April 10, 2026

Liane M. Randolph
Chair
California Air Resources Board
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Dear Ms. Randolf,

The California Mortgage Bankers Association (CMBA)[1] and the national Mortgage Bankers Association[2] (MBA) welcome the opportunity to comment to the California Air Resources Board (Board) regarding the SB 253 Pre-Rulemaking Workshop Request for Comment. Below are our responses to questions posed in the deck.

Global Corporate Climate Disclosure (Slide 5)

- **If your company reports under another jurisdiction's program, what elements of that framework should CARB take into account?**

CARB should align its final rule with the central lesson from every major international framework: rigid Scope 3 disclosure requirements do not produce decision-useful

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[1] The California MBA, representing hundreds of companies and tens of thousands of California employees, is the leading advocate for the industry in the largest mortgage/real estate market in the nation. The California MBA represents residential and commercial/multi-family mortgage bankers, as well as their essential vendor partners. The California MBA encourages and promotes sound business practices and honesty in marketing, origination, lending, and servicing of mortgage loans through our educational and networking opportunities.

[2] The Mortgage Bankers Association (MBA) is the national association representing the real estate finance industry, an industry that employs more than 275,000 people in virtually every community in the country. Headquartered in Washington, D.C., the association works to ensure the continued strength of the nation's residential and commercial real estate markets, to expand homeownership, and to extend access to affordable housing to all Americans. MBA promotes fair and ethical lending practices and fosters professional excellence among real estate finance employees through a wide range of educational programs and a variety of publications. Its membership of more than 2,000 companies includes all elements of real estate finance: independent mortgage banks, mortgage brokers, commercial banks, thrifts, REITs, Wall Street conduits, life insurance companies, credit unions, and others in the mortgage lending field. For additional information, visit MBA's website: www.mba.org.

information. Frameworks such as ISSB and the EU ESRS have already confronted this issue in implementation and responded by embedding materiality thresholds, methodological feasibility constraints, and phased approaches. These are not optional features—they are necessary design elements to ensure that disclosures are reliable and useful.

CARB's current proposal acknowledges these concerns. Without explicit flexibility, entities would be required to report emissions using immature methodologies, incomplete data, and highly estimated assumptions. The result would be disclosures that are expansive in volume but limited in value, obscuring rather than clarifying an entity's emissions profile.

Sequencing is equally critical. A financial institution's Scope 3 emissions are derived from the emissions of the companies it finances. Unless those underlying companies are first reporting standardized, decision-useful emissions data, financial sector disclosures will necessarily lack reliability. CARB should therefore explicitly incorporate flexibility and phased implementation into the rule to avoid producing low-quality disclosures at scale.

February 2026 Board Hearing Outcomes (Slide 6)

- **Are there topics from the initial regulation adopted at the February 2026 Board hearing that need to be revisited, including reporting deadlines post 2026, applicability definitions, and/or exemptions?**

CARB should revisit its approach to reporting deadlines. The current approach, which staggers the dates on which annual reports are due across scopes, imposes unnecessary costs and reduces the usefulness of the disclosures. Entities will incur duplicative assurance expenses, while investors will receive incomplete information that changes as additional scopes are reported.

At the same time, the proposal does not adequately account for the structural lag in Scope 3 data, particularly for financed emissions, where underlying company data is often available only with a 12 to 18 month lag. Requiring alignment with unavailable data will not improve accuracy; it will force the use of inferior estimates.

CARB should instead require a single reporting deadline of December 31st across all scopes and explicitly allow the use of the most recent available counterparty data for Scope 3. Without these adjustments, the rule will increase cost and complexity without improving disclosure quality.

Organizational Boundaries (Slide 11)

- **Are there other approaches to organizational boundary setting that CARB should consider?**

CARB's recognition of both the equity share and control approaches is appropriate and consistent with the GHG Protocol. However, the rule should avoid imposing unnecessary rigidity in how entities apply these frameworks. Requiring a single approach across all entities would reduce alignment with global practices and impose avoidable transition costs.

- **How should entities explain their choice of organizational boundary?**

Entities should be permitted to select the approach that best reflects their corporate structure and apply it consistently over time. Disclosure should be limited to identifying the selected approach, providing a brief rationale, and explaining any subsequent changes. Requiring more extensive justification would add burden without enhancing transparency.

GHG Accounting Methods (Slide 15)

- **Should CARB consider allowing other accounting methods? If so, which ones and why?**

CARB's proposed approach to accounting methodologies is one of the most significant shortcomings in the current framework. By limiting entities to a closed list of four methods, the proposal is more restrictive than the GHG Protocol itself, which allows for a broader range of approaches depending on the nature of the emissions and the data available.

This limitation is particularly problematic for emissions categories that do not involve direct physical activity, most notably Category 15 (financed emissions). Financial institutions do not generate emissions through production or consumption; they are tied to emissions based on financial exposure to underlying entities. Attempting to force these calculations into prescribed methods designed for transactional emissions will result in outputs that are inaccurate and potentially misleading.

CARB should instead allow any methodology that is consistent with GHG Protocol principles. In addition, the treatment of financed emissions requires dedicated, sector-specific engagement. Without this, the rule risks mandating disclosures that are not only burdensome but fundamentally flawed.

Emission Factors (Slide 16)

- **What criteria should emission factors meet to be used in this program?**

The same principle of flexibility should apply to emission factors. Restricting entities to a prescribed list of factors would reduce accuracy rather than enhance it, given the diversity of industries, geographies, and calculation approaches involved.

- **How should reporters document and explain their use of a particular emission factor, including proprietary models?**

Entities should disclose their source, vintage, and application of the factor, with appropriate protection for proprietary models. Overly rigid requirements in this area will undermine the reliability of reported emissions.

- **How should reporters document and explain when changing EFs from a prior year?**

Entities could simply disclose that a change occurred and explain the reason for the change.

Regulatory Option 1: Broad Applicability (Slide 25)

- **Should reporting entities be able to report as de minimis certain categories due to lack of relevance/materiality and/or feasibility?**

Yes. An explicit de minimis framework is critical to CARB's proposal. Without it, there is a risk that entities will be interpreted as being required to report all 15 Scope 3 categories regardless of relevance or feasibility.

The GHG Protocol's already provides the framework for this flexibility. The GHG Protocol's Scope 3 Standard permits entities to focus their Scope 3 emissions disclosure on relevant, significant emissions, where the data quality and methodological maturity support credible reporting. The Standard's accounting and reporting principles (Chapter 4), including *relevance, completeness, consistency, transparency, and accuracy,* are designed to ensure that disclosures reflect what is reportable, not simply to maximize the volume of reported information. The Standard's provisions for disclosing and justifying exclusions (Section 6.3 p. 60) give entities the ability to exempt categories, activities, and asset classes that are not significant, where no reliable methodology exists, or where data quality does not support credible reporting, so long as the entity explains its justification. The general orientation of the GHG Protocol is clear: entities should not be required to disclose emissions from activities or categories that are not meaningful to their stakeholders.

This is how the GHG Protocol is applied in regulation today. If CARB is adopting the GHG Protocol as the basis for its rule, it should carry forward these same principles. Applied faithfully, they provide a principled and transparent basis for de minimis treatment without sacrificing accountability. CARB should codify the GHG Protocol's accounting and reporting principles and apply reporting flexibilities at both the category and activity level. Consistent with current international disclosure requirements, entities should have the ability to avoid disclosing emissions categories or activities that are not significant, where data quality is poor, where reliable methodologies are not available, where the entity has little to no influence of the emissions, or where the estimated emissions are insignificant relative to the entity's total Scope 3 inventory. Category 15, for example encompasses a wide range of asset classes with varying levels of methodological maturity and data availability. Treating it as a single, indivisible category would force all-or nothing reporting, which is not workable in practice.

- **What specific thresholds, definitions, or decision frameworks should CARB use to determine when a Scope 3 category is considered de minimis to be reported?**

A principles-based approach is needed. Entities should be permitted to exclude emissions where they are not significant, where no reliable methodology exists, where data quality is insufficient, or where quantitative disclosure would be misleading. These exclusions should be disclosed and justified, but CARB should not impose arbitrary quantitative thresholds. The GHG Protocol intentionally avoids such thresholds, recognizing that significance must be assessed in context.

- **How should CARB weigh reporting flexibility against alignment with current mandatory and voluntary practices and other international standards?**

Flexibility in this area is not in tension with international alignment—it is a prerequisite for it. Every major framework has adopted similar provisions because blanket Scope 3 requirements have proven ineffective.

Option 2: Sectoral Phase-In (Slide 26)

- **Are these sectors the appropriate starting point for a phased approach to Scope 3 reporting? What factors should CARB consider in confirming or adjusting this prioritization?**

Yes, CARB should prioritize real economy sectors, such as transportation and industry, and add the de minimum flexibility from Option #1. The reason is straightforward: financial institutions' Scope 3 emissions are derived from the emissions of the companies they finance. A financial institution does not generate these emissions through its own operations; it is reporting emissions that originate in the activities of its borrowers, counterparties, and portfolio companies. The quality of a financial institution's Scope 3 disclosure is therefore directly dependent on the quality and availability of emissions data from those underlying companies. When those companies are reporting standardized, assured emissions data, financial institutions can produce more credible disclosures. Prioritizing real economy sectors first strengthens the data foundation that financial institutions draw on, which in turn improves the quality, consistency, and credibility of financial sector disclosures over time. As more companies in the real economy report standardized emissions, financial institutions will be able to refine their own reporting, replace broader estimates with more granular inputs, and produce disclosures that are increasingly useful to investors and regulators.

Option 3: Category Phase-In (Slide 27)

- **Are these the appropriate categories to prioritize for initial reporting based on data availability and relevance across sectors?**

A category-based phase-in can be workable, but only if it is paired with de minimis flexibility. CARB's current framing of Category 15 as a single category is overly simplistic and does not reflect the underlying complexity. Category 15 includes multiple asset classes, each with distinct methodologies, data challenges, and appropriate metrics. De minimis flexibility is particularly important here because it allows finical institutions to navigate this complexity by disclosing the asset classes where methodologies are mature and data quality supports credible reporting, while excluding those where it does not, rather than being forced into an all-or-nothing approach across the entire category.

CARB should allow entities to report in a manner that aligns with how they actually measure and manage emissions, including the use of both absolute and intensity-based metrics where appropriate. A rigid, one-size-fits-all approach will not produce meaningful disclosures.

Assurance (Slide 31)

- **Are there assurance standards or frameworks not currently included in staff's proposed list that should be recognized and why?**

CARB's list of acceptable assurance frameworks appears comprehensive and should remain so. Narrowing this list over time would create duplicative assurance requirements for entities operating across multiple jurisdictions, increasing costs without improving outcomes. CARB should continue to allow entities to use leading market assurance standards as those evolve.

- **What cost ranges are reporting entities currently experiencing for limited assurance engagements?**

- **What factors are driving assurance costs, and how do costs vary across entity size, sector, and assurance level?**

CARB's cost assumptions for assurance appear significantly understated. For large, complex organizations with global operations, assurance costs can be substantial. These costs are driven by organizational complexity, geographic dispersion, data system maturity, and the limited availability of qualified assurance providers. Ignoring these factors risks undermining the feasibility of implementation.

Conclusion

We want to thank CARB for its outreach and its interest in getting these rules right. Getting things risks imposing significant costs while producing disclosures that are inconsistent, unreliable, and of limited decision-making value, an outcome that has already been observed in other jurisdictions and corrected through the introduction of flexibility, phased implementation, and sector-specific approaches.

To achieve its objectives, CARB must explicitly codify de minimis flexibility, allow methodological openness consistent with the GHG Protocol, sequence implementation appropriately, avoid overly prescriptive reporting requirements, align timelines with data realities, and reassess the true cost of compliance. Without these changes, the regulation will increase burden without delivering meaningful transparency.

CMBA and MBA appreciate the opportunity to respond to the California Air Resources Board is this rulemaking progresses.

Sincerely,

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