The American Waterways Operators

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Peter J. Schrappen, CAE
Pacific Region Vice President & Regional Team Lead

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Liane M. Randolph
Chair
California Air Resources Board
1001 I Street
Sacramento, CA 95814

RE: California Corporate Greenhouse Gas (GHG) Reporting and Climate Related Financial Risk Disclosure Programs - Public Comments to August 21, 2025 Climate Disclosure Workshop

Dear Ms. Randolph:

The American Waterways Operators (AWO) is the tugboat, towboat, and barge industry's advocate, resource, and united voice for safe, sustainable, and efficient transportation on America's waterways, oceans, and coasts. As the largest segment of the nation's 40,000-vessel domestic maritime fleet, our industry safely and efficiently moves 665 million tons of cargo each year and enables the flow of goods through ports on the inland and intracoastal waterways; the Atlantic, Pacific and Gulf coasts; and the Great Lakes.

On behalf of our more than 300 member companies, we appreciate the opportunity to comment on the California Corporate Greenhouse Gas (GHG) Reporting and Climate Related Financial Risk Disclosure Programs' Climate Disclosure Workshop.

AWO members are proud to be an integral part of the most environmentally safe and efficient mode of freight transportation, emitting 43 percent less greenhouse gases than rail and 832 percent less than trucks. With California home to the largest and busiest ports on the West Coast, this commitment to environmental stewardship is especially meaningful to our members. At the same time, it is essential that state regulations remain operationally practical, ensuring that the marine transportation system continues to move safely and efficiently.

AWO has concerns about the alternative definitions CARB has proposed to gauge revenue. Each entity's total revenues will be determined by revenues from the prior fiscal year. As background, CARB is debating relying on the California Revenue and Taxation Code (RTC) § 25120(f)(2) concept of "total annual revenue," which would be defined as gross receipts. There remains no consensus on whether gross receipts are adequate for gauging revenue, leading CARB to propose an alternative definition: "Revenue is the total global amount of money or sales a company receives from its business activities, such as selling products or providing services." Both options raise concerns, particularly about whether parent-level or subsidiary-level revenue should apply. Many subsidiaries have operations in California even when their parent companies do not, creating the risk of overreach.

Similarly, AWO also has concerns regarding what constitutes doing business in California. For context, CARB is now considering using either the RTC § 23101 definition, which defines this term as engaging in any transaction for financial gain and meeting at least one of these thresholds during the reporting year, or defaulting to the California Secretary of State's Business Entity database as the trigger for establishing doing business in California. This database would capture all corporations, LLCs, and LPs registered in California, regardless of whether they conduct meaningful business in the state, potentially subjecting companies with only minimal presence to burdensome reporting obligations. We urge CARB to ensure that only entities clearly conducting meaningful operations within the state be subject to SB 253 and SB 261 requirements.

SB 253

SB 253 requires reporting of Scope 1 and Scope 2 emissions from the prior fiscal year, subject to limited assurance, by June 30, 2026. This aggressive timeline does not account for the diversity of business calendars and the time needed to finalize data and complete assurance. Many companies, particularly smaller entities, lack the systems, expertise, and infrastructure to measure and verify emissions to this standard in such a short period. Timing of data availability and reporting is unique for each industry, and even more so for each reporting entity.

Moreover, SB 253 does not impose a minimum emissions threshold to trigger reporting duties. Rather, reporting duties are based on company revenue, not emissions levels. This approach unfairly burdens industries like ours, which emit significantly fewer greenhouse gases than other transportation modes, while ignoring companies with smaller revenues but perhaps much larger carbon footprints. This approach undermines California's climate goals because it hurts low-emitting industries while possibly exempting higher-emitting ones. AWO urges CARB to consider adjustments that align reporting obligations with actual emissions impacts.

SB 261

SB 261 requires companies to publish climate-related financial risk reports by January 1, 2026. While the public docket will remain open until July 1, 2026, the January 1 deadline creates compliance pressure and uncertainty. We urge CARB to consider a reporting window, rather than a fixed date, to better reflect companies' differing fiscal years and reporting cycles.

We appreciate CARB's effort to align SB 261 requirements with existing global frameworks such as the Task Force on Climate-related Financial Disclosures and International Financial Reporting Standards. However, businesses still lack clear guidance and templates to prepare reports that meet California's requirements. For the first reporting year, CARB has indicated it will not require Scope 1, 2, or 3 data unless a company already has it available. While this flexibility is helpful, CARB should provide templates as soon as possible to avoid confusion and clarify compliance. Furthermore, maritime businesses already face extensive federal environmental regulations promulgated by the Environmental Protection Agency and U.S. Coast Guard. We ask that CARB pursue every opportunity to streamline the reporting required under SB 261.

Fees & Data

Both SB 253 and SB 261 authorize CARB to collect annual fees to fund the implementation and administration of these programs. The annual estimated cost for both programs is $13.9 million, preceded by a one-time set-up cost of $20.7 million. We appreciate CARB's intent to implement a flat fee per regulated entity, but ask CARB to bear in mind that excessive compliance costs will divert resources from actual emissions reduction investments on an industry and company level.

Reported data gathered under SB 253 and SB 261 will be made publicly available to provide increased transparency and support the state's environmental planning efforts. AWO urges CARB to provide clarity on how the data collected will be used, as such disclosures could result in significant implications for entities themselves. To avoid unintended consequences, we ask that CARB use the information to inform state emissions reduction initiatives and guide reduction strategies rather than as a punitive tool. Doing so will not only safeguard entities' operations but also support compliance and good faith efforts to reduce emissions and report transparently.

Timeline

CARB plans to publish its proposed rule on October 14, 2025, and is expected to approve the rule by December 12, 2025, just three weeks before the first reporting deadline on January 1, 2026. Though the reporting deadlines are statutory, CARB's delays add increasing uncertainty for businesses preparing for disclosure requirements. We appreciate CARB's decision not to penalize entities for incomplete Scope 1 and 2 disclosures for the first reporting cycle in 2026, so long as a good-faith effort is made. We ask that CARB publish its proposed regulations as soon as possible. Being mindful of its excessive delays and the burdensome nature of this data collection and reporting generation for businesses, we urge CARB to extend this grace period to the second reporting deadline to ensure businesses can comply. We also encourage the consideration of a phased-implementation approach to allow entities ample time to develop compliance tools.

Thank you again for the opportunity to comment on the California Corporate Greenhouse Gas (GHG) Reporting and Climate Related Financial Risk Disclosure Programs' Climate

Disclosure Workshop. We appreciate CARB's consideration of our comments and would be pleased to answer any questions or provide further information to assist in your decision-making.

Sincerely,

Peter Schrappen
Pacific Region Vice President & Regional Team Lead