Covington & Burling LLP (Jayni Hein)

Dear Deputy Executive Officer Sahota and California Air Resources Board:

Please find the attached comment letter submitted on behalf of our client in response to the California Air Resources Board's request for public comment on its December 23, 2025 proposed initial regulation for Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure.

Respectfully,
Jayni Hein

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Submitted Electronically February 9, 2026

Rajinder Sahota
Deputy Executive Officer
California Air Resources Board
1001 I Street
Sacramento, California 95814

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

Dear Deputy Executive Officer Sahota:

We submit these comments on behalf of our client in response to the California Air Resources Board's ("CARB") request for public comment on its December 23, 2025 proposed initial regulation for Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure.[1] The proposed initial regulation implements Senate Bill 253 ("SB 253," the "Climate Corporate Data Accountability Act") and Senate Bill 261 ("SB 261," the "Climate Related Financial Risk Act"). The initial regulation sets out rules and a 2026 deadline for initial reporting of Scope 1 and 2 greenhouse gas emissions.

Our client, a United States-based entity whose parent is a Japanese public company,[2] provides three main comments to promote flexibility and harmonization with other reporting rules.

- First, our client supports CARB's proposal to provide companies with flexibility to submit information from their most recent preceding fiscal year notwithstanding their fiscal year ending after February 1, as this promotes cross-jurisdictional harmonization and flexibility.

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[1] Cal. Air Res. Bd, Notice of Public Hearing to Consider the Proposed California Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure Initial Regulation (Dec. 9, 2025), https://ww2.arb.ca.gov/sites/default/files/barcu/regact/2025/sb253-261/notice1.pdf.

[2] Our client is a U.S. entity headquartered in New York, New York, with operations across the United States. The preparation and submission of these comments relate to the client's U.S. operations and interests, including domestic regulatory considerations and matters affecting U.S. activities, stakeholders, and compliance obligations.

- Second, our client encourages CARB, in drafting future Scope 3 reporting rules, to clarify that a reporting entity with a non-reporting corporate parent can report the Scope 3 emissions of its corporate parent (even if the reporting entity reports the Scope 1 and 2 emissions of its own operations).

- Third, our client encourages CARB, in selecting the deadline for reporting Scope 3 emissions in a future rulemaking, to choose the end of the calendar year—i.e., December 31 each year.

Each of these measures would promote harmonization, ease compliance burdens, and facilitate disclosure of the highest quality data.

First, our client appreciates that, for the first SB 253 reporting deadline of August 10, 2026, CARB's proposed regulation allows a reporting entity to report emissions from an "applicable preceding fiscal year" ending after February 1, 2026. The proposed text for Section 96076(b)(2) provides that a reporting entity "may choose to report their Scope 1 and Scope 2 emissions from their most recent preceding fiscal year notwithstanding their fiscal year ending after February 1, where that data is available."[3] In response to the August 21, 2025 workshop, our client submitted a comment requesting this type of flexibility.[4] We noted that our client has a Japanese parent company, and Japanese parent companies and their subsidiaries typically end their fiscal year on March 31. We also explained that Japan's Financial Services Agency ("FSA") is expected to require public companies to submit an emissions report for each fiscal year (likely with an assurance requirement), to be due around the end of the calendar year. By allowing entities the option to prepare, assure, and submit the same report that is submitted to Japanese authorities (i.e., for the fiscal year ending on March 31), CARB will help to "ensure" that its "emissions reporting is structured in a way that minimizes duplication of effort and allows a reporting entity to submit . . . reports prepared to meet other national and international reporting requirements."[5] Where entities choose this option, they will be disclosing the most recent and highest quality emissions data that is available. In its regulations for future years, our client encourages CARB to choose the same or later August 10 deadline and the same flexible approach to the "applicable preceding fiscal year."

Second, our client encourages CARB, in designing its Scope 3 regulations, to clarify that a reporting entity with a non-reporting corporate parent can report the Scope 3 emissions of its corporate parent (even if the reporting entity reports the Scope 1 and 2 emissions only of its own operations). This clarification would enhance cross-jurisdictional harmonization, ease compliance burdens, and support data accuracy and transparency.

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[3] Cal. Air Res. Bd., Proposed Regulatory Text, at 6, https://ww2.arb.ca.gov/sites/default/files/barcu/regact/2025/sb253-261/reg%20text.pdf.

[4] Jayni Hein, Comment in Response to August 21, 2025, Public Workshop for California Climate-Disclosure Legislation: Senate Bills 253 and 261, as amended by Senate Bill 219 (Sept. 11, 2025), https://ww2.arb.ca.gov/form/public-comments/submissions/52196.

[5] Cal. Health & Saf. Code § 38532(c)(2)(D)(i).

Our client's parent company, which is based in Japan, is not a reporting entity under SB 253.[6] As noted, however, the parent will be subject to other emissions reporting requirements (including those promulgated by Japan's FSA) that will encompass Scope 3 emissions and likely require assurance. Reporting Scope 3 emissions can be challenging as it often implicates logistical challenges including the collection, aggregation, and analysis of data from third parties. To prepare for compliance with Japan's requirements, our client's parent company is planning to develop a sophisticated process for calculating Scope 3 emissions for the full organization, including our client. However, due to the corporate organizational structure, the data being developed by the corporate parent will not necessarily be disaggregated by subsidiary. Further, our client will not be leading this Scope 3 data collection for the corporate parent organization and it would be burdensome for our client to develop its own, potentially duplicative procedures to calculate what subset of its parent's Scope 3 emissions correspond to its own organizational boundaries (and down the line, to independently assure that data). As a result, our client expects to have accurate Scope 3 data for the corporate parent organization, but faces barriers in securing accurate Scope 3 data specific to its own organizational boundaries, alone.

CARB should clarify through regulation that a reporting entity that is a U.S. subsidiary of a foreign corporate parent can submit its parent's Scope 3 data that covers the full parent organization. This approach would help to harmonize California's rules with other jurisdictional requirements and alleviate compliance burdens. While the text of the statute already appears to allow for this flexibility,[7] additional regulatory clarification on this point would be very helpful because reporting entities may wish to use different organizational boundaries when reporting their Scope 1 and 2 data and their Scope 3 data (for example, reporting on behalf of the U.S. subsidiary for Scopes 1 and 2 and at the foreign parent level for Scope 3 emissions). Such an approach may differ in certain respects from the general GHG Protocol guidance on setting organizational boundaries; however, to provide for clarity and transparency as to the approach taken, reporting entities could simply state that their Scope 1 and 2 emissions correspond to their own operations and their Scope 3 emissions correspond to the broader operations of the parent organization.

This proposed flexibility would also enhance transparency, as in its absence, investors and consumers could potentially be confused by a major disparity between comprehensive Scope 3 data publicly reported to Japanese (or other non-U.S.) authorities by a parent company and Scope 3 data publicly reported to CARB by certain U.S. subsidiaries of those parent companies. In short, this modest flexibility would support SB 253's goals of cross-jurisdictional harmonization and transparency while minimizing compliance burdens.[8]

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[6] *See id.* § 38532(b)(2) (defining "[r]eporting entity" to include entities "formed under the laws of this state, the laws of any other state of the United States or the District of Columbia, or under an act of the Congress of the United States . . .").

[7] *See* Cal. Health & Saf. Code § 38532(c)(2)(A)(iii) ("Reports may be consolidated at the parent company level. If a subsidiary of a parent company qualifies as a reporting entity pursuant to paragraph (2) of subdivision (b), the subsidiary is not required to prepare a separate report.").

[8] We note that relatively few entities are likely to take advantage of this flexibility, as it is likely to be most helpful to reporting entities that have foreign parents that are not reporting entities.

Third, our client encourages CARB, in selecting the deadline for reporting Scope 3 emissions, to choose the end of the calendar year—i.e., December 31 each year. Due to the challenges of Scope 3 reporting—particularly in the early years of implementation—entities would benefit from having several months after reporting their Scope 1 and 2 data to prepare and ensure accuracy of Scope 3 data. The Legislature indicated in both SB 253 and SB 219 that it expected that significant time would be needed between the deadline for Scope 1 and 2 reporting and the deadline for Scope 3 reporting.[9] Further, because the law will eventually require assurance of Scope 3 data, a meaningful gap between these reporting dates is critical to ensure that assurance providers with expertise in Scope 3 data can meet the market's need in a timely manner.[10] A Scope 3 deadline of no earlier than December 31 would provide reporting entities with 4.5 months after the proposed August 10 reporting deadline for Scopes 1 and 2 to vet their Scope 3 data.

We appreciate the opportunity to assist CARB in effective implementation of SB 253 and SB 261. Please feel free to contact me with any questions.

Sincerely,

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[9] The original text of SB 253 assumed that the deadline for reporting Scope 3 emissions would be significantly after—albeit "no later than 180 days after"—the deadline for reporting Scope 1 and 2 emissions. SB 253 (2023-2024 Reg. Sess.); Stats. 2023, ch. 382, § 2(c)(1)(A)(II). SB 219 amended the law to provide CARB with further flexibility in selecting the Scope 3 deadline. SB 219 (2023-2024 Reg. Sess.); Stats. 2024, ch. 766, § 1(c)(2)(A)(i)(II) (codified at Cal. Health & Saf. Code § 38532(c)(2)(A)(i)(II)). CARB can therefore select a Scope 3 deadline that is more than 180 days after the Scope 1 and 2 deadline.

[10] *Id.* § 38532(c)(2)(F)(iii) (providing that "[t]he assurance engagement for scope 3 emissions shall be performed at a limited assurance level beginning in 2030" and authorizing CARB to establish an assurance requirement for Scope 3 emissions earlier).