'/owners' gross receipts calculation.

#3: Insurance exemption under SB 253

§ 96071. Applicability.

- § 96071(b)(2) specifies that the laws do not apply to a "business entity that is subject to regulation by the Department of Insurance in this state, or that is in the business of insurance in any other state." Ceres notes that Health and Safety Code section 38533 already explicitly excludes insurance companies, as SB 261 included legislative text carving out insurers. Staff are now proposing to exempt the same entities from Health and Safety Code section 38532 (SB 253).
- Ceres appreciates CARB staff's intent in exempting insurance companies from SB 253 for the sake of continuity, as expressed in the *Staff Report: Initial Statement of Reasons*. We recognize that insurers are subject to regulation by the California Department of Insurance, and we applaud the Department of Insurance for recently proposing a Long-Term Solvency Regulation that would, among other things, require insurers to analyze and disclose their strategies to mitigate climate-related risks.
    - It was logical for SB 261 to exclude insurance companies, since insurers already disclose their climate risk in alignment with the Task Force on Climate-related Financial Disclosures (TCFD) framework, in response to the National Association of Insurance Commissioners' (NAIC) Climate Risk Disclosure Survey. The Metrics and Targets pillar of the TCFD recommendations would supposedly compel the disclosure of Scope 1, Scope 2, and relevant Scope 3 emissions. However, while insurers generally demonstrate high reporting rates in the Governance, Strategy, and Risk Management pillars of the TCFD recommendations, they consistently underperform when translating those disclosures into the measurable management systems required by the Metrics and Targets pillar.
        - As Ceres detailed in an August 2025 report, *The Measurement Gap: A Deep Dive into Climate Risk Reporting in the U.S. Insurance Sector*, only 29% of insurers provided any information under the Metrics and Targets pillar in response to the latest NAIC survey. Furthermore, Ceres found a critical gap in indirect GHG emissions reporting, with a near-complete absence of reporting for Scope 3 emissions. This is despite Scope 3 representing the vast majority of many insurers' total GHG footprints, making comprehensive emissions measurement essential for understanding these companies' actual climate risk and impact.

Given this critical gap in insurers' emissions reporting practices, Ceres encourages CARB to reconsider this proposed exemption under § 96071(b)(2). Based on Ceres' research on disclosure gaps, insurers' reporting under SB 253 would in many cases result in new information beyond the data that most insurers are currently providing to regulators. The calculation of insurance-associated emissions is evolving, with early adopters reporting to the Partnership for Carbon

Accounting Financials (PCAF) guidelines. In November 2022, PCAF launched the Global GHG Accounting and Reporting Standard for Insurance-Associated Emissions. Reinsurance and insurance companies, many of which are experienced with financed emissions measurement, are investing in systems for assessing and disclosing insurance-associated emissions. We anticipate that data collection and reporting methodologies will continue to improve over time, and the inclusion of insurance companies in SB 253 will provide meaningful data to the state, investors, and other stakeholders. *Ceres notes that this recommendation reflects the internal view of our organization and feedback from our Investor Network, but does not represent input from our company members.*

#4: Fee structure for companies with in-scope subsidiaries

§ 96073. Calculation of Fees.

- § 96073(c) and (d) specify that implementation fees will be apportioned based on the total number of reporting entities and covered entities under SB 253 and SB 261, respectively. In other words, the cost of implementation will be split evenly among all in-scope entities, regardless of how companies ultimately choose to consolidate their reporting.
- Companies pointed out that the proposed fee structure does not achieve the laws' stated goals, because the fees are assessed based on corporate structure (i.e., the fee is allocated to each entity or subsidiary that meets the criteria for reporting), *not* at the level of the organization where financial and pollution abatement decisions are made (i.e., the parent level for companies that choose to consolidate reporting at the parent).
    - If a company has multiple subsidiaries covered under the laws, it will pay the implementation fee several times over, even if the company consolidates reporting at the parent level as permitted under SB 219.
- Ceres appreciates that CARB may not have flexibility to assess fees based on the number of entities that *ultimately submit reports*, rather than the aggregate number of reporting/covered entities; a flat fee provides higher predictability from year to year. Still, we wanted to relay this concern.

Thank you for your consideration of these comments, and for the staff's diligent work to implement these critical laws.

Sincerely,

Jake Rascoff
Director, Climate Financial Regulation
Accelerator for Sustainable Capital Markets
Ceres