California Air Resources Board is Proposing a Watered Down Corporate Emissions Disclosure Rule

Partial emissions coverage would let major corporate polluters off the hook

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About

Americans for Financial Reform Education Fund (AFREF) is an independent, nonprofit organization founded by a coalition of more than 200 civil rights, community-based, consumer, labor, small business, investor, faith-based, civic groups, and individual experts. We fight for a fair and just financial system that contributes to shared prosperity for all families and communities.

Public Citizen is a nonprofit consumer advocacy organization that champions the public interest in the halls of power. We defend democracy, resist corporate power, and fight to ensure that government works for the people – not big corporations. Founded in 1971, we now have 1 million members and supporters throughout the country.

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California Air Resources Board is proposing a watered down corporate emissions disclosure rule

Partial emissions coverage would let major corporate polluters off the hook.

The California Air Resources Board (CARB) is developing a corporate greenhouse gas (GHG) emissions disclosure program for all large companies doing business in the state, authorized by landmark legislation SB253.[1] The law requires large businesses that make over $1 billion in annual revenue doing business in California to submit their total annual corporate GHG emissions to CARB starting in 2027. These emissions figures will be publicly disclosed.

Individual industries and trade groups have been pursuing aggressive legal and advocacy strategies to weaken the rules or obtain exemptions, so far unsuccessfully.[2] The insurance industry nearly secured an exemption from emissions reporting, but after significant opposition, including from the bill's author, State Senator Scott Weiner, the former California Insurance Commissioner Dave Jones, and the broader public, CARB reversed course.[3] Now the agency is considering proposing a watered down emissions standard that would fail to meet the requirements of SB253; result in incomplete, incomparable, and potentially misleading data for users; and omit most emissions for major polluting industries, like oil and gas firms and financial companies.[4]

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[1] California Senate Bill (SB) 253. Wiener, Stats. 2023, ch. 382; codified in Health and Safety Code Section 38532, as amended.

[2] See E.g., Karen Zraick, "Exxon Sues California Over New Climate Disclosure Laws." New York Times. October 25, 2025; Michael McDonough and Karen Eskander. "Ninth Circuit Oral Argument Highlights: Challenges to California Climate Disclosure Laws (SB253 and SB261)." Pillsbury Law. January 27, 2026.

[3] Taylor Pullins and Laura Mulry. "California climate disclosure laws: CARB announces Scope 3 phase in, rescinds exemption for insurers and codifies 2026." White and Case. August 4, 2026.

[4] CARB. "SB253 Public Workshop: California Corporate Greenhouse Gas Reporting Program." July 21, 2026. Slides 27 through 30.

SB253 requires complete GHG emissions reporting.

In the realm of corporate GHG accounting, "Scope 3" emissions are those created upstream and downstream of the company's facilities, including those from suppliers, from the use and disposal of the company's products, and other activities. Scope 3 emissions often represent the majority of a company's overall emissions, its contribution to climate change, and its risks from environmental regulations, new technologies, and changing consumer preferences.[5] For example, the majority of Exxon's emissions are categorized as "Scope 3" because they are emitted by Exxon's end customers (e.g., everyday automobile drivers), not by Exxon itself. Comprehensive Scope 3 emissions reporting is essential for meaningful corporate GHG emissions data.

The standard underpinning SB 253 is the Greenhouse Gas Protocol (GHG Protocol), the global standard for corporate emissions accounting. The GHG protocol makes it clear that upstream and downstream emissions must be disclosed in corporate GHG inventories, stating that "companies should not exclude any activity that is expected to contribute significantly to the company's total scope 3 emissions."[6] In other words, to take Exxon as an example, to comply with SB 253, the company would need to account for its fossil fuel product emissions.[7]

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[5] The Carbon Disclosure Project reports that Scope 3 emissions represent about 75 percent of total emissions on average for companies it surveys across various sectors. Carbon Disclosure Project. "[CDP Technical Note: Relevance of Scope 3 Categories by Sector: CDP Corporate Questionnaire]." Version 3.0. June 28, 2024.

[6] Greenhouse Gas Protocol. World Resources Institute and WBCSD. "[Corporate Value Chain (Scope 3) Accounting and Reporting Standard]." 2011. At page 60.

[7] SB253 requires Scope 3 reporting "in conformance with the GHG Protocol standards and guidance," which states: "GHG accounting and reporting of a scope 3 inventory shall be based on the following principles: relevance, completeness, consistency, transparency, and accuracy," where "relevance" requires that reporting entities "[e]nsure the GHG inventory appropriately reflects the GHG emissions of the company and serves the decision-making needs of users – both internal and external to the company." *Ibid* at page 23.

CARB's initial proposal, if finalized, would let high-emitting sectors off the hook.

The GHG Protocol outlines 15 categories of Scope 3 emissions—as listed in the table below[8]— and requires companies to account for all significant emissions categories and activities for their business.

Category No.	Category Name
1	Purchased goods and services
2	Capital goods
3	Fuel- and energy-related activities
4	Upstream transportation and distribution
5	Waste generated in operations
6	Business travel
7	Employee commuting
8	Upstream leased assets
9	Downstream transportation and distribution
10	Processing of sold products

[8] GHG Protocol. World Resources Institute and WBCSD. "Technical Guidance for Calculating Scope 3 Emissions (version 1.0)." 2013.

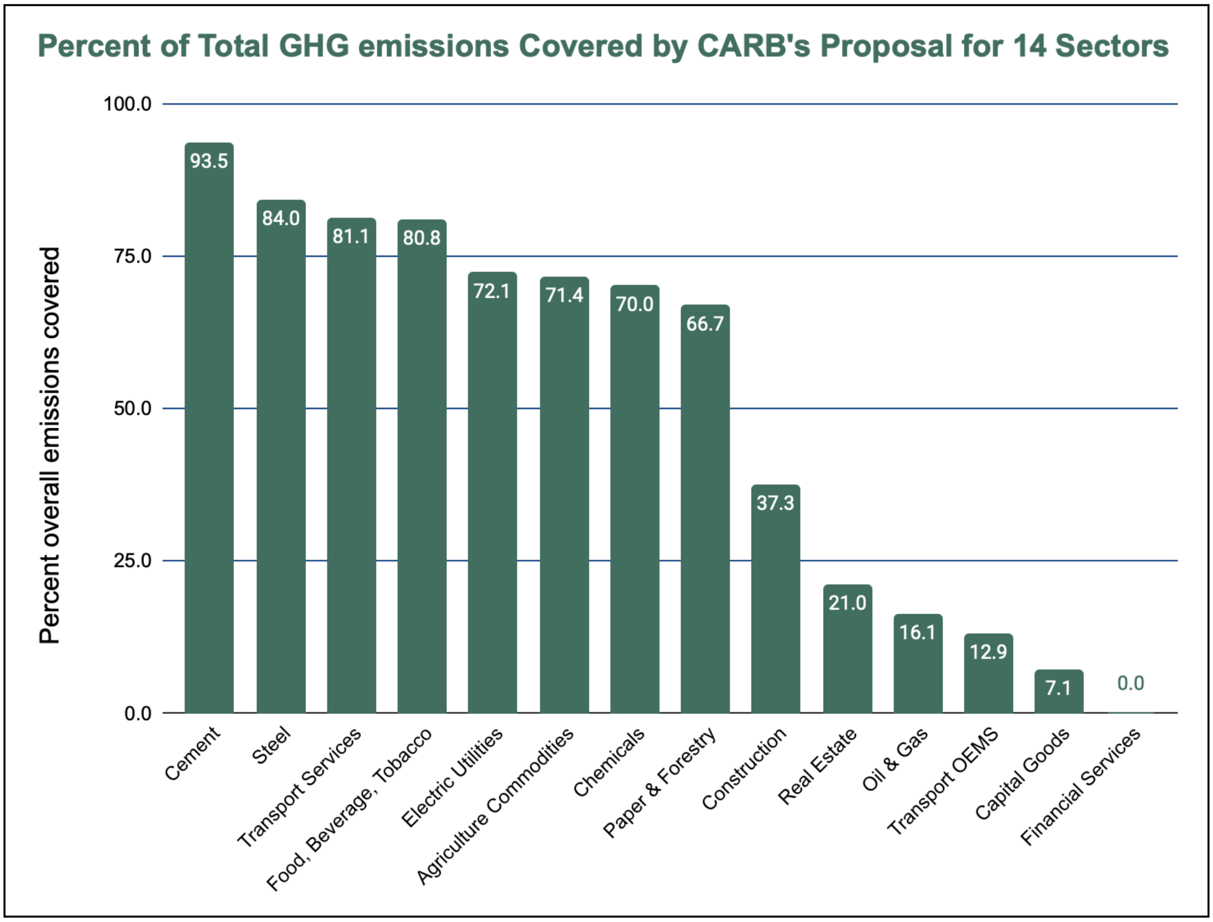
Category No.	Category Name
11	Use of sold products
12	End-of-life treatment of sold products
13	Downstream leased assets
14	Franchises
15	Investments

Rather than requiring companies to disclose their emissions under *all* categories, as the statute requires, CARB recently outlined a plan to select *only five* of 15 Scope 3 categories for mandatory reporting in 2027.[9] CARB justified its proposal not based on the guiding principles of the GHG Protocol—which include relevance, completeness, consistency, transparency, and accuracy—but rather on purported prevalence of the categories in current voluntary reports. The five categories CARB selected are purchased goods and services (category 1), fuel and energy-related activities (3), waste generated during operation (5), business travel (6), and employee commuting (7). Business travel and employee commuting are often trivial compared to overall company emissions footprints, representing about 0.1 percent and 0.2 percent of companies' Scope 3 inventories, respectively, according to the Carbon Disclosure Project.[10]

If finalized, this abbreviated version of the GHG Protocol standard would result in uneven emissions coverage across different sectors, letting many high emitting sectors off the hook from measuring and disclosing the majority of their emissions. Many sectors would need to

[9] CARB. "SB253 Public Workshop: California Corporate Greenhouse Gas Reporting Program." July 21, 2026. Slides 27 through 30.
[10] Carbon Disclosure Project. "CDP Technical Note: Relevance of Scope 3 Categories by Sector: CDP Corporate Questionnaire." Version 3.0. June 28, 2024

disclose **less than a quarter** of their overall corporate emissions, including real estate companies (21 percent), oil and gas companies (16 percent), car manufacturers (13 percent), and financial institutions (0.02 percent).[11] For oil and gas firms, the proposed Scope 3 reporting requirements would exclude sold fuel product emissions, and for banks, private equity firms, and insurance companies, it would exclude all of the emissions stemming from their investments, underwriting, and operations of portfolio companies. Meanwhile, cement and steel companies, transportation service providers, and food and beverage companies would be required to disclose the majority of their corporate emissions, over 80 percent each, as shown in the figure below.



[11] Carbon Disclosure Project. "[CDP Technical Note: Relevance of Scope 3 Categories by Sector: CDP Corporate Questionnaire](#)." Version 3.0. June 28, 2024. All statistics cited in this report were based on data from the Carbon Disclosure Project sectoral analysis conducted through literature review and analysis of 2021 CDP corporate response data, combined to provide a quantitative analysis of the relevance of Scope 3 categories for each CDP high-impact sector.

CARB's proposed Scope 3 approach would yield incomplete data that misleads users.

CARB's proposed approach to Scope 3 emissions reporting would by definition provide data users with incomplete and misleading GHG inventories. It will be impossible for users to make cross-sector comparisons, and difficult even to make comparisons of companies within the same sector due to the substantial omissions of emissions categories and activities. For example, CARB's proposed standard would omit 99.8 percent of finance sector emissions and not only present a misleading view of the role that these companies play in creating climate risk for the California people and the government, but effectively preclude any analysis of the sector and its firms' progress on reducing emissions.

Selecting only five emissions categories—a one-size-fits-all abbreviated approach— also ignores the flexibility that GHG Protocol has thoughtfully incorporated into its rules and guidance to elicit the most meaningful data from sectors with different emissions profiles. The vast majority of large companies already have experience working with the GHG Protocol and its guidance for determining categories of emissions that are significant, and thus must be included in their accounting. For example, some oil and gas companies already disclose category 11 emissions from the use of their sold products, because they recognize they are their most significant category, and the methodology to calculate those emissions is relatively straightforward. If category 11 emissions are omitted from the rule, these companies might discontinue disclosing them voluntarily.

This significant divergence from the GHG Protocol runs counter to the requirements of SB 253. In addition, CARB's proposed approach raises a variety of significant questions, such as the following:

- What is the rationale for selecting only five categories, as opposed to four or six?
- How would excluding category 11, the use of sold products, align with the statutory requirement to yield complete GHG inventories, particularly when the category

represents a significant source of emissions for many companies and is relatively straightforward to calculate?

- Has CARB considered that certain categories may be often omitted from voluntary reports precisely because companies are seeking to conceal them?
- Does CARB have a plan to require all categories of emissions by some future date?

The GHG Protocol shares extensive guidance to help companies identify and then disclose their significant Scope 3 categories of emissions. The selection of these five is arbitrary and uneven, as likely would any other selection of a subset. Following the GHG Protocol to the letter by including all categories of Scope 3 emissions is the best way for CARB to produce meaningful categories of emissions for different actors and be in accordance with the letter and intent of SB253.