August 11, 2026

Clerks' Office
California Air Resources Board
1001 I Street
Sacramento, California 95814

Re: Proposed California Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure Initial Regulation

Honorable members of the California Air Resources Board,

Thank you for the opportunity to comment on the modifications the California Air Resources Board (CARB) has made to the Proposed California Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure Initial Regulation. The modifications are insufficient as CARB has not removed § 96071(b)(2) exempting entities regulated by the California Department of Insurance (CDI) and other entities in the business of insurance from the proposed regulation. The undersigned organizations strongly urge CARB to remove this exemption before finalizing the regulation.

The proposal, offered by CARB staff at the July 21 public workshop, to subject insurance companies to the requirements of SB 253 beginning in 2027 is an insufficient remedy to the exemption for insurance companies included in the Initial Regulation. The Initial Regulation is not clearly limited to 2026 and thus by finalizing this regulation, CARB would be exempting insurers from emissions reporting under SB 253 unless and until the exemption is reversed in a future regulation. Moreover, future regulation that may subject insurance companies to the requirements of SB 253 will be in conflict with the Initial Regulation. Rather than take this cumbersome and unlawful approach, CARB should remove the exemption for insurance companies outright in the Initial Regulation.

Exempting insurance companies exceeds CARB's authority as it is contrary to statute and legislative intent.

As we have argued previously, the exemption for insurance companies in the proposed Initial Regulation would exceed CARB's authority as it is contrary to statute and legislative intent (See February 9, 2026 and April 13, 2026 Comment Letters attached hereto and incorporated herein by reference). The California legislature originally considered versions of both SB 253 and SB 261 that did not exempt insurance companies. However, an exemption was ultimately added to SB 261 in recognition that the climate financial risk disclosure required by SB 261 significantly overlapped with the National Association of Insurance Commissioners'

(NAIC) Climate Risk Disclosure Survey administered by CDI. By contrast, SB 253 was signed into law without an exemption for insurance companies. At CARB's February 26 hearing, SB 253 sponsor Senator Scott Wiener testified that the insurance industry was intentionally included in SB 253.[1] CARB lacks the authority to carve out an exemption that does not exist in the statute and that the bill sponsor confirmed is contrary to legislative intent.

CARB has justified the exemption as a measure to avoid "duplicative effort" for reporting entities, claiming that requiring insurers to report their greenhouse gas emissions under this rule would be duplicative with the NAIC's Climate Risk Disclosure Survey. But the NAIC report is not duplicative with the reporting requirements of SB 253. While SB 253 mandates that all covered entities disclose their Scope 1, 2, and 3 emissions, the NAIC survey simply encourages insurers to "disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas emissions." There is no statute or regulation requiring insurers to report greenhouse gas emissions to CDI, nor does CDI have any authority to enforce fines or penalties against insurers who decline to disclose emissions. In March, Public Citizen published an analysis confirming that insurer reports to CDI do not satisfy the requirements of SB 253, finding 75 percent of the largest property & casualty insurers in California disclose their Scope 1 and 2 emissions but only 10 percent of the largest insurers make meaningful emissions disclosures to CDI inclusive of Scope 1, 2, and 3 emissions.[2]

Furthermore, even if the emissions disclosures insurers made to CDI were comprehensive, these disclosures would not justify exempting insurers from submitting emissions disclosures to CARB. SB 253 does not authorize CARB to exempt insurers or any other sector from disclosing to CARB. Instead, the statute permits a reporting entity already reporting emissions to another national or international entity to submit those emissions disclosures to CARB as well, so long as those disclosures meet the requirements of SB 253.

The insurance exemption included in the Initial Regulation is not limited to 2026 and thus would be in conflict with future regulations requiring emissions disclosure from insurance companies.

CARB staff have since acknowledged the gap between insurer emissions reporting to CDI and the requirements of SB 253. CARB materials from the July 21 SB 253 public workshop include the following: "Staff found that CDI reporting may not satisfy the requirements of SB

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[1] White & Case, *California climate disclosure laws: CARB approves greenhouse gas reporting and climate financial risk disclosure regulation* (Mar. 4, 2026).
[2] Public Citizen, *Contrary to their claims, California regulators have little insight into insurer emissions* (Mar. 25, 2026).

253 in future years (starting with 2027), as it does not include Scope 3 or assurance requirements."[3] In response to this gap, CARB staff proposed that

> Beginning in 2027, ...insurance entities may submit the same report to satisfy both CDI and SB 253 requirements, provided it meets reporting requirements under CARB's regulation implementing SB 253. If a CDI report does not address all CARB requirements, reporting entities must supplement their report with the remaining required information.[4]

The problem with the solution CARB staff propose is that the Initial Regulation is not clearly limited to 2026 and thus by finalizing this regulation, CARB would be exempting insurers from emissions reporting under SB 253 unless and until the exemption is reversed in a future regulation. This is a legally dubious and unnecessarily cumbersome approach, given the Initial Regulation has yet to be finalized. Furthermore, workshop materials are not a guarantee that future regulation will be undertaken to remove the insurance exemption or do so effectively. The proposed solution also fails to address the core issues at hand—that the insurance exemption in the Initial Regulation is unlawful as it exceeds CARB's authority. The only plausible way to implement CARB staff's proposal would be to expressly limit the exemption by modifying the Initial Regulation to 1) provide that it applies only to insurers who make SB253-compliant Scope 1 and 2 emissions disclosures to CDI in 2026 and 2) by clarifying that the exemption is only in effect for 2026 reporting, and will not be in effect for all future years. Without this change, which is not in the current proposed language, the Initial Regulation plainly exempts insurers from the fee structure and reporting program into the future, and subsequent regulations that do cover insurers would be in perpetual conflict.

We urge CARB to remove the exemption for entities regulated by CDI and other entities in the business of insurance from the regulation and to finalize the regulation thereafter.

Sincerely,

Americans for Financial Reform Education Fund
Consumer Watchdog
Dave Jones, CA Insurance Commissioner, Emeritus
Public Citizen
Sierra Club California

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[3] California Air Resources Board, *SB 253 Public Workshop: California Corporate Greenhouse Gas Reporting Program* (July 21, 2026)
[4] Id. at Slide 36.

cc: Kenneth J. Pogue, Director
California Office of Administrative Law
300 Capitol Mall, Suite 1250
Sacramento, CA 95814-4339

February 9, 2026

Clerks' Office
California Air Resources Board
1001 I Street
Sacramento, California 95814

Honorable members of the California Air Resources Board,

Thank you for this opportunity to comment on the proposed rule to establish fees, timelines, and definitions for implementing the California Climate Corporate Data Accountability[1] and Climate-Related Financial Risk[2] laws. We represent 40 national, state, and local public interest organizations with significant cumulative membership in California. We appreciate the Board's efforts and progress to date to implement these important laws quickly and transparently, and for the opportunity to comment. We urge the Board to remove the proposed exemption from emissions reporting for insurance companies and finalize the rule expeditiously.

The proposal establishes the fee structure for businesses subject to the laws, definitions needed to implement the rules, reporting deadlines, and available enforcement measures. We generally support these aspects of the proposal. The proposal also includes a list of types of entities exempted from the two reporting programs, including state and federal government entities; tax exempt nonprofits and foundations; companies whose only business in California is the presence of teleworking employees; companies whose only business in the state is wholesale electricity transactions; and insurance companies. The proposal effectively justifies all exemptions except for the last, insurance companies, which is not supported by statutory text or the record of legislative intent.

Exempting government and nonprofit entities is reasonable, as the disclosure laws explicitly focus on "corporate" actors with large revenues that "do business in California" and therefore make reportable revenue as defined in California law. The carve out for companies whose only business in the state is the presence of teleworking employees is likewise not controversial, as these companies generally lack a sufficient economic nexus to be considered as "doing business" in the state. We also understand that Senator Weiner wrote a letter clarifying legislative intent to exempt companies whose business in the state is limited to interfacing with California Independent State Operator (CAISO) in the wholesale electricity market.[3]

However, we urge the Board to reconsider its unjustified exemption from SB 253 reporting for insurance companies doing business in the state. These are clearly corporate entities that make reportable revenue in the state and transact directly with California consumers. While SB 261

[1] California Senate Bill (SB) 253. Wiener, Stats. 2023, ch. 382; codified in Health and Safety Code Section 38532, as amended.
[2] California SB 261. Stern, Stats. 2023, ch.383; codified in Health and Safety Code section 38533, as amended.
[3] California Legislature. Senate Daily Journal 3058. 2023-24 Regular Session. January 30, 2024.

explicitly exempts insurance companies, SB 253 does not. Extending the exemption would be inconsistent with the statute, diminish the benefits of the program, and create a special carve out for an industry that is tightly linked to the state's climate-related challenges.

An exemption for insurance companies is inconsistent with statute.

The Board has proposed exempting insurance companies from SB 253 reporting "for continuity,"[4] but doing so flatly contradicts the statute. The California legislature originally considered versions of both disclosure bills that did not exempt insurance companies,[5] but ultimately the financial risk disclosure law was adjusted in recognition that it significantly overlapped with the financial risk disclosure standard adopted by the National Association of Insurance Commissioners, while the emissions bill was signed into law without an exemption for insurance companies. The Board lacks authority to carve out an exemption that does not exist in the statute and that the legislature considered and rejected. Moreover, if the Board fabricates an exemption for insurers, other sectors are likely to seek exemptions as well. We note also that the two disclosure programs already differ in scope with respect to the number and size of firms required to report due to the different corporate revenue thresholds in the two laws. Other differences in scope are permissible as well—and indeed are required by the differences that the legislature deliberately created between the statutes.

Insurance companies' greenhouse gas (GHG) emissions disclosures are important to California stakeholders.

California is experiencing a property insurance crisis driven in large part by climate change, exacerbated by the insurance industry's support for fossil fuels and harmful responses to the rising frequency, intensity, and cost of climate-related disasters. More frequent and destructive climate disasters have led insurers to raise rates, cut coverage, or abandon certain areas altogether (see, for example, State Farm's retreat right before the 2025 Los Angeles wildfires).[6] At the same time, nearly *half* of homeowners' insurance claims nationwide were closed without any payment in 2024[7] while premiums rose eight percent[8]—nearly three times the 2.9 percent inflation rate.

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[4] CARB. "Public Hearing to Consider the Proposed California Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure Initial Regulation. Staff Report: Initial Statement of Reasons." December 9, 2025.

[5] California SB 449: "Climate-Related Financial Risk." Stern. 2021-2022 Regular Session. February 16, 2021, as amended April 22, 2021; California SB 260: Climate Corporate Accountability Act. Wiener. 2021-2022 Regular Session. January 26, 2021, as amended August 15, 2022.

[6] Jean Eaglesham and Susan Pulliam, "State Farm Was All In on California—Until It Pulled the Plug Before the Fires." *Wall Street Journal.* February 6, *2025.*

[7] Weiss Ratings, "14 Large U.S. Insurers Closed Nearly Half of Homeowner Claims with No Payment in 2024." June 11, 2025.

[8] "Natural Disasters Blamed as Home Insurance Projected to Rise 8% in 2025." *Rethinking65*. May 19, 2025.

Even as insurers complain of growing climate-related losses, the industry's underwriting loss ratios remain low,[9] and overall profits set record highs.[10] In 2025, property insurers made profits of nearly $60 billion on underwriting alone across the country,[11] and that figure excludes investment profits. Executive compensation is increasing thanks in large part to so-called performance-linked pay packages that incentivize claim denials and other anti-consumer practices.[12]

Insurers are also among the leading institutional investors in fossil fuels,[13] investing approximately $580 billion in coal, oil, and gas[14] in 2019 alone. The burning of fossil fuels is the primary cause of climate change,[15] which means insurers' investments are contributing to the extreme weather events that are driving up costs for consumers. Simply put, it is in the public interest for California stakeholders to have more information about insurance companies' impact on the climate and their progress towards their stated climate goals.

Exempting insurance companies from SB 253 reporting would leave a documented emissions gap unaddressed.

While large insurance companies are disclosing climate-related financial risk reports to the California Department of Insurance,[16] there is a persistent gap in GHG emissions reporting.[17] The insurance industry has argued that GHG emissions generally do not represent a risk to insurers' financial health and thus should not be included in financial risk reporting.[18] This argument lacks merit, but in any event SB 253 addresses this gap because it requires disclosure of the full scope of GHG emissions reporting for corporate actors doing business in the state instead of relying on self-reporting that is limited to emissions that individual firms deem "risky" or "material."

Thank you for advancing this important effort to ensure corporate transparency and accountability on climate risks, impacts, and action.

Sincerely,

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[9] The property insurance industry's net loss ratio was 71.2 percent in 2024, compared to an average around 80 percent from 1980-2000. See: National Association of Insurance Commissioners. U.S. Property and Casualty and Title Insurance Industries – 2024 Full Year Results; Wang, Shaun S. et al. "U.S. property-casualty: Underwriting cycle modeling and risk benchmarks." *Casualty Actuarial Society*. Vol. 5, Iss. 2. 2012.
[10] See e.g., Jean Eaglesham, "Travelers Notches Record Profits; Insurer's Stock Rises." *Wall Street Journal.* January 22, 2025; Saqib Rahim, "Insurers earn record sums in disaster-free third quarter." E&E News. November 21, 2025; American Association for Justice. "The Insurance Industry is Quietly Making Record Profits." April 1, 2025; Stancil, Kenny. Revolving Door Project. "Don't let home insurers fool you. They're more profitable than ever." July 14, 2025.
[11] Jean Eaglesham, "The Uproar Over Affordability Is Coming for Insurers." *Wall Street Journal*. January 22, 2026.
[12] Dan Wagner and Kenny Stancil. Public Citizen. "Home Insurance Executives Are Raking It In–At Your Expense." 2025.
[13] Investing in Climate Chaos. Urgewald. "Fossil Fuel Investment Report." August 9, 2024.
[14] Hailey Ross, "Climate risks for insurers: Why the industry needs to act now to address climate risk on both sides of the balance sheet." *S&P Global*. August 27, 2021.
[15] United Nations. "Causes and Effects of Climate Change." Accessed January 29, 2026.
[16] California Department of Insurance. NAIC Climate Risk Disclosure Survey Results Database. Accessed 2026.
[17] Ceres. "The Measurement Gap: A Deep Dive into Climate Risk Reporting in the U.S. Insurance Sector." August 12, 2025.
[18] American Property Casualty Insurance Association. Comment to the Securities and Exchange Commission. June 17, 2022.

Public Citizen
Americans for Financial Reform Education Fund

350 Bay Area Action
350 Conejo / San Fernando Valley
350 Contra Costa Action
350 Humboldt
350 Sacramento
350 Silicon Valley
Affordable Homeownership Foundation, Inc.
As You Sow
Bay Area-System Change not Climate Change
California Environmental Voters
Center for Insurance Research
Center for International Environmental Law
Centre for Citizens Conserving Environment & Management (CECIC)
Climate Cabinet Action
Climate Defenders
Coalition for Clean Air
Courage California
Divest Oregon: Reinvest in a Fossil Free Future
Earth Ethics, Inc.
Freeport Haven Project
Friends of the Earth U.S.
Green America
Habitat Recovery Project
League of Conservation Voters
Little Tokyo Service Center
Los Angeles Climate Reality Project
Mossville Environmental Action Now (MEAN)
National Community Reinvestment Coalition (NCRC)
Rise Economy
SanDiego350
Santa Cruz Climate Action Network
Sierra Club California
Stand.earth
The Greenlining Institute
Third Act SoCal
Union of Concerned Scientists
West Berkeley Alliance for Clean Air and Safe Jobs
Youth v. Oil

Individual signatories (Danett Abbott-Wicker, Ji Montgomery, Manning Nelson Rollerson Jr 3, Samuel Molina, Suzanne Baker)

April 13, 2026

Clerks' Office
California Air Resources Board
1001 I Street
Sacramento, California 95814

Honorable members of the California Air Resources Board (CARB),

Thank you for this opportunity to comment on the implementation of the California Climate Corporate Data Accountability Act (SB 253).[1] This letter is responsive to the Board's requests for feedback in the March 2026 Climate Disclosure Workshop related to (a) February 2026 Board Hearing Outcomes and (b) Scope 3 Reporting Options. The undersigned organizations urge the Board to take formal action to remove the exemption for insurance companies approved on February 26, 2026 in its adoption of the California Greenhouse Gas Reporting and Climate Financial Risk Disclosure Initial Regulation, at the next Board meeting. We also encourage the Board to pursue a broad applicability approach to Scope 3 reporting (regulatory option 1), requiring all reporting entities to report on all Scope 3 categories starting in 2027. In establishing requirements for Scope 3 reporting, if the Board allows "de minimis" exemptions, it should develop clear thresholds, definitions, and decision frameworks that disallow companies from omitting certain activity emissions based on assertions that they lack "influence" over those emissions, or that those emissions are not "financially material," which are narrower standards than SB253 requires.

February 2026 Board Hearing Outcomes: CARB should remove the exemption for insurance companies that was insufficiently justified by the Board and contrary to statute.

As numerous public interest organizations—as well as the bill's author and the former insurance commissioner of California—have argued previously, the Board's decision to exempt insurance companies doing business in the state from emissions reporting requirements under SB 253 is unjustified and unlawful.[2] The decision contradicts the statute and legislative intent, exceeds the Board's authority, and will leave a significant gap in emissions data from an industry both contributing to and exposed to significant climate-related impacts in the state. The proposed exemption was originally justified in the written proposal from CARB as a measure to promote "continuity" with the Climate-Related Financial Risk Act (SB 261). However, at the finalization hearing in February, CARB instead justified the exemption as a measure to avoid "duplicative

[1] California Senate Bill (SB) 253. Wiener, Stats. 2023, ch. 382; codified in Health and Safety Code Section 38532, as amended.
[2] Public Citizen *et al*. Comment on CARB's Proposal to Exempt Insurance Companies from Carbon Disclosure. February 9, 2026; Camille von Kaenel. "California advances emissions disclosure rules for large companies." *E&E News*. February 27, 2026.

effort" for reporting entities before finalizing the proposal that same day. This later justification is inadequate for two reasons. First, subjecting insurers to the requirements of SB 253 would not be duplicative and second, even if the requirement was duplicative, the statute does not authorize a reporting exemption.

Subjecting insurers to the requirements of SB 253 would not be duplicative as insurance companies do not currently make standardized or comprehensive emissions disclosures to the California Department of Insurance (CDI) or any other state entity. There are significant gaps in the emissions data CDI currently collects as part of the National Association of Insurance Commissioners (NAIC) Climate Risk Disclosure Survey. Though it collects climate risk information from insurers related to insurers' assessment and management of climate-related risks, CDI's existing reporting requirements only encourage insurers to disclose Scope 1, Scope 2, and "if appropriate," Scope 3 greenhouse gas emissions. There is no statute or regulation administered by CDI which requires it to collect and which requires insurers to report emissions and CDI has no authority to enforce against non-disclosure of emissions by insurers.

An analysis of the 2024 Climate Risk Disclosure Surveys submitted by the largest 20 property and casualty (P&C) insurers operating in California—covering over 70 percent of the P&C market in the state—reveals CDI does not have emissions data from insurers that would satisfy the requirements of SB 253.[3] Of these 20 insurers, 15 reported their Scope 1 & 2 emissions to CDI. Ten of these insurers reported some—in many cases negligible—Scope 3 emissions. Only two of these insurers reported Scope 3 emissions inclusive of emissions from their investment portfolios, and none reported Scope 3 emissions inclusive of their underwriting portfolios. Five did not disclose any emissions in their reporting to CDI or did not submit a Climate Risk Disclosure Survey response at all.

Currently, CDI has very little insight into the emissions contributions of the insurance companies they supervise. Only 10 percent of the largest P&C insurers in California are reporting meaningful Scope 3 emissions. Given that Scope 3 emissions, including emissions from insurer underwriting and investment, comprise over 95 percent of insurer emissions, insurer emissions reporting without comprehensive Scope 3 disclosure is largely meaningless.[4] The disclosure currently provided to CDI is not duplicative of the emissions disclosure insurers are required to provide under SB 253.

Furthermore, even if the emissions disclosures insurers made to CDI were comprehensive, these disclosures would not justify exempting insurers from submitting emissions disclosure to CARB. SB 253 does not authorize CARB to exempt insurers or any other sector from disclosing to CARB. Instead, the statute permits a reporting entity already reporting

[3] Elyse Schupak. Public Citizen. "Contrary to their claims, California regulators have little insight into insurer emissions." March 25, 2026.
[4] KPMG International. "ESG in insurance: Insured emissions." 2023.

emissions to another national or international entity to submit those emissions disclosures to CARB as well, so long as those disclosures meet the requirements of SB 253. If insurer responses to the NAIC Climate Risk Disclosure survey administered by CDI included emissions disclosures for Scope 1, 2 and 3 and otherwise met the requirements of SB 253, then it would be permitted for insurers to submit those disclosures to CARB. The statute does not, however, authorize CARB to exempt insurers from disclosing emissions to CARB.

In addition, CARB did not provide an opportunity for public comment on the justification that the requirements under SB 253 would be "duplicative" for insurers before finalizing the exemption. For this reason, and for the legal and factual shortcomings of the justification, CARB should propose removing the exemption from the regulation at its next Board meeting.

March 2026 Workshop Proposal: CARB should choose regulatory option 1 (broad applicability) for Scope 3 reporting. If CARB maintains allowance for "de minimis" exemptions, it must establish clear thresholds, definitions, and decision frameworks to produce complete and consistent full-scope greenhouse gas inventories in line with the explicit text of SB253 and "in conformance with the Greenhouse Gas Protocol standards and guidance."[5]

At the March 2026 Climate Disclosure Workshop, CARB proposed granting companies "the flexibility to not report categories they consider 'de minimis' as long as they provide appropriate explanation."[6] To enable that outcome, CARB described three potential factors that companies could use to make a "de minimis" determination for a Scope 3 category: 1) "volume of emissions associated with the category," 2) the "influence an entity has over those emissions," and 3) whether the category is considered "typically material" for the sector.[7]

If CARB allows for "de minimis" exemptions, "volume of emissions associated with the category" is the only factor CARB should permit companies to use when justifying a "de minimis" determination, or at least it should be a necessary prerequisite to such a determination. Allowing the second proposed factor ("influence over emissions") to justify "de minimis" determinations and omissions would be inconsistent with the plain text of the law, and the third proposed factor, as described, ("typical materiality" for the sector) would need to be further constrained and redefined to conform with the law.

SB253 specifically defines Scope 3 emissions as those "from sources that the reporting entity *does not own or directly control* [emphasis added] and may include…use of sold

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[5] California Senate Bill (SB) 253. Wiener, Stats. 2023, ch. 382; codified in Health and Safety Code Section 38532, as amended, at Section 2(c)(2)(A)(ii).
[6] CARB. "Audiovisual recording of SB 253 Public Workshop: California Corporate Greenhouse Gas Reporting Program." Remarks at 27:34. March 23, 2026.
[7] *Ibid.* at 27:55.

products."[8] SB253 also recognizes that emissions that occur anywhere in a company's value chain are important to California stakeholders, finding that companies "increase the state's climate risk through emissions activities that include, but are not limited to, company operations, supply chain activities, employee and consumer transportation, goods production and movement, construction, land use, and natural resources extraction."[9]

High emissions companies and sectors have long argued that value chain emissions—in whole or in part—are out of their "control" or "influence." For example, the American Petroleum Institute (API) wrote to the Securities and Exchange Commission in 2022 that "GHG emissions from other companies' operations are not within the control of the issuer," in the course of arguing the SEC should "not require Scope 3 reporting."[10] If a new or expanded carbon tax is enacted at the gas pump, it would obviously impact a gasoline supplier financially even if the emissions actually are emitted by their customers—or their customers' customers—just as new methane leakage rules for pipelines would financially impact a natural gas power plant buying fuel from a regulated supplier. Further, if a company's ability to influence certain emissions within their value chain is more limited, those emissions may represent the hardest-to-mitigate risk and be the *most* relevant to users of the data if they exist in significant volumes. Whether or not an issuer feels they have "control" or "influence" over emissions within their supply chain, they can still represent a risk to the firm. SB253 plainly states these value chain emissions "increase the *state's* [emphasis added] climate risk"[11] and considers them proper targets for this reporting regime.

Additionally, the GHG Protocol is unequivocal: "While a company has control over its direct emissions, it has influence over its indirect emissions. A complete GHG inventory therefore includes scope 1, scope 2, and scope 3."[12] The only example provided by GHG Protocol for a Scope 3 activity omission based in part on "influence" is when the company finds that "based on initial estimates, some scope 3 activities are expected to be insignificant in size (compared to the company's other sources of emissions) and that for these activities, the ability to collect data and influence GHG reductions is limited. In such cases, companies may exclude scope 3 activities from the report, provided that any exclusion is disclosed and justified."[13] In other words, GHG Protocol is not saying that a lack of "influence" over a Scope 3 category or activity alone justifies omission, but rather that the level of "influence" can be considered if the volume of emissions from the activity is "insignificant" in the company's overall inventory. This

[8] California Senate Bill (SB) 253. Wiener, Stats. 2023, ch. 382; codified in Health and Safety Code Section 38532, as amended, at Section 2(b)(5).
[9] *Ibid.* at Section 1(g).
[10] American Petroleum Institute. "Comment to the Securities and Exchange Commission on the Proposed Rule 'The Enhancement and Standardization of Climate-Related Disclosures for Investors'." At page 14. June 17, 2022.
[11] California Senate Bill (SB) 253. Wiener, Stats. 2023, ch. 382; codified in Health and Safety Code Section 38532, as amended, at Section 1(g).
[12] Greenhouse Gas Protocol. World Resources Institute and WBCSD. "Corporate Value Chain (Scope 3) Accounting and Reporting Standard." At page 27. 2011.
[13] *Ibid.* at page 27.

is reinforced in Section 7.1 which establishes that Scope 3 activity prioritization for data collection efforts should be based on volume first (emissions, spend, or revenue-based), and allows, "[i]n addition," for other activities to be prioritized based in part on "influence."[14] **To avoid creating a loophole that allows companies to omit emissions activities based on a self-asserted lack of "influence" over them, CARB should entirely delete the "influence" factor from the "de minimis" framework.**

GHG Protocol goes on: "In particular, companies should not exclude any activity that is expected to contribute significantly to the company's total scope 3 emissions."[15] For full-scope greenhouse gas inventories to be not misleading for users, they must be meaningfully complete, and that requires a very high proportion of Scope 3 emissions to be accounted for and reported. Given too much discretion and flexibility, different companies might use different thresholds when determining volumes of emissions that are "de minimis." Here again, API's comments to the SEC are instructive of the industry's thinking: "determination of whether Scope 3 emissions are material…based upon the relation of Scope 3 emissions to a registrant's overall GHG footprint takes away from individual issuers that are much better positioned to make such a decision."[16] In essence, API argues against using thresholds based on volume relative to the overall emissions inventory, and instead supports allowing companies to make their own judgments even for large-volume categories of emissions.

Users might draw inaccurate conclusions from greenhouse gas inventories when comparing firms with relatively high Scope 1 and 2 emissions, compared to those with relatively high Scope 3 emissions, if Scope 3 emissions inventories are not meaningfully complete. **To avoid misleading users and undermining the usability and reliability of the entire database, CARB should set clear quantitative thresholds that allow a category of Scope 3 emissions to be considered "de minimis," for example, if the Scope 3 activity or category represents less than 0.5 percent of the overall volume of the Scope 3 inventory.**

With respect to the third proposed "de minimis" factor ("typical materiality" for the sector), if CARB does not omit it entirely, it should set a definition of materiality that aligns with text and intent of SB253, and allow it to be factored in only in cases where the emissions category or activity already falls under the volumetric "de minimis" threshold.

SB253 requires Scope 3 reporting "in conformance with the GHG Protocol standards and guidance,"[17] which states: "GHG accounting and reporting of a scope 3 inventory shall be based

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[14] *Ibid.* at page 66.
[15] *Ibid*. at page 60.
[16] American Petroleum Institute. "Comment to the Securities and Exchange Commission on the Proposed Rule 'The Enhancement and Standardization of Climate-Related Disclosures for Investors'." At page 14. June 17, 2022.
[17] California Senate Bill (SB) 253. Wiener, Stats. 2023, ch. 382; codified in Health and Safety Code Section 38532, as amended, at Section 2(c)(2)(A)(ii).

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."[18] In determining "relevance" or "materiality" in this context, SB253 identifies the "users" of this data as "California investors, consumers, and other stakeholders" who "deserve transparency from companies regarding their greenhouse gas (GHG) emissions to inform their decisionmaking," and who "have a right to know about the sources of carbon pollution, as measured by comprehensive GHG emissions data of those companies benefiting from doing business in the state."[19]

Under SB253, emissions categories are "relevant" not only if they are "financially material," but if they help inform the decisionmaking of California investors, consumers, and stakeholders, so any "de minimis" omissions based in part on a lack of "relevance" would need to be justified on the grounds that California investors, consumers, and other stakeholders would find the category lacks "relevance" in their decisionmaking. **CARB should clarify that any "de minimis" omission of a Scope 3 category or activity—based in part on a purported lack of "relevance"—must include a compelling justification grounded explicitly in the statutory text of SB253, characterized by a lack of relevance from the perspective of California stakeholders broadly, not based narrowly on the perspective of the reporting entity or its shareholders.**

Finally, it is critical that finance sector companies report the full range emissions from their financial activities, which include emissions from investments, capital markets activities, and insurance underwriting. The Partnership for Carbon Account Financials (PCAF) is a widely used international accounting standard that satisfies GHG Protocol's Scope 3-Category 15 requirements.[20] **CARB should clarify that reporting entities should use the PCAF standards to satisfy their Scope 3-Category 15 requirement under SB253.**

We appreciate this opportunity to comment and urge CARB to remove the exemption for insurance companies and propose a Scope 3 emissions standard that will deliver complete, transparent, and useful corporate emissions data for California investors, consumers, and other stakeholders. Please reach out to Alex Martin (alex@ourfinancialsecurity.org) and Elyse Schupak (eschupak@citizen.org) if you have any questions.

[18] Greenhouse Gas Protocol. World Resources Institute and WBCSD. "Corporate Value Chain (Scope 3) Accounting and Reporting Standard." At page 23. 2011.
[19] California Senate Bill (SB) 253. Wiener, Stats. 2023, ch. 382; codified in Health and Safety Code Section 38532, as amended, at Section 1.
[20] Partnership for Carbon Accounting Financials website. 2026.

Sincerely,

Americans for Financial Reform Education Fund
Consumer Watchdog
Dave Jones, CA Insurance Commissioner, Emeritus
Public Citizen
Sierra Club California