ARIZONA CHAMBER
OF COMMERCE & INDUSTRY

February 9, 2026 *Electronically submitted*

Clerks' Office
California Air Resources Board
1001 I Street
Sacramento, CA 95814

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

Dear Chair Sanchez:

The Arizona Chamber of Commerce and Industry (the "Chamber") and Arizona Manufacturer's Council ("AMC") appreciate the opportunity to provide comments on the California Air Resources Board's ("CARB") California Corporate Greenhouse Gas ("GHG") Reporting Program. The Chamber and AMC are committed to ensuring economic growth and prosperity for all Arizonans. Our mission is to advocate for free-market policies and work to advance Arizona as a leading player in the global economy. We work to relieve unnecessary and cumbersome regulatory burdens placed on Arizona businesses and support policies that improve Arizona's economic vitality, retain existing business, and spur new business growth and job creation. Our members consist of businesses across a wide range of industries that may be subject to CARB's proposed regulations, which threaten to impose substantial burdens on companies premised on ambiguous foundational questions.

We write to urge CARB to reconsider aspects of the proposed regulations implementing Senate Bills ("SB") 253 and 261, as modified by SB 219 (collectively, the "200s"). Both SB 253 and SB 261 offer little clarity with respect to their scope, applicability, and the requirements to be met to achieve compliance with the laws, and the proposed regulations are no different. Specifically, the proposed frameworks for submitting disclosures under the 200s do not align with the realities of complex corporate structures. This threatens to force out-of-state companies not otherwise within the scope of the laws to potentially make disclosures to the State of California they are not legally required to make—and potentially subjecting them to specific requirements that are inconsistent with accepted reporting frameworks or regulatory requirements in other jurisdictions—or to impose a substantial burden for subsidiary companies to supplement established parent-level consolidation of climate-related information by preparing redundant, potentially inconsistent GHG reports and/or climate risk reports.

The proposed regulations also present constitutional concerns. The proposed definition of "doing business" in California raises due process concerns and violates notions of federalism by attempting to subject out-of-state entities to these laws based on the existence of a subsidiary or actions that have only a limited nexus to the State of California. CARB must adopt a reasonable and clear definition of "doing business" in California that makes explicit that a subsidiary alone, even one that normally utilizes intercompany shared services or consolidates financial or other data within its broader enterprise, cannot subject a parent entity to reporting obligations.

CARB's proposed requirements for reports to be submitted under the 200s create Due Process concerns for entities, even if they are able to determine whether they are covered by the laws. CARB's unclear proposal for implementing SB 261 leaves entities unsure of how to submit a compliant report. CARB should revise its guidelines to outline the precise requirements for a compliant report under SB 261 so companies are fairly put on notice of their obligations.

CARB's proposed template for reports submitted under SB 253 likewise conflicts with the existing inventories of regulated entities, resulting in companies incurring significant costs to try to produce compliant data and leaving companies vulnerable if CARB later determines that existing practices are insufficient. CARB should allow reporting entities to rely on recognized, reasonably equivalent reporting frameworks without potential enforcement risk.

Finally, companies are set to incur substantial costs in assessing their requirements under the regulations and preparing compliant reports, all the while litigation concerning the validity of the laws is ongoing. It would be fundamentally unfair to require prompt compliance once the enforcement advisory CARB issued on December 1, 2025, is lifted or the pending litigation in the U.S. Court of Appeals for the Ninth Circuit surrounding the 200s is resolved. If and when the Ninth Circuit case is resolved and there is a final promulgation of regulations, CARB should continue to delay enforcement for a reasonable period of at least 1 year for initial reporting obligations.

I. Reporting obligations place undue burdens on businesses because they do not align with corporate organizational structures.

CARB's proposed framework for reporting obligations under the 200s does not align with how corporations and other climate-focused organizations assess climate risks. As is common for consolidated financial reporting, corporate policies and frameworks for GHG emissions reporting tend to focus on consolidated emissions reporting, in keeping with the global nature of climate issues. The same is true for identifying and assessing climate risk. Many publicly traded companies, for example, analyze emissions and climate-related risks across their entire group of corporate affiliates, as this approach can provide a more comprehensive understanding of the overall climate risk profile arising from business activities. This consolidated reporting approach is embedded within other climate reporting frameworks, like the Task Force on Climate-Related Financial Disclosure ("TCFD") recommendations.[1] The TCFD's framework is centered around reports prepared at the enterprise level, which the TCFD defines as the "group, company, or companies, and other entities for which consolidated financial statements are prepared, including subsidiaries."[2] This is because aligning climate disclosure practices with financial ones better allows companies to discern the "linkages and connections between climate-related issues and their governance, strategy, risk management, and metrics and targets" and produce "consistent, comparable, reliable, clear, and efficient" disclosures.[3]

[1] TCFD, *Final Report: Recommendations of the Task Force on Climate-related Financial Disclosures* (June 2017), https://perma.cc/X8FS-232D.
[2] *Id.* at 63.
[3] *Id.* at 51.

CARB's proposed regulations do not effectively implement this approach. While CARB's reporting framework under SB 261 claims to be "largely based on TCFD,"[4] the proposed regulations require reporting compliance at the entity level where a company actually "does business" in California,[5] mandating a reporting framework for subsidiary corporations that are already covered by consolidated-level reporting. Many of these individual subsidiaries do not currently have the capability to generate granular, subsidiary-level reports because accepted GHG reporting practices currently focus on consolidated reporting among corporate affiliates and companies have made substantial investments in providing reporting of that nature. This creates a host of problems: disaggregation and verification of subsidiary-level data from consolidated reporting will be challenging and burdensome, if it is even possible at all; potential inconsistencies among reporting across various jurisdictions will create potential legal risk, including for non-California entities regulated in other jurisdictions; and such a granular requirement would add little value in the context of corporate entities already covered by established consolidated reporting.

Further, the question of whether or not a specific corporate entity "does business" in California is more complex than contemplated by the proposed regulations. Many large organizations make use of complex shared services and intercompany arrangements among various subsidiary corporate entities, making it extremely unclear what it means for a given company to "do business" in California. And though CARB would *allow* companies to submit consolidated reports at the parent level, not all parent entities independently do business in California, and requiring out-of-state businesses to restructure consolidated GHG reporting to be consistent with California-specific requirements would be burdensome, impose on the regulatory prerogatives of other jurisdictions, and have little benefit, as least as to those entities currently reporting under accepted alternative frameworks. CARB's proposal thus ignores the foundational concept of corporate separateness and risks drawing in entities who themselves might not be subject to disclosure requirements at all. CARB's published guidance on this topic likewise lacks clarity and leaves many unanswered questions as to whether a given entity is or is not in scope, as we discuss further in Section II below.

The same is true of emissions reporting under SB 253. Like with financial reporting and climate risk management, many companies report emissions on a consolidated basis. Instead of making use of these established practices, the proposed regulations would require time-consuming, burdensome, and speculative guesswork and projecting, which constituent companies must assemble (or disaggregate) for the first time and present for public scrutiny. Many multi-entity organizations that do collect GHG data do not do so on an entity-by-entity basis, and forcing complex organizations to do so places an unreasonable burden on these companies. CARB's proposed framework thus creates an unnecessary, arbitrary burden—either requiring subsidiaries with California operations to prepare a separate, potentially inconsistent set of emissions reports, a significant burden with no real benefit, or compelling larger entities with a minimal-at-best connection to California to comply with California regulations at the parent level, despite intentional and well-recognized legally foundational corporate separations amongst related entities.

---

[4] Cal. Air Resources Bd., *Climate Related Financial Risk Disclosures: Checklist* 3 (updated Nov. 17, 2025), https://perma.cc/BLV4-YM49 [hereinafter "*Checklist*"].

[5] Proposed Regulations § 96071 (stating that regulations apply to business entities).

Recognizing that many companies have long abided by established international frameworks like TCFD or the International Sustainability Standards Board, CARB should incorporate these established practices into its rulemaking efforts. We request that CARB set clear standards for reporting obligations under the 200s so regulated entities can produce compliant reports without unnecessary burdens.

II. The proposed scope of CARB's regulations is vague and places an undue burden on out-of-state businesses.

A. Without additional guardrails, CARB's implementation of the reporting triggers raises Due Process concerns.

CARB must provide further clarity and limits on the three reporting criteria to ensure that the 200s do not run afoul of the U.S. Constitution in their implementation. First, a clear and unambiguous definition of "doing business in California" is crucial for ensuring that CARB's final regulations avoid creating due process concerns. Due Process "requires the invalidation of laws that are impermissibly vague," meaning that they "fail[] to provide a person of ordinary intelligence fair notice of what is prohibited, or [are] so standardless that [they] authorize[] or encourage[] seriously discriminatory enforcement. *FCC v. Fox Television Stations, Inc.*, 567 U.S. 239, 253 (2012) (citation omitted). In evaluating whether a vague law gives fair notice such that a regulated entity "know[s] what is required of them," the law's requirements must be clear from the common understanding of the terms used. *See Butcher v. Knudsen*, 38 F.4th 1163, 1168, 1173 (9th Cir. 2022) (quoting *Fox*, 567 U.S. at 253). The proposed definition does not rise to this standard. CARB's regulations contemplate a three-part test for determining whether an entity is subject to reporting obligations under the 200s. First, the entity must be based in the United States.[6] Next, the entity must meet the revenue threshold—$500 million for SB 261, and $1 billion for SB 253.[7] Finally, the entity must "do[] business in California."[8] The proposal defines "doing business in California" to include "engaging in any transaction for the purpose of financial . . . gain" in California, which includes being organized or domiciled within California, or doing business that exceeds certain sales amounts.[9]

Yet, as with the proposed reporting frameworks under the 200s, this three-part test is not sufficient to provide notice to a parent entity that it is subject to reporting obligations. The phrase "within California" implies that an entity must transact within California's borders to be subject to reporting requirements, but the definition as proposed could draw in parent entities wholly outside California. For example, our members include large corporations whose operations may reach several states by virtue of subsidiaries or other affiliated entities. Without greater clarity, a large parent company could trigger the requirements even if the parent itself only has *de minimis* operations within the State if it exceeds the revenue thresholds based entirely on sales *outside* of California and has a wholly owned subsidiary domiciled in California. Or a parent may own a more limited interest in a subsidiary that has greater operations in the State. It is not clear from the face of the rule whether these parent entities would themselves be subject to reporting obligations

[6] Proposed Regulations § 96072(a)(5), (11).
[7] *Id.*
[8] *Id.*
[9] *Id.* § 96072(a)(7), (8); Cal. Code Regs. tit. 18 § 23101(a), (b)(1), (b)(2).

through their subsidiaries. The proposed definition thus fails to give notice to parent entities domiciled and operating outside California as to whether they must comply with the burdensome reporting obligations under SB 253 and SB 261.

To make this clearer, consider a specific (but highly likely) example: Imagine an entity, Acme Parent Inc., a Delaware corporation that is publicly listed, has global operations, and collects and reports GHG emissions for its constituent entities to the Environmental Protection Agency and pursuant to various international reporting laws. Acme Parent Inc. generates tens of billions of dollars annually across its organization, but does not directly generate *any* revenue in California, thus it does not apparently independently fall under the remit of any of the 200s. On the other hand, it has a subsidiary, Acme Western Inc., that generates $100 million in revenue from operations in the western United States, including Arizona, Nevada, Washington, Oregon and California. The revenue generated in California totals $15 million. Under the test for aggregate revenue, Acme Western Inc. does not meet the aggregate revenue thresholds of $500 million or $1 billion, although it clearly generates more than $735,000 of revenue in California. However, it has intercompany shared services with Acme Parent Inc. (consisting of payroll services, financial reporting consolidation, a public company board of directors with responsibilities overseeing the entirety of Acme Parent Inc., including Acme Western Inc.). Under CARB's guidance directing companies to assess obligations on an "individual company basis,"[10] it appears that Acme Parent Inc. would not be "doing business in California," and Acme Western Inc. would not be deemed to meet the aggregate revenue thresholds of $500 million and $1 billion, respectively—seemingly resulting in no reporting requirement for either entity. But it is unclear whether California would share this view and respect the corporate separateness of the organizational structures, particularly in light of the shared services and consolidated reporting (financial and for GHG emissions) that Acme Parent Inc. has long employed. This foundational vagueness makes it risky for companies to confidently determine that they are—*or are not*—subject to these laws.

CARB's vague regulations and guidance do little to explain how a subsidiary's in-state operations impact a parent's reporting obligations. The need for explicit line drawing is all the more important given the grave penalties levied under SB 253 and SB 261. Companies who do not report because they are unable to determine their obligations could be subject to over half a million dollars in penalties—thus leaving businesses compelled to undertake costly, unnecessary reporting efforts for fear of enforcement. Further, given the highly charged issues surrounding climate change, failure to report (whether or not a company's decision to do so was reasonable) could expose a company to other risks such as reputational harm from concerned parties or criticism from non-governmental organizations, which could have a real tangible or intangible impact on a company's brand or operations. In addition to vagueness, these triggering criteria potentially raise a second Due Process concern: it is a fundamental principle that individuals or entities should only be held liable for their own actions and inaction. Unless CARB places proper guardrails on these criteria, they can create situations where one corporate affiliate is held responsible for those of a separate entity.

[10] *See* Cal. Air Resources Bd., *California Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure Programs: Frequently Asked Questions About Regulatory Development and Initial Reports* at 8 (Nov. 17, 2025), https://perma.cc/2YQC-58A2. [hereinafter "FAQ"].

CARB should resolve these constitutional concerns and provide an unambiguous definition of "doing business in California." CARB should revise the proposed definition to clarify that if only a subsidiary of an entity is subject to the 200s, the laws' reach does not extend to the parent, and such determination is not undermined by shared services or intercompany arrangements between parents and subsidiaries. CARB's regulations must be clear and provide fair notice to those it seeks to regulate to avoid being deemed unconstitutional on Due Process grounds. If necessary, CARB should include examples in the preamble to any final rule that demonstrate that actions of one subsidiary or corporate affiliate cannot be attributed to the parent or other affiliated entities when determining whether an entity meets the reporting thresholds.

B. The proposed regulations impermissibly regulate out-of-state conduct.

Due Process is not the only constitutional concern within CARB's proposal. The Constitution affords Congress the exclusive power to "regulate Commerce . . . among the several States." U.S. Const. art. I, § 8, cl. 3. Implicit in this power is the prohibition against States "impos[ing] undue burdens on interstate commerce." *Nat'l Pork Producers Council v. Ross*, 6 F.4th 1021, 1026 (9th Cir. 2021) (quoting *South Dakota v. Wayfair*, 585 U.S. 162, 173 (2018)), *aff'd*, 598 U.S. 356 (2023). This limitation is designed to prevent "purposeful discrimination against out-of-state economic interests," and extends to the regulation of commerce taking place "wholly outside of [a] State's borders, whether or not the commerce has effects within the State." *Nat'l Pork Producers Council v. Ross*, 598 U.S. at 371–72; *Daniels Sharpsmart, Inc. v. Smith*, 889 F.3d 608, 614 (9th Cir. 2018) (quoting *Healy v. Beer Inst.*, 491 U.S. 324, 336 (1989)). The critical inquiry in assessing a law's validity on these grounds is whether the regulation, in effect, "control[s] conduct beyond the boundaries of the State." *Smith*, 889 F.3d at 614 (quoting *Healy*, 491 U.S. at 336).

CARB's proposed regulations fail that test. Though CARB has attempted to tie the regulated conduct to California, the regulations still impose an impermissible extraterritorial reach and require reporting for emissions and climate risks that may occur well outside California's borders. Under CARB's definition, the mere existence of a subsidiary might compel conduct by parent companies transacting entirely outside of the state. Not only would that parent have to disclose emissions and other climate-related information related to the California subsidiary, but it might also be required to disclose such information related to its own nationwide or even international operations. It would violate basic notions of federalism to attempt to apply these disclosure requirements to out-of-state parent companies based on what can be a tenable nexus to California through a subsidiary. CARB should therefore clarify the definition of "doing business in California" to ensure it does not reach out-of-state businesses solely on the basis of a subsidiary that has operations in-state. CARB should provide additional guardrails in any final rule to address this issue.

III. The proposed regulations and guidance to implement SB 261 are insufficient to inform regulated entities how to comply with the rule

The constitutional concerns do not end with assessing whether a company must comply in the first place. Even assuming a company can navigate that first hurdle, CARB's proposed framework for submitting reports under SB 261 lacks both the clarity and specificity to provide

companies with sufficient direction to allow them to submit compliant reports. CARB's guidance provides superficial guidelines for filing compliant reports, stating that its framework for SB 261 reports is "largely based on TCFD."[11] And the items that CARB lists as minimum requirements for disclosure generally align with TCFD's broad recommendations for climate-related risk disclosure. CARB further states that, at least for the first-year reports are due, reports that are "compliant with TCFD 2017" are also compliant with obligations under SB 261 with respect to content of the reports, initially appearing to offer comfort to regulated entities.[12]

However, the authors of SB 261 appear to have forgotten a key point—that the TCFD is a *voluntary* reporting regime, and not a regulatory regime. In other words, the TCFD provides considerable room for individual company discretion in determining what to report. The TCFD, on its own, does not impose any enforceable requirements and outlines only disclosures or analyses an entity might "consider" including in its reports. Importantly, there is no body charged with authoritatively interpreting TCFD and scrutinizing individual TCFD reports, companies' approaches and therefore no authoritative voice indicating just what is and is not "compliant" with the TCFD.

As a result, "compliant" TCFD reports differ significantly across the board. Consider, for example, TCFD's recommendation with respect to scenario analyses to evaluate the impacts of climate change on a business. TCFD recommends that entities evaluate a "2° C or lower scenario in addition to two or three other scenarios" relevant to their circumstances.[13] . Bayer's 2024 TCFD Report, for example, evaluated only two climate scenarios.[14] Liberty Mutual's 2023 TCFD Report, by contrast, assessed four.[15] Banner Bank's considered only one.[16] Some entities may submit reports without any scenario analysis at all, and some undertake a more comprehensive and detailed analysis than others. TCFD reports vary in other ways, too. Some, like Bank of America's, carefully walk through every metric that TCFD advises giving consideration to, while AT&T's is much more succinct.[17]

But which, if any, of these TCFD reports would comply with SB 261? Will CARB accept all of these approaches, or only a more limited subset? And, more importantly, how would a regulated entity *know* if it complies, and how would a company know whether it was likely to see an enforcement action against it for inadequate disclosure? CARB's proposal, which directs entities to take into account "various climate scenarios,"[18] is unclear. This broad wording, along with the rest of CARB's superficial guidance, thus leaves companies in an inappropriate

---

[11] *Checklist*, *supra* note 5, at 3.
[12] FAQ, *supra* note 11, at 12.
[13] TCFD, *supra* note 2, at 27–28.
[14] Bayer Group, *Task Force on Climate-Related Financial Disclosures (TCFD) Report 2024* at 5 (Mar. 5, 2025), https://www.bayer.com/sites/default/files/2025-03/bayer-tcfd-report-2024.pdf.
[15] Liberty Mutual Insurance, *2023 Task Force on Climate-Related Financial Disclosures Report* at 21, https://www.libertymutualgroup.com/documents/tcfd-2023-report.pdf.
[16] Banner Bank, *TCFD Report 2024*, at 7, https://www.bannerbank.com/-/media/project/banner-bank/dotcom/pdfs/tcfd_ada.pdf?.
[17] *See* Bank of America, *Managing our Transition to a Sustainable Future* (Nov. 16, 2023), https://about.bankofamerica.com/content/dam/about/report-center/esg/2023/2023_TCFD_Report.pdf; AT&T, *Task Force on Climate-related Financial Disclosures (TCFD) Index* (last updated Aug. 9, 2023), https://sustainability.att.com/reports/reporting-frameworks/tcfd.
[18] *Checklist*, *supra* note 5, at 6.

conundrum – how to discern the adequacy of *voluntary* subjective requirements for a legally compulsory disclosure? CARB is thus empowered with inappropriate discretion to determine whether a TCFD report complies with SB 261, and companies have no way of knowing whether their reporting is likely to be deemed sufficient. SB 261 does not clearly describe what kind of (or whether a) scenario analysis is required; it does not specify which considerations and recommendations from TCFD an entity must implement. Against this backdrop, SB 261 fails to offer entities a way to know with certainty whether their reports will ultimately be deemed compliant. This creates fundamental Due Process problems for a law that includes enforcement discretion and provides for the imposition of penalties, making it likely that enforcement will be inconsistently applied and thus would be arbitrary and capricious.

It would seem (although again, it is far from clear) that CARB views minimum alignment with TCFD's four pillars as a practical floor, but without defined and comprehensive parameters, it remains unclear to entities how to build out their disclosures in a manner that CARB will consider compliant. For example, after the first year of reporting, where entities initially indicated gap disclosures in their reports, does CARB expect those gaps to be filled in? And by when? If a company has not conducted scenario analysis, are they expected to do so? What constitutes full alignment with the TCFD? CARB's lack of guidance fails to provide entities with any reasonable opportunity to know and understand what compliance looks like and will, therefore, result in continued increased costs for entities and fear of selective or arbitrary enforcement. If CARB determines that a report is insufficient, a company seemingly would have little success in challenging that determination owing to the significant discretion CARB has bestowed upon itself. Companies might be then forced to incur significant funds trying to remedy their reports (to meet an unknown standard) or pay heavy penalties—costs that could have been avoided were reporting requirements clear to begin with.

CARB should thus revise its regulations and guidance to clearly and unambiguously outline the precise requirements and minimum standards for a compliant report under SB 261, including specifying which TCFD recommendations an entity must implement, if any, so companies are fairly put on notice of their reporting obligations.

IV. Reporting frameworks proposed to implement SB 253 diverge from established practices and thus with the intent of the law.

CARB should decline to impose a standardized approach to GHG reporting or require reporting through a mandated template. As discussed above, many public companies that could be subject to SB 253 have long made efforts to measure and inventory their GHG emissions data, often on a consolidated basis at the parent level of an organization. Requiring companies to diverge from their well-established practices thus threatens to impose substantial—and unnecessary—compliance costs on regulated entities with no clear benefits.

The Chamber objects to the submission of SB 253 reports under a mandatory template, which would create unnecessary burdens for companies already complying with the spirit of the law. CARB's own guidance recognizes the uncertainty and implementation difficulties inherent in complying with SB 253.[19] The guidance allows companies to submit emissions reports already

[19] FAQ, *supra* note 11, at 9–10.

prepared through another voluntary or regulatory program or pursuant to its own annual reporting methods for the first reporting period to "reduce uncertainty." CARB should maintain this approach as it finalizes its regulations. Many companies that would be subject to reporting obligations under SB 253 already maintain established inventories, participate in voluntary reporting programs, and have invested significant resources into calculating emissions data based on those protocols.

Adopting this approach would align with the intent of the law as well. Legislators recognize that many businesses already invest significant resources into inventorying and calculating their emissions. SB 253 thus requires CARB to structure emissions reporting "in a way that minimizes duplication of effort and allows a reporting entity to submit to the emissions reporting organization reports prepared to meet other national and international reporting requirements."[20] Allowing companies to submit reports based on existing inventories and frameworks would ensure consistency and reduce compliance burdens of the law.

V. CARB should implement its proposed exemptions, some of which in an expanded form.

We support CARB's proposed exemption for government entities and companies that are majority-owned by government entities. CARB should clarify that this proposed exemption includes subdivisions of governments—such as a political subdivision of a state. Each such entity is not a "business entity" under the plain meaning of that phrase.

Additionally, we support CARB's proposed exemption for a business entity whose only activity within California consists of wholesale electricity transactions. As acknowledged by CARB, this exemption is consistent with the letter of intent from the lead sponsors of SB 253 and SB 261. CARB should clarify that this proposed exemption includes bilateral sales or purchases of electric power or other energy commodities or energy services (such as transmission) that occur in interstate commerce. Such sales or purchases are a type of wholesale electricity transaction. CARB should also include renewable energy certificates transactions (as such transactions support renewable energy projects and, consequently, should not be discouraged in any manner) and carbon offset transactions (as AB 1305 already accounts for disclosures about these transactions) within this proposed exemption. CARB should also expand the "do not count for purposes of determining an entity's sales in California" language at § 96072(a)(8) of the proposed regulations in order to account for these concepts.

Also, we support CARB's proposed exemption for non-profits and charitable organizations that are tax-exempt under the Internal Revenue Code. As correctly stated by CARB, such organizations "do not fall within the legislative intent of corporate disclosures and would not have reportable revenue according to section 96072(a)(13)."[21] The same rationale applies for not-for-profit organizations that are tax-exempt under the Internal Revenue Code. Therefore, such not-for-profit organizations should also be included within this proposed exemption.

[20] Cal. Health & Safety Code § 38532(c)(1)(D)(i).
[21] California Air Resources Board, Staff Report: Initial Statement of Reasons, Dec. 9, 2025, pg. 6.

Further, we support CARB's proposed exemption for business entities whose only business in California is employee compensation or payroll expenses, including teleworking employees. These out-of-state business entities have a minimal and tenuous connection with—and environmental impact within—California.[22]

VI. CARB should ensure regulated entities have sufficient time to comply with climate-related disclosure requirements.

Lastly, should the 200s survive judicial scrutiny, CARB should provide regulated entities with a grace period to come into compliance with reporting requirements. While compliance with SB 261 reports (initially due January 1, 2026) have been temporarily stayed and the regulations propose a deadline of August 10, 2026, for initial reporting under SB 253, requiring fully compliant reports by this deadline is unreasonable given ongoing challenges to the validity of the laws and the compliance costs entities must incur. Both SB 253 and SB 261 continue to be embroiled in litigation over constitutional concerns, and on November 18, 2025, the U.S. Court of Appeals for the Ninth Circuit enjoined enforcement of SB 261.[23] Importantly, the litigation centers around the validity of the laws. Companies cannot reasonably know whether the laws will be upheld nor, as discussed above, what their obligations under these laws would be. To make disclosures on time, companies must necessarily build out staff and infrastructure, engage advisors, and develop protocols months in advance to collect and process information. It would be fundamentally unfair to require companies to continue to incur substantial costs in trying to determine their compliance obligations and prepare reports based on vague regulations arising out of statutes that may ultimately be found to be unconstitutional.

CARB should thus continue to delay enforcement for a period of at least one year for any required submission under or enforcement of the 200s following the final promulgation of the regulations or final court adjudication. During this period, CARB should exercise its discretion to not take enforcement actions against companies who are unable to submit reports or who submit reports perceived to be noncompliant. Companies must be afforded sufficient time to review the final rule and accurately assess their disclosure obligations and determine how to comply.

The Chamber and AMC appreciate your time in considering these comments.

Sincerely,

Danny Seiden
President and CEO
Arizona Chamber of Commerce & Industry

[22] We also support CARB's proposed exemption for a business entity that is subject to regulation by the Department of Insurance in California, or that is in the business of insurance in any other state, but do not have further comments on this proposed exemption.

[23] Order, *U.S. Chamber of Commerce v. Randolph*, No. 25-5327 (9th Cir. Nov. 18, 2025), Dkt. No. 44.