March 20, 2025

California Air Resources Board
Chair Liane Randolph
1011 I Street
Sacramento, CA 95814

RE: Information Solicitation to Inform Implementation of SB 253 and SB 261

Dear Chair Randolph:

Americans for Financial Reform Education Fund (AFREF) writes to express our support for the California Air Resources Board (CARB) as it issues robust climate disclosure rules implementing SB 253 and SB 261. AFREF is a nonpartisan, nonprofit coalition of more than 200 civil rights, consumer, labor, business, investor, faith-based, civic, and community groups. Formed in the wake of the 2008 crisis, we work to lay the foundation for a strong, stable, and ethical financial system – one that serves the economy and the nation as a whole.

AFREF joined a coalition letter led by California Environmental Voters and others urging that the CARB maintain momentum and adhere to the updated rulemaking timeline set by SB 219, ensure full scope greenhouse gas emission reporting for all covered entities, harmonize the rules with widely adopted standards like the Greenhouse Gas (GHG) Protocol,[1] the Taskforce on Climate Related Financial Disclosures (TCFD) recommendations,[2] and the International Sustainability Standards Board (ISSB) standards,[3] and ensure the information is freely available and easily accessible to the public. We also make the following recommendations.

Alternative reporting in 2026

With respect to question 3: the CARB should make clear that they will accept Corporate Sustainability Reporting Directive (CSRD)[4] or ISSB S2[5] reports as an alternative to the forthcoming requirements for 2026 filings so that reporting entities have clarity and can begin developing 2026 filings in advance of the finalization of the rule. The CARB should not allow entities to submit unstandardized documents such as corporate sustainability reports, as these reports often feature greenwashing and are difficult to compare between firms.[6] The CARB should seek to finalize its rules well in advance of the 2027 reporting deadline so that covered entities have ample time to prepare filings in line with the CARB's rules moving forward.

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[1] Greenhouse Gas Protocol, "Standards & Guidance," Accessed March, 2025.
[2] Task Force on Climate-Related Financial Disclosure, "TCFD Recommendations," Accessed March, 2025.
[3] IFRS Foundation, "International Sustainability Standards Board," Accessed March, 2025.
[4] Official Journal of the European Union, "Directive (EU) 2022/2464 of the European Parliament and of the Council," December 14, 2022.
[5] IFRS Foundation, "IFRS S2 Climate-related Disclosures," Accessed March, 2025.
[6] Layne, Rachel feat. Rouen, Ethan C., "Are Companies Actually Greener–-or Are They All Talk?" Harvard Business School Working Knowledge. January 13, 2023.

Filing deadlines

With respect to questions 10 and 11: Certain aspects of corporate climate reporting require acquisition and analysis of data that will often create a delay between the end of the covered reporting period and filing of a report. To avoid unnecessary burdens and errors, we recommend the CARB allow a two month gap between the end of reporting period and the filing deadline. For example, for reports that cover the time period from January 1st to December 31st, filings could then be due March 1st of the following year. We strongly recommend that the CARB standardize the biennial SB 261 reporting year rather than allowing entities to report in either year of a two-year period; this will enhance the comparability of the filings.

Disclosing organizational boundaries for greenhouse gas reporting and requiring full disclosure

With respect to question 7: Different types of companies take different approaches to organizational boundary setting and business consolidation, so it is important that reporting entities disclose a complete greenhouse gas inventory along with the details of their consolidation method, including as it pertains to greenhouse gas accounting. Ideally, the CARB should require disaggregated disclosure of Scope 1, 2, and 3 emissions for the consolidated accounting group and, separately, Scopes 1, 2, and 3 emissions for unconsolidated entities (i.e., associates, joint ventures, and unconsolidated subsidiaries and affiliates) outside of the consolidated accounting group (for a total of six emissions data points), along with disclosure of the GHG Protocol approach used to calculate these values (e.g., the equity share, operational control, or financial control methods).

As an alternative, the CARB could consider adopting the rules outlined in ISSB S2,[7] which would disaggregate Scopes 1 and 2 into 'consolidated' and 'unconsolidated' buckets, while requiring additional information on Scope 3 emissions for certain financial industries—asset management, banking, and insurance—to avoid misleading or incomplete disclosure regarding these companies' so-called 'financed' and 'facilitated' emissions.

We appreciate the opportunity to comment on these forthcoming regulations. If you have any questions, please reach out to Alex Martin (alex@oufinancialsecurity.org).

Sincerely,
Americans for Financial Reform Education Fund

[7] IFRS Foundation, "IFRS S2 Climate-related Disclosures," Accessed March, 2025.