

**National Technology & Engineering Solutions of
Sandia, LLC**

COMMENTS ON
PROPOSED CALIFORNIA GREENHOUSE GAS
REPORTING AND CLIMATE-RELATED FINANCIAL RISK
DISCLOSURE INITIAL REGULATION

February 9, 2026

ABOUT SANDIA

Sandia National Laboratories (Sandia) is a multimission federally funded research and development center (FFRDC) sponsored by the Department of Energy's (DOE) National Nuclear Security Administration (NNSA), dedicated to advancing science, technology, and engineering solutions for the nation's most pressing security challenges, including national defense, nuclear deterrence, nonproliferation, energy security, AI, and cutting-edge industries. Thus, the labs perform many vital activities that help keep the nation safe. The labs are managed and operated by National Technology & Engineering Solutions of Sandia, LLC (NTESS) under a long-term management and operating (M&O) contract with the NNSA.

This relationship positions NTESS as a specialized contractor whose interactions with the federal government are integral and exclusive in purpose: put simply, NTESS exists solely to run Sandia on behalf of the NNSA, ensuring the labs fulfill their critical role in national security without the characteristics of typical private businesses. Unlike other private entities, NTESS does not solicit investors—in California or elsewhere—nor does it sell products or services to the public at large; its sole client is the federal government, with all operations funded and directed through this contractual framework. In the context of California's proposed implementation of climate-disclosure legislation under Senate Bills 253 and 261 — laws never intended to apply to governmental entities — the potential application to NTESS remains ambiguous. While NTESS is not formally part of the federal government, NTESS' activities are focused solely on its management of the Labs for the federal government.

PUBLIC COMMENTS

These comments are intended to assist the Board in ensuring that the final regulations are legally sound, administrable, and consistent with longstanding principles governing federal instrumentalities and national security operations. NTESS would emphasize the tremendous National Security importance of its mission, its unique legal and practical role as a steward of federal assets, and the corresponding urgent need to clarify the applicability of these rules to NTESS' operations.

I.

CLARIFICATION IS NECESSARY TO AVOID UNINTENDED APPLICATION TO FEDERAL NATIONAL SECURITY FACILITIES

Federally funded national security laboratories, such as those operated under management and operations (M&O) contracts with the U.S. Department of Energy and the National Nuclear Security Administration, exist solely to carry out core federal missions. These laboratories operate as federally funded research and development centers (FFRDCs) and are subject to extensive federal oversight, direction, and security controls.

Absent a clear regulatory clarification, the current draft could be interpreted to apply disclosure obligations to entities whose assets are exclusively federal and whose operations are conducted exclusively or primarily pursuant to federal “M&O” contracts and under federal control. Such an interpretation would risk extending state regulatory requirements into areas traditionally and constitutionally reserved to the federal government.

Further, the proposed regulations could be interpreted as subjecting these entities, or their management and operating contractors, to reporting obligations notwithstanding the fact that their operations are conducted exclusively in furtherance of federal missions. Such an outcome would extend the scope of the climate disclosure programs beyond their intended commercial focus. Thus, NTESS proposes, as reflected in **Exhibit A**, the following language be added to § 96071 (b):

“(6) A Federally Funded Research And Development Center (FFRDC), national laboratory, or similar entity that operates pursuant to a contract with the United States Department of Energy, the National Nuclear Security Administration, or another federal agency for purposes of national security, nuclear security, energy security, or classified research, including any management and operating contractor acting in furtherance of such federal mission.”

Exempting NTESS from reporting requirements under a federal actor exemption aligns with the express legislative intent of SB 253 and SB 261, which were designed from the beginning to target profit-oriented corporations contributing to climate impacts through commercial activities, **not** mission-driven federal extensions like FFRDCs. CARB’s proposed exemptions for non-profits, universities, and entities with minimal California

footprints underscore a focus on commercial business enterprises and efforts, avoiding overreach, and NTESS fits this ethos - its presence in California is solely for federal research/national security purposes, not for the purposes of business expansion. Treating NTESS as a regular for-profit business could chill federal-state cooperation and invite costly litigation over preemption. But by classifying NTESS as a subcategory of federal government actor (solely and exclusively for the purposes of these proposed regulations) would ensure these regulations remain targeted at true private sector emitters without ensnaring vital public-interest operations.

II.

THE DEFINITION OF “REPORTING ENTITY” AND “COVERED ENTITY” SHOULD BE MODIFIED TO EXCLUDE FEDERALLY FUNDED NATIONAL SECURITY LABORATORIES

As currently drafted, the proposed definitions of “reporting entity” and “covered entity” are broad and, absent clarification, could be interpreted to encompass federally funded national security laboratories and their management and operating contractors. The latter entities, Atomic Energy Act authorized management and operating contractors, while frequently organized as corporations or limited liability companies, do not operate as ordinary commercial actors. Rather, they perform exclusively or primarily federal mission functions under close federal direction and control, including activities in such critical areas as national security, nuclear deterrence, energy security, and classified research.

Accordingly, NTESS proposes, as reflected in the attached **Exhibit A**, the following language be added to § 96072:

“(5) Covered entity” means a corporation, partnership, limited liability company, or other business entity formed under the laws of the 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 with total annual revenues in excess of five hundred million United States dollars (\$500,000,000) and that does business in California, provided that said entity is not a federally funded research and development center, Federally Funded National Security Laboratory, or an entity operating primarily or exclusively pursuant to a federally funded mission involving national security, nuclear security, energy security, or classified activities under the direction or control of the United States government. The entity’s revenue amount shall be determined by the lesser of the entity’s two previous fiscal years of revenue. “Covered entity” does not include 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.

(9) “Federally Funded National Security Laboratory” (FFNSL) means a federally funded research and development center or another entity operating under contract with the United States Department of Energy, the National Nuclear Security Administration, or another federal agency whose mission includes national security, nuclear deterrence, or classified activities under the direction or control of the United States government.

(12) “Reporting entity” means a partnership, corporation, limited liability company, or other business entity 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 with total annual revenues in excess of one billion United States dollars (\$1,000,000,000) and that does business in California, provided that said entity is not a federally funded research and development center, Federally Funded National Security Laboratory, or a similar entity operating primarily or exclusively pursuant to a federally funded mission involving national security, nuclear security, energy security, or classified activities under the direction or control of the United States government. The entity’s revenue amount shall be determined by the lesser of the entity’s two previous fiscal years of revenue.”

Modifying the above definitions to expressly exclude FFRDCs, FFNSLs, and their management and operating contractors acting pursuant to federal missions is necessary to align the regulations with constitutional principles of intergovernmental immunity. Without such an exclusion embedded in the definitional provisions themselves, the regulations could be construed to impose state disclosure requirements that directly regulate federal operations, creating legal uncertainty and potential conflicts with federal law and policy.

In addition, embedding this exclusion within the definitions promotes common sense, regulatory clarity, and administrative efficiency. It avoids the need for case-by-case determinations regarding federal mission scope, contractual structure, or operational control, and ensures that the climate disclosure programs remain focused on their intended targets: commercial entities whose disclosures are designed to inform investors and the public, rather than entities performing classified, federally controlled national security functions.

IV.

CONCLUSION

Clarifying that national laboratories such as Sandia and their management and operating contractors are excluded from the reporting requirements will:

- Provide certainty to regulated entities and CARB;
- Prevent unnecessary legal disputes in state and federal courts;
- Avoid costly and inefficient case-by-case determinations; and
- Ensure the regulations remain focused on their intended targets: commercial entities whose climate-related disclosures may advance transparency for investors and the public.

For these reasons, NTESS respectfully urges CARB to adopt revisions that clearly exclude FFNSLs, FFRDCs, and their management and operating contractors acting pursuant to federal missions from the California Climate Disclosures reporting requirements, as proposed in detail in **Exhibit A**. These clarifications are consistent with common sense, known statutory intent, constitutional principles, and sound administrative practices, and will strengthen the final regulations against possible legal challenges.

Thank you for your attention to this matter.

Exhibit A

National Technology & Engineering Solutions of
Sandia, LLC's

Proposed Rules Redline

Article 6: California Climate Disclosures

Subarticle 1: General Requirements for California Climate Disclosures Reporting

§ 96070. Purpose

The purpose of this article is to establish certain requirements pursuant to sections 38532 and 38533 of the Health and Safety Code. The climate change disclosure reporting programs set forth in this article are also colloquially referred to by the legislative bill numbers that originally enacted them: Senate Bill (S.B.) 253 (2023), the Climate Corporate Data Accountability Act, codified at Health & Safety Code Section 38532; and SB 261 (2023), the Climate-Related Financial Risk Act, codified at Health & Safety Code Section 38533.

NOTE: Authority cited: Sections 38532, 38533, 39600 and 39601, Health and Safety Code.

Reference: Sections 38532 and 38533, Health and Safety Code.

§ 96071. Applicability.

- (a) This article applies to reporting entities and covered entities, as defined in section 96072.
- (b) This article does not apply to the following entities:
 - (1) Non-profit or charitable organizations that are tax-exempt under the Internal Revenue Code;
 - (2) 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.
 - (3) Federal, State and local government entities, and companies that are majority-owned by government entities (>50.00%);
 - (4) A business entity whose only activity within California consists of wholesale electricity transactions; ~~and~~
 - (5) A business entity whose only business in California is employee compensation or payroll expenses, including teleworking employees; ~~and~~
 - (6) A Federally Funded Research And Development Center (FFRDC), national laboratory, or similar entity that operates pursuant to a contract with the United States Department of Energy, the National Nuclear Security Administration, or another federal agency for purposes of national security, nuclear security, energy security, or classified research, including any management and operating contractor acting in furtherance of such federal mission.”

§ 96072. **Definitions.**

(a) For the purposes of this article, the following definitions apply:

- (1) “Business entity” means a corporation, partnership, limited liability company, or other business entity formed under the laws of the 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.
- (2) “CARB” means the California Air Resources Board.
- (3) “Climate Accountability and Emissions Disclosure Fund” means the account where proceeds of the Health and Safety Code section 38532 implementation fee are deposited, and from which moneys are continuously appropriated for use by the state board for purposes of administering the Climate Corporate Data Accountability Act established by Health and Safety Code section 38532.
- (4) “Climate-Related Financial Risk Disclosure Fund” means the account where the proceeds of the Health and Safety Code section 38533 implementation fees are deposited, and from which moneys are continuously appropriated for use by the state board for purposes of administering the Climate-Related Financial Risk program established by Health and Safety Code section 38533.
- (5) “Covered entity” means a corporation, partnership, limited liability company, or other business entity formed under the laws of the 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 with total annual revenues in excess of five hundred million United States dollars (\$500,000,000) and that does business in California, provided that said entity is not a federally funded research and development center, Federally Funded National Security Laboratory, or an entity operating primarily or exclusively pursuant to a federally funded mission involving national security, nuclear security, energy security, or classified activities under the direction or control of the United States government. The entity’s revenue amount shall be determined by the lesser of the entity’s two previous fiscal years of revenue. “Covered entity” does not include 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.
- (6) “Debt” means those loans obtained by CARB, and required by the Legislature to be repaid, to carry out sections 38532 and 38533 of the Health and Safety Code.
- (7) “Doing business” shall have the same definition as set forth in section

23101(a) of the California Revenue and Taxation Code.

- (8) “Doing business in California” means doing business and meeting either of the criteria set forth in subsections 23101(b)(1) or 23101(b)(2) of the California Revenue and Taxation Code. Wholesale sales of electricity do not count for purposes of determining an entity’s sales in California under Revenue and Taxation Code section 23101(b)(2).
- (9) “Federally Funded National Security Laboratory” (FFNSL) means a federally funded research and development center or another entity operating under contract with the United States Department of Energy, the National Nuclear Security Administration, or another federal agency whose mission includes national security, nuclear deterrence, or classified activities under the direction or control of the United States government.
- (10) “Implementation Fee” means the fee set by the state board and assessed annually on a reporting entity or covered entity.
- (11) “Parent” means a business entity that has ownership interest in or control of another business entity by direct corporate association as specified in section 95833 of Title 17 of the California Code of Regulations. The indicia determining ownership or control are set forth in section 96072(a)(6).
- (12) “Reporting entity” means a partnership, corporation, limited liability company, or other business entity 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 with total annual revenues in excess of one billion United States dollars (\$1,000,000,000) and that does business in California, provided that said entity is not a federally funded research and development center, Federally Funded National Security Laboratory, or a similar entity operating primarily or exclusively pursuant to a federally funded mission involving national security, nuclear security, energy security, or classified activities under the direction or control of the United States government. The entity’s revenue amount shall be determined by the lesser of the entity’s two previous fiscal years of revenue.
- (13) “Required Revenue” (RR) means the total amount of funds necessary to recover the costs of implementation of expenditures under the programs established by Health and Safety Code sections 38532 or 38533, respectively, for each fiscal year, based on the number of personnel positions, including salaries and benefits, contracting costs, and all other costs, including legal defense of this article, as approved in the California

Budget Act for that fiscal year.

- (14) “Revenue” has the same meaning as “gross receipts” under section 25120(f)(2) of the California Revenue and Taxation Code.
- (15) “Scope 1 Emissions” means, as defined in Health & Safety Code Section 38532(b)(3), all direct greenhouse gas emissions that stem from sources that a reporting entity owns or directly controls, regardless of location, including, but not limited to, fuel combustion activities.
- (16) “Scope 2 Emissions” means, as defined in Health & Safety Code Section 38532(b)(4), indirect greenhouse gas emissions from consumed electricity, steam, heating, or cooling purchased or acquired by a reporting entity, regardless of location.
- (17) “Subsidiary” means a business entity that another business entity has ownership interest in or control of by direct corporate association as set forth in section 95833 of Title 17 of the California Code of Regulations. A subsidiary may operate as a separate legal entity but is under the control of the parent entity due to this direct corporate association which can influence the subsidiary’s operations, management, or financial decisions. The following indicia of control determine ownership or control:
 - (A) Greater than 50 percent of ownership of any class of listed shares, the right to acquire such shares, or any option to purchase such shares of the other entity;
 - (B) Greater than 50 percent of common owners, directors, or officers of the other entity;
 - (C) Greater than 50 percent of the voting power of the other entity;
 - (D) In the case of a partnership other than a limited partnership, greater than 50 percent of the interests of the partnership;
 - (E) In the case of a limited partnership, greater than 50 percent of control over the general partner or greater than 50 percent of the voting rights to select the general partner; and
 - (F) In the case of a limited liability corporation, greater than 50 percent of ownership in the other entity regardless of how the interest is held.

- (18) “Total Required Revenue” (TRR) means Required Revenue with a 10% contingency adjustment to cover unforeseen costs or reductions in revenue, plus the Debt.

NOTE: Authority cited: Sections 38532, 38533, 39600 and 39601, Health and Safety Code.

Reference: Sections 38532 and 38533, Health and Safety Code.

Subarticle 2: Fees

§ 96073. Calculation of Fees.

- (a) For entities reporting pursuant to Health and Safety Code sections 38532 and 38533, CARB shall annually calculate a fee rate for each program using the following formula:

$$RR_y = RR_{y-1} \times [1 + ANN_y]$$

$$TRR_y = (RR_y \times (1 + A)) + D$$

Where:

RR_y = Required Revenue, as specified in subsection 96072(a), for FY (y)

D = Debt, as defined in section 96072(a)

ANN_y = Percentage change in the cost of living for FY (y), pursuant to California Revenue and Taxation Code section 2212, is the percentage change from April 1 of the prior year to April 1 of the current year in the California Consumer Price Index for all items, as determined by the California Department of Industrial Relations. Since the base year is FY 2026–27, the first year of inflation application is 2027.

TRR_y = Total Required Revenue for FY y

A = Contingency Adjustment

- (b) If there is any excess or shortfall in revenue collected for any fiscal year, such excess or shortfall shall be carried over to the next year’s calculation of TRR.

- (c) Health and Safety Code section 38532 Fee:

$$F_{38532} = (TRR_y \times P_{38532}) / N_{38532}$$

Where:

P_{38532} = Percentage of TRR dedicated administration of Health and Safety Code section 38532 as derived from the authorized staff positions assigned to Health and Safety Code section 38532.

N_{38532} = Number of reporting entities

- (d) Health and Safety Code section 38533 Fee:

$$F_{38533} = (\text{TRR}_y \times P_{38533}) / N_{38533}$$

Where:

P_{38533} = Percentage of TRR dedicated to administration of Health and Safety Code section 38533 as derived from the authorized staff positions assigned to Health and Safety Code section 38533.

N_{38533} = Number of covered entities

NOTE: Authority cited: Sections 38532, 38533, 39600 and 39601, Health and Safety Code.

Reference: Sections 38532 and 38533, Health and Safety Code.

§ 96074. Payment and Collection.

- (a) Annual fees are assessed for reporting entities and covered entities. Beginning in fiscal year 2026 and for each year thereafter, on or by September 10, the Executive Officer shall provide a written fee determination notice to each affected entity of the amount due. The amount of the fee shall be calculated using the fee calculation formulas set forth in section 96073.
- (b) *Payment Period.* Each entity that is notified by the Executive Officer that it must remit a specified fee amount to CARB for the current reporting year shall remit that fee amount to CARB for deposit into the Climate Accountability and Emissions Disclosure Fund and/or the Climate-Related Financial Risk Disclosure Fund, as itemized on the invoice, within 60 days of the fee determination notice date. Payment shall be made payable to the California Air Resources Board.
- (c) *Late Fee.* Entities failing to remit the fee to CARB within 60 days of receipt of the fee determination notice are subject to a late fee. The Executive Officer shall set the late fee in an amount sufficient to cover the additional costs to CARB in administering and implementing this program caused by the entity's untimely payment. The late fee is in addition to any penalty that may be assessed as provided in section 96075.

- (d) *Recordkeeping.* Entities subject to this article must maintain records demonstrating that they meet the revenue and doing business in California thresholds of Health and Safety Code sections 38532 and 38533, as defined in section 96072 of this article. Entities must retain these records for five years, and must provide these records to CARB if requested.

NOTE: Authority cited: Sections 38532, 38533, 39600 and 39601, Health and Safety Code.

Reference: Sections 38532 and 38533, Health and Safety Code.

§ 96075. Fee Enforcement.

- (a) *Penalties.* Penalties may be assessed for any violation of this subarticle consistent with Health and Safety Code sections 38532, 38533, and 38580; and Article 3 (commencing with Section 60065.1) and Article 4 (commencing with Section 60075.1) of Subchapter 1.25 of Chapter 1 of Division 3 of Title 17 of the California Code of Regulations. Each day during any portion of which a violation occurs is a separate offense.
- (b) *Injunctions.* Any violation of this subarticle may be enjoined pursuant to Health and Safety Code section 41513.
- (c) *Payment Violations.* The failure to pay the full amount of any fee required by this subarticle shall constitute a single, separate violation of this subarticle for each day or portion thereof that the fee has not been paid after the date the fee is due.
- (d) *Auditing.* The Executive Officer may contract with or consult with outside entities, including, but not limited to, the Board of Equalization or the California Franchise Tax Board, to obtain data or services needed to audit the fee remittances provided by fee payers, or unpaid fees. The Executive Officer may use fee revenues collected under this subarticle, in addition to other funding sources, to fund auditing and collection procedures.

NOTE: Authority cited: Sections 38532, 38533, 39600 and 39601, Health and Safety Code.

Reference: Sections 38532, 38533, and 41513, Health and Safety Code.

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

- (a) Reporting entities shall report their Scope 1 and Scope 2 emissions for the applicable preceding fiscal year as determined in section 96076(b), on or

before August 10, 2026.

- (b) For purposes of this section, the “applicable preceding fiscal year” shall be determined as follows:
- (1) If the reporting entity’s fiscal year ends on or before February 1 in a calendar year, the applicable preceding fiscal year shall be the fiscal year ending in the current calendar year.
 - (2) If the reporting entity’s fiscal year ends after February 1 in a calendar year, the applicable preceding fiscal year shall be the fiscal year ending in the previous calendar year. However, 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.

NOTE: Authority cited: Sections 38532, 38533, 39600 and 39601, Health and Safety Code.

Reference: Sections 38532 and 38533, Health and Safety Code.

§ 96077. Severability.

- (a) Each part of this article is severable. In the event that any part of this article is held to be invalid, the remainder of this article shall continue in full force and effect.

NOTE: Authority cited: Sections 38532, 38533, 39600 and 39601, Health and Safety Code.

Reference: Sections 38532 and 38533, Health and Safety Code.