The Business Council for Sustainable Energy®

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BCSE Comments to the California Air Resources Board on Implementation of California's Climate Disclosure Legislation

March 21, 2025

Thank you for the opportunity for the Business Council for Sustainable Energy (BCSE) to provide its views to the California Air Resources Board (CARB) in response to its information solicitation to inform the implementation of California's climate disclosure legislation.

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BCSE is a broad-based energy trade association that represents energy efficiency, natural gas, renewable energy, energy storage, sustainable transportation, and emerging decarbonization technologies. Founded in 1992, the Council advocates for energy and environmental policies that promote the deployment of clean, efficient, and sustainable energy products and services.

BCSE members have a strong understanding of the key policy, regulatory and market drivers that are necessary to help deploy clean energy technologies and reduce greenhouse gas emissions. Efficient and transparent markets are critical to attracting investment and deployment.

As noted in the BCSE comments to the U.S. Securities and Exchange Commission (SEC), climate change disclosures are best determined in collaboration between registrants and investors. They also should be flexible, sector-specific, and principles-based.[1]

BCSE is pleased to provide responses to several of the questions included in the information solicitation. As a diverse coalition, not all BCSE members take a position or endorse the issues discussed in this submission.

BCSE Responses to CARB Questions

<u>Question 3 – Use of GHG Protocol in CARB Regulation</u>

In accordance with SB 219, the current revision of the GHG Protocol Corporate Standard[2] must be used in this regulation. Of note, the GHG Protocol Corporate Standard is currently undergoing extensive revision that is expected to be completed in 2027. The GHG Protocol Technical Working Groups are considering various aspects of the corporate standard, including issues related to market-based accounting. California's cap and trade program utilizes market-based accounting. BCSE recommends that CARB align with the current version of the GHG Protocol Corporate Standard for the purpose of this regulation. Should the updated GHG Protocol standard be consistent with California's policy objectives, it can choose to amend the regulation to allow for use of the updated version of the reporting framework.

[1] BCSE Submission to the U.S. Securities and Exchange Commission on Climate-Risk Disclosure policy, https://bcse.org/images/2022%20CACC/BCSE%20Comments%20on%20SEC%20Climate%20Disclosures%20Rules%206%2017%2022%20FINAL.pdf

[2] Please see: https://ghgprotocol.org/

Further, to minimize duplication of effort for entities required to report GHG emissions or financial risk under other mandatory programs, CARB should align its reporting requirements with the International Sustainability Standards Board (ISSB). This alignment will help maintain consistency with other regulatory reporting frameworks, such as the European Union Corporate Sustainability Reporting Directive (CSRD) and reduce the administrative burden on reporting entities by leveraging existing reporting mechanisms and standards.

While it is advisable for reporting entities to select a specific reporting method and consistently use it year-to-year, companies should have the flexibility to adjust reporting methods as needed. However, if such adjustments create significant changes in previous years' reporting, emissions should be restated using the updated reporting method, pursuant to the current GHG Protocol Corporate Standard. This approach will ensure the comparability and reliability of the reported data over time while allowing for necessary adjustments to reflect evolving standards and practices.

To achieve California's goal of providing consistent information in a transparent manner to investors and the public, CARB should allow entities to link all their data to a table or to a website that CARB would manage, which would ease the administrative aspects of the process. As such, entities would provide links and page numbers to their emissions data (by Scope), and climate risk data on their own websites in various documents, not duplicating reporting mechanisms.

<u>Question 4 – Costs and Impacts of Reporting and Disclosure Practices</u>

As companies and accounting firms gain experience with reporting and disclosure activities, costs can vary.

In 2022, Ceres and Persefoni jointly commissioned ERM to produce a report entitled, "Costs and Benefits of Climate-Related Disclosure Activities by Corporate Issuers and Institutional Investors."[3]

The report was based on a survey of 39 corporate issuers with a combined market capitalization of more than $3.8 trillion (specific respondents' market capitalization ranged from less than $1 billion to over $200 billion, and employee counts ranged from less than 1,000 to over 250,000), and 35 institutional investors with a combined $7.2 trillion in assets under management.

The survey found that, on average, issuers were spending $533,000 annually on climate-related disclosure. This assessment of average annual issuer costs was similar to the SEC's preliminary estimate in its 2022 proposed rule of $530,000 in annual issuer costs after the first year of implementation ($150,000 for internal costs and $380,000 for outside professional costs).

[3] Please see: https://www.erm.com/insights/costs-and-benefits-of-climate-related-disclosure-activities-by-corporate-issuers-and-institutional-investors/

Further, the ERM survey found that institutional investor respondents were spending an average of $1.4 million annually to collect, analyze, and report climate data to inform their investment decisions. Of note, there has been extensive focus on the compliance costs associated with mandatory climate disclosure for corporate issuers, but less attention on the costs that investors incur to navigate a fragmented, inconsistent information landscape.

Finally, the complexity of the supply chain can mean smaller suppliers are disproportionately impacted by the cost of implementing the requirements. The nature of international commerce can also make it costly to obtain supply chain data.

<u>Question 5 – Reporting Procedures</u>

Overall, CARB's rule should focus on high quality reporting rather than a specific reporting framework. Reporting frameworks can be used as a guide, but mandating their use is not appropriate in light of the consistently advancing dialogue around climate emissions reporting.

As noted above, CARB should allow entities to link all their data to a table or to a website that CARB would manage, which would ease implementation for CARB and reporting entities.

BCSE recommends that the current GHG Protocol Corporate Standard be used under the regulation, and that CARB should align its reporting requirements with the ISSB.

<u>Question 7 – Flexibility in Reporting</u>

Flexibility in reporting methods as incorporated into the current GHG Protocol Corporate Standard is critical to account for the broad range of structures and operations of reporting entities, and should be maintained.

<u>Question 8 – Assurance Providers and Practices</u>

BCSE recommends that CARB align its assurance requirements with the European Union's CSRD requirements. The European Union recently released an Omnibus proposal, and, in that proposal, specified that only limited assurance is required for reporting under CSRD.

As such, CARB should require limited assurance of Scope 1, 2, and 3 inventories.

<u>Question 9 – Recognition of Voluntary Reporting and Reporting Timelines</u>

CARB should allow for voluntary reporting of emissions, using a similar streamlined process for compliance reporting via a CARB provided table and/or a CARB managed website. Until the program is fully implemented and reconsidered in 2029, BCSE recommends that entities comply, but then not be required to reply annually, unless the entity's business has changed significantly.

<u>Question 11 – Reporting Years for Climate-related Financial Risk Reports</u>

BCSE recommends that companies be allowed to report at any time in a two-year period. This will provide flexibility and reduce the administrative burden of the required reporting.

Question 12 – Required Disclosures within a Climate-related Financial Risk Report

BCSE urges CARB to align as closely as possible to internationally accepted standards including those published by the ISSB, CSRD, and the current GHG Protocol Corporate Standard.

Thank you for the opportunity for BCSE to share its perspectives. Please contact BCSE President Lisa Jacobson (ljacobson@bcse.org) with any questions related to this submission.