



February 9, 2026

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

**RE: Comments on Proposed California Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure Initial Regulation**

Ms. Sanchez:

Dairy Institute of California represents milk processors and dairy product manufacturers based in California. Our organization's goal is to support our members' ability to operate sustainably, innovate, and achieve efficiency in their own companies as they provide the highest quality dairy products to domestic and international markets. We appreciate the opportunity to comment on the California Air Resources Board's (CARB) proposed regulations implementing the Climate Corporate Data Accountability Act (SB 253) and the Climate-Related Financial Risk Act (SB 261).

Dairy Institute thanks you for considering the following comments in the development of the initial rulemaking of SB 253 and SB 261. We continue to urge for maximum flexibility that will ultimately impact the ease of compliance and reduce cost burdens that have a real impact on dairy processors.

**Proposed Timelines**

The proposal includes an August 10<sup>th</sup> reporting deadline for emissions data under SB 253 reporting. Although aligning deadlines with CARB's Mandatory Reporting Regulation (MRR) is a thoughtful effort, it does not have the intended streamlining. As proposed, SB 253 requires prior fiscal year emissions reporting, while MRR requires reporting for the prior calendar year, specifically for different and specific categories of emissions. The difference in time periods and data reported significantly erodes the desired efficiencies.

Dairy Institute agrees with the proposed alternative suggested by the California Chamber of Commerce that would allow for a "rolling" submission, allowing submissions up to twelve months following any entity's individual fiscal year. Providing all entities with the same appropriate window of time, regardless of the fiscal calendar, will create clarity and ultimately



provide the flexibility entities need, especially as requirements become more burdensome. Additionally, a singular date deadline has implications for the nearing need for third-party assurance providers, ultimately exacerbating demand. An extended window for submissions will ease the pressure on the limited pool of providers for third-party assurance.

### **Proposed Fee Structure**

CARB is authorized to assess fees based on the reasonable costs of implementing and administering the statutory greenhouse gas (GHG) reporting and disclosure programs. Dairy Institute is alarmed by the inclusion of costs that go beyond administering the program, directly attributable to all qualifying entities.

Dairy Institute agrees with CARB's proposal of a flat amount assessed across all qualifying entities to reduce the administrative burden and provide clarity for all entities. Assessing a flat fee instead of a fee based on company size that requires calculation, verification, and excessive management is the streamlined approach needed to make such an extensive climate reporting program workable.

As dictated by California law, fees must remain strictly limited to actual and reasonable implementation and administration costs. This means the agency's actual verifiable and documented costs—not estimated or average trends. Inflation indexing is allowed only if it closely matches increases in the specific program's costs, and a blanket CPI adjustment alone is unacceptable. The fee structure also includes a 10% contingency to Total Required Revenue for potential unexpected costs, applied even if those costs do not occur. Excess revenue is proposed to be maintained with CARB, instead of an attempt to credit back entities or reduce future fee assessments.

Health and Safety Code sections 38532 and 38533 do not include any authorization for CARB to recover the costs of defending the regulations in court. Dairy Institute is very concerned by this attempt to pass unrelated expenses, such as litigation defense, onto the regulated entities. These costs are a general government responsibility, and entities that are not bringing action against the state for the implementation of this regulation should not be required to cover the costs of legal defense in their annual fees.

Dairy Institute is very concerned with multiple attempts to go beyond the actual and reasonable regulatory costs, which undermines the integrity of the fee structure and goes beyond CARB's statutory authority.



Dairy Institute finds the proposed fee enforcement and associated penalties excessive, particularly in cases of technical and administrative errors. Daily compounding penalties for missed or inaccurate payments are excessive and unwarranted. If harm is not being caused or escalated on a daily basis, daily compounding fines should not be levied. The proposed enforcement mechanisms fail to distinguish between minor errors and intentional misconduct, or between first-time and repeat offences. As currently proposed, the penalties are disproportionate to the nature of the offense.

Such enforcement authority does not exist in SB 253 and SB 261, and this overreach undermines the intended obligations. Dairy Institute encourages the use of violation appropriate one-time penalties, established timelines for corrective action, and limitations for late fees and penalties be established to protect from abuse and unintended consequences alike.

### **Covered Entity Definitions and Determinations**

Dairy Institute has reviewed CARB's list of reporting and covered entities. While preliminary and not exhaustive, it did contain wrongly identified entities. It is essential to establish a clear process for entities to be removed from the list if they do not meet the applicable thresholds for SB 261 or SB 253. Providing a process that would allow companies to be removed from the list will help ensure the accuracy and fairness of the reporting system.

Without a formal process for review, companies must either comply—often at a significant cost—or challenge their status and risk penalties. Determination, especially in the early years of compliance, involves many variables and complexities. Dairy Institute requests that entities file requests for determination regarding their covered entity status with a required timeline for CARB to provide a written response. In this process, fee levies and reporting requirements should be paused until such a determination is reached.

Dairy Institute appreciates the use of the prior two fiscal years when determining qualifying status, taking into account revenue abnormalities and fluctuations. While this use of a two-year record is appreciated, additional clarification on on-off transactions or unusual revenue increased would create more consistency and equitability.

Exempting federal, state, and local governments from covered entities status are inconsistent with the intentions of SB 253 and SB 261. Government activities on all levels are significant drivers of emissions. The state and federal governments have a vast amount of property holdings in the state that are directly linked to emissions. Additionally, government operations



depend on extensive supply chains and large vehicle fleets. Excluding government entities from SB 253 and SB 261 further exposes the laws' inconsistencies, lack of justification, and risk of arbitrary enforcement.

Dairy Institute appreciates CARB providing flexibility for companies to allow reports to be submitted at either the parent entity or subsidiary level. While we believe that this proposal does grant consolidated reports for parent and subsidiary entities, additional clarity should be given to ensure this is allowable. Consolidated reports will create more streamlined and accurate information while maintaining the intent of SB 253 and SB 261 disclosures.

### **Compliance Burden and Economic Impact**

It must be noted that substantial direct and indirect compliance costs will be shouldered by covered entities and associated entities alike. The data collection, staffing demands, legal review, and third-party assurance providers will have major cumulative costs. These costs extend beyond to smaller entities preparing information to share with associated covered entities. Regardless of the ultimate qualification, resources must be poured into monitoring and assessing the regulatory applicability. The Initial Statement of Reasons presented does not fully quantify the large-scale economic impact

### **Future Rulemakings**

Many dairy processors already voluntarily report GHG emissions through existing systems. Our members have indicated a preference for maintaining consistency with reporting structures already in use to avoid overcomplicating the emissions reporting process. We encourage CARB to allow for flexibility in reporting systems and not make the proposed template mandatory in future years. It is important for CARB to allow companies to have discretion in the use of reporting structures, so that they may submit reports prepared for other jurisdictions in accordance with the Greenhouse Gas Protocol. We also maintain our position of reporting directly to CARB, as reporting through a third-party entity raises significant concerns.

As CARB looks to establish Scope 3 regulations, Dairy Institute would like to reiterate that Scope 3 emission reporting has a lot more ambiguity and demands clearer definitions. Additionally, there are currently not enough providers to choose from when it comes to third-party verification for assurance for Scope 3 emissions. As there will likely be a shortage of available and qualified assurance providers and new providers entering the market, we urge CARB to consider accreditation for third-party verifiers. Dairy Institute also recommends against limiting businesses to a specific approved list of third-party providers.



## **Conclusion**

Dairy Institute respectfully requests that revisions be considered before adoption in an effort to improve clarity and reduce the burden of compliance. This foundational rulemaking will have a significant impact on future rulemakings and subsequent implementation. Dairy Institute urges maximum flexibility for reporting and compliance to help create a practical and effective reporting system that supports progress toward California's climate goals.

Sincerely,

A handwritten signature in cursive script that reads "Katie Davey".

Katie Davey

Executive Director

Dairy Institute of California