

Photo: CARB

Guest contributors: Cynthia Hanawalt is the Director of Climate and Business Law at Columbia University's Sabin Center for Climate Change Law and Andy Fitch is a Climate and Business Law fellow at the Sabin Center.

We recently surveyed the empirical literature regarding the impacts of corporate greenhouse-gas (GHG) disclosure on companies' emissions, and called for increased rigor in GHG reporting. Now, as the Environmental Protection Agency prepares to gut its Greenhouse Gas Reporting Program, our nation's most comprehensive GHG-emissions database, we find California's commitment to robust disclosures more important than ever. The state recently passed two climate-disclosure laws: SB 253 requires most public and private corporations doing business in California with over $1 billion annual revenue to disclose Scope 1 and 2 emissions starting this year, and Scope 3 emissions (from upstream supply chains and downstream value chains) starting in 2027. SB 261 requires biennial reporting of climate-related financial risks from covered companies earning more than $500 million in annual revenue (though SB 261 enforcement has been postponed pending resolution of a legal challenge).

We commend the California Air Resources Board (CARB) for prompt and generally rigorous implementation of these climate-disclosure laws. But as it now prepares finalized regulations for Office of Administrative Law (OAL) approval, we encourage CARB to remove its proposed exemption of insurers from emissions-reporting obligations under SB 253, which it could accomplish with minimal disruption as a "substantial and sufficiently related" change under California's rulemaking process.

The academic literature on corporate GHGs explains what makes a mandatory reporting regime so crucial to reducing insurance-wide emissions. Yet more than 80% of a typical insurer's emissions (via Scope 3 activities such as investment and underwriting) need not be disclosed under current industry self-regulation. The state legislature has determined that Californians, "facing the existential threat of climate change, 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." And the legislature's decision to expressly exempt insurers from SB 261 coverage, but not from SB 253, underscores CARB's obligation to include insurers in its emissions-disclosure regulations.

The Relevant Academic Literature Calls for Mandatory Insurance-Industry Emissions Disclosure.

Empirical research confirms that insurers' climate disclosures prompt statistically significant reductions. Cheng et al. (2024) use states' incremental adoption of the National Association of Insurance Commissioners' Climate Risk Disclosure Survey (CRDS) to examine the impacts of mandatory disclosures on insurers' investment portfolios. Finding that CRDS-compliant insurers decreased their fossil-fuel investments by an average of 13.1%, this study concludes that, when required to disclose their climate vulnerabilities, insurers "significantly adjust…investment strategies toward more environmentally responsible investments." More broadly, academic research in the U.S., the U.K., and France shows that climate-risk disclosures by corporations and investment funds can prompt notable GHG emissions reductions. Mandatory, quantitative, and uniform disclosures (of the type that the CRDS requires for Scopes 1 and 2, but not for Scope 3) tend to yield more meaningful reductions than voluntary, qualitative, or open-ended disclosures.

Mandatory Scope 3 Reporting Fills a Critical Gap in Insurance-Industry Self-Reporting.

Given the U.S. insurance industry's roughly $9 trillion in invested assets, insurers'

vast Scope 3 profile has direct bearing on climate-risk outcomes for the state's economy and its social well-being. Yet voluntary reporting has not provided sufficient disclosure of these emissions. A 2025 Ceres publication finds that the insurance industry's reporting performance "remains extremely limited; with near-zero compliance…for financed emissions targets and negligible response rates for most other scope 3 categories." Ceres further explains that Scope 3 sources represent "simultaneously the greatest challenge and…most significant opportunity," given that emissions from investing and underwriting practices account for 80-90% of a typical insurers' GHG footprint.

Proposed Department of Insurance Reporting Requirements Fulfill Neither the Letter Nor the Spirit of SB 253

In its December 2025 Statement of Reasons, CARB noted that since SB 261 already excludes from coverage businesses subject to regulation by California's Department of Insurance (CDI), CARB now proposes to exclude such entities from SB 253 coverage as well, "for continuity." But preserving SB 253's broad statutory scope provides a more fitting means of maintaining "continuity" in implementing the state's legislative mandate, rather than imposing SB 261's express exemption for insurers onto SB 253, which declined to offer any such exemption.

In a public hearing on February 26, CARB heard constituent concerns about the exemption (including from the very legislators who sponsored SB 253 and 261), and pledged to consult with CDI about gaps in emissions requirements for insurers. We have previously commended CDI's ongoing efforts to address climate risk, including through its pending Long-Term Solvency Regulation, proposed in October 2025. Yet that proposed regulation does not require emissions reporting, instead focusing on insurers' long-term business risks and mitigation strategies. And it may only require corporate record-keeping, not public disclosure. Such measures fulfill a different function than SB 253's cross-sector reporting of emissions data by a wide range of businesses. Cross-sector reporting facilitates the public's capacity to track divergent emissions trends across the state's economy, to determine which industries have lagged in meaningful sustainability measures, and to select appropriately tailored policy responses (or, as SB 253 put it, "to make informed decisions").

Conclusion

CARB is empowered to change its initial proposal "either in response to public comments or on its own." Removing the recently added insurers' exemption likely

amounts to a “substantial and sufficiently related change,” since it alters the regulation’s meaning in reasonably foreseeable ways. CARB could accomplish this lawful change by providing notice and a 15-day comment period, without need for another public hearing.

If CARB does not remove the exemption, and instead declares that CDI is insurers’ emissions-reporting authority, CDI’s disclosure regime should adhere to the legislature’s mandate for public release of emissions data including Scope 3 coverage, and it should be formally announced prior to OAL approval of CARB’s recent implementing regulations. Absent that, OAL should reject CARB’s submission, as unauthorized and inconsistent with SB 253’s stated purpose. CARB receives, and deserves, significant discretion in directing its ample expertise to the daunting tasks of mitigating climate change. But discretion doesn’t allow for ignoring the law.

Cynthia Hanawalt is the Director of Climate and Business Law at Columbia University’s Sabin Center for Climate Change Law. Andy Fitch is a Climate and Business Law fellow at the Sabin Center.