



August 1, 2025

California Air Resources Board

Submitted via email: climatedisclosure@arb.ca.gov

RE: Additional comments related to CARB Information Solicitation to Inform Implementation of California Climate-Disclosure Legislation: Senate Bills 253 and 261, as Amended by SB 219

Dear Chair Randolph:

Following up on our July 2 discussion with CARB staff members, the California Bankers Association (CBA) and the American Bankers Association¹ appreciate the opportunity to submit additional comments in response to the [information solicitation by the California Air Resources Board \(CARB\) to inform the board's rulemaking to implement Senate Bill 253 \(Weiner 2023\) and SB 261 \(Stern 2023\)](#) and the questions posed during [CARB's May 29 workshop](#).

Reporting Deadlines and Data Lags

We urge CARB to adopt the latest possible disclosure deadline for Scope 1 and 2 emissions, such as December 31, 2026, and for Scope 3 emissions at the end of calendar year 2027. These timelines are essential for financial institutions to produce accurate, complete, and assured disclosures that reflect the operational complexity of their business and the realities of emissions data availability.

Financial institutions require a minimum six-month lag to report Scope 1 and 2 emissions. These disclosures rely on operational and energy usage data collected from across global business lines and utility providers. This information is often not available until several months after the end of the reporting period. Additional time is also required for internal validation and for completion of third-party assurance. Setting an earlier deadline would compromise the quality and completeness of disclosures.

Scope 3 emissions reporting presents even greater challenges. For financial institutions, financed emissions – defined under Category 15 of the GHG Protocol – require emissions data from borrowers, investees, and third-party data providers. This information is frequently based on corporate disclosures that are released well after year-end or must be

¹ The American Bankers Association is the voice of the nation's \$24.5 trillion banking industry, which is composed of small, regional and large banks that together employ approximately 2.1 million people, safeguard \$19.5 trillion in deposits and extend \$12.8 trillion in loans.

estimated using proxy data or modeling. In practice, Scope 3 emissions reporting reflects a 12-18 month data lag, and in some cases, data may not be available for even longer periods.

The Health and Safety Code grants CARB clear authority to set flexible reporting deadlines. Section 38532(c)(2)(A)(i)(I) authorizes CARB to set a date for Scope 1 and 2 disclosures, and Section 38532(c)(2)(A)(i)(II) allows CARB to specify a schedule for Scope 3 disclosures. Furthermore, Section 38532(f)(2)(B) protects reporting entities from penalties for Scope 3 misstatements made with a reasonable basis and in good faith, reflecting the legislature's recognition of the data limitations associated with Scope 3 reporting.

We strongly encourage CARB to fully exercise the flexibility granted by SB 219 and to set reporting deadlines that are aligned with reporting realities. Establishing end-of-year deadlines for both Scope 1 and 2 and Scope 3 disclosures will improve the credibility, comparability, and usefulness of the reported data while reducing compliance risk for reporting entities.

Preserving Flexibility in Use of External Frameworks

We urge CARB to preserve the flexibility that SB 219 affords to reporting entities by refraining from standardizing, reinterpreting, or modifying the external climate reporting frameworks referenced in the statute, specifically the GHG Protocol and the Task Force on Climate-related Financial Disclosures (TCFD). These frameworks were selected by the Legislature because they are globally recognized, widely adopted, and intentionally principles-based. Their value lies not only in their structure, but in the flexibility they provide for entities operating across different sectors, with varying levels of data maturity and facing different climate risk profiles.

CARB should apply the same interpretive approach it has taken under SB 261 to its implementation of SB 253 and the GHG Protocol. In its July 2025 FAQ, CARB explained that when entities select a reporting framework under SB 261 (e.g., TCFD), they should apply not only the framework itself but also the principles embedded within it. This acknowledges that external frameworks are not simply structural tools, but are grounded in underlying concepts (e.g., relevance, transparency) that shape how disclosures are prepared and interpreted. This is a thoughtful and appropriate approach to implementation, and we recommend that CARB adopt the same treatment for the GHG Protocol under SB 219. Because SB 219 explicitly references the GHG Protocol as the required standard for emissions disclosures, its embedded principles and flexibilities should guide how reporting obligations are applied, especially for Scope 3, where estimation, category-level prioritization, and data limitations make strict prescriptiveness impractical.

The GHG Protocol's Scope 3 Standard includes several critical flexibility provisions that reflect the complexity and variability of Scope 3 emissions across sectors. These include the

ability to prioritize categories based on relevance and significance, to exclude categories with transparent and justified rationale, and to use a range of data sources, including primary data, secondary data, industry averages, proxy data, and modeled estimates. These features are not optional enhancements but core components of the GHG Protocol's design. Preserving them in CARB's implementing regulations is essential to ensuring that disclosures remain useful for stakeholders and feasible for reporting entities to produce.

We understand that CARB has indicated it faces challenges in relying solely on a reference to the GHG Protocol and may consider issuing more specific guidance for reporting entities. In our view, such specificity is not necessary to make the framework operational and would conflict with the flexibility the Legislature mandated when directing CARB to adopt regulations in conformance with the GHG Protocol. Other jurisdictions have successfully implemented disclosure regimes that reference the GHG Protocol without modifying or supplementing the standard, and entities comparable in size and complexity to those operating in California have been able to comply on that basis. That experience demonstrates that a clear reference to the GHG Protocol is sufficient when supported by educational guidance and preparer-facing materials. We support CARB offering non-binding resources, such as references to relevant sections of the Protocol or illustrative examples, to help promote consistency and transparency in implementation. We also encourage CARB to apply the same enforcement discretion to Scope 3 reporting in 2027 that it has already committed to for Scope 1 and 2 in 2026.

Defining Revenue

CBA encourages CARB to adopt revenue thresholds as outlined in the American Bankers Association [comment letter](#) submitted March 7, 2025.

Revenue thresholds for financial institutions should be based on Net Interest Income rather than gross revenue. This adjustment will align with regulatory and investor standards and avoid unnecessary volatility in determining compliance, which can result from factors outside banks' control, such as changes to fiscal and monetary policy.

The vast majority of companies in the U.S. report revenues that exclude Other Comprehensive Income (OCI) for public reporting purposes. Computing the \$500 million and \$1 billion revenue thresholds for companies by excluding OCI items will both simplify the annual revenue formula and, in the financial services industries, also align the criteria with those used by banking regulators and investors.

Rather than exempting or qualifying a company from reporting under the laws solely because of routine short-term revenue volatility or of one-time gains or losses that may cause a company to exceed or fall beneath the revenue threshold, we recommend that a company is considered to qualify under the annual revenue threshold if the threshold is

exceeded in two consecutive years. Likewise, a company falls out of qualification if its annual revenue is under the threshold for two consecutive years.

Thank you again for the opportunity to offer preliminary comments. We welcome any questions you may have regarding our letter.

Sincerely,



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