Norges Bank
Investment
Management

California Air Resources Board
1001 I Street Sacramento
CA 95814
UNITED STATES

Via online submission

Date: 21.03.2025

RE: Information solicitation to inform implementation of climate disclosure requirements

We refer to California Air Resources Board (CARB)'s information solicitation to inform the implementation of Senate Bill 253 (Climate Corporate Data Accountability Act) and Senate Bill 261 (Climate-Related Financial Risk Act), as amended by Senate Bill 219. We appreciate the opportunity to provide input.

Norges Bank Investment Management (NBIM) is the investment management division of the Norwegian Central Bank and manages the Norwegian Government Pension Fund Global. We work to safeguard and build financial wealth for future generations. As of year-end 2024, we managed USD 1,739 billion in assets, of which USD 787 billion was invested in the shares and corporate bonds of U.S. companies. We are a minority shareholder in U.S. companies with an average ownership share of 0.94 percent as of year-end 2024.

As a long-term investor, we consider our returns over time to be dependent on sustainable economic, environmental and social development, as well as on well-functioning, legitimate and efficient markets. Climate change presents financially material risks and opportunities that can already be observed across major asset classes, including equity[1] and corporate debt[2]. The fund is exposed to climate risk and investment opportunities through the companies and assets it invests in. We use climate-related information to assess companies' exposure to climate change and how they manage related financial risks and opportunities. As such, we benefit from reliable, consistent, timely and comparable climate-related financial information across global capital markets, to inform our investment decisions, portfolio analyses and risk management processes.

As an investor in over 65 countries, we have an interest in international harmonisation of disclosure requirements that enhance comparability and market efficiency while minimising reporting burden for

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[1] Bolton, P., & Kacperczyk, M. (2021). Do investors care about carbon risk? Journal of Financial Economics, 142(2), 517-549.
[2] Blasberg A, Kiesel R and Taschini L (2023) Carbon default swap – disentangling the exposure to carbon risk through CDS. Centre for Climate Change Economics and Policy Working Paper 416/Grantham Research Institute on Climate Change and the Environment Working Paper 391. London: London School of Economics and Political Science

Norges Bank Investment Management
is a part of Norges Bank – the Central Bank of Norway

Postal address
P.O. Box 0179 Sentrum,
NO-0I07 Oslo

Visiting address
Bankplassen 2,
Oslo

Tel: +47 24 07 30 00
Fax: +47 24 07 30 01
www.nbim.no

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companies with operations and value chains spanning multiple jurisdictions. We therefore support climate-related financial disclosures based on globally recognised standards. The implementation of California's climate disclosure requirements presents an opportunity to work towards alignment of reporting practices, benefitting both companies through streamlined reporting and investors through more comparable disclosures.

Please find in Annex 1 to this letter our comments to the consultation questions, focusing on areas where we believe our perspective as a global institutional investor can be most useful. In particular, we support three key principles for implementation:

- Global interoperability: We welcome the reference to the International Sustainability Standards Board (ISSB) standards in SB261 and encourage CARB to continue working towards interoperability with globally recognised standards, notably the ISSB. Consistency with international practice promotes comparable disclosures while minimising reporting burden for companies operating across jurisdictions.
- Standardised approaches: We support disclosure of greenhouse gas emissions in accordance with the GHG Protocol Standard and recommend that assurance requirements be informed by internationally recognised standards. Using established frameworks enhances reliability and comparability of reported information.
- Alignment with financial reporting: We encourage harmonisation of reporting cycles with financial reporting periods and timings where possible. This strengthens connectivity between climate-related and other financial information, and supports timely, effective disclosure and investor decision-making.

We thank you for considering our perspective and remain at your disposal should you wish to discuss these matters further.

Yours sincerely

Signed by:
Carine Smith Ihenacho
C28B267008BE42F...
Carine Smith Ihenacho
Chief Governance and Compliance Officer

Signed by:
Snorre Gjerde
0FC167FF6A4B4EE...
Snorre Gjerde
Lead Policy Advisor

Norges Bank Investment Management
is a part of Norges Bank – the Central Bank of Norway

Postal address
P.O. Box 0179 Sentrum,
NO-0107 Oslo

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ANNEX 1: NBIM RESPONSES TO SELECTED CONSULTATION QUESTIONS

General: Standards in Regulation (Questions 3.a-c)

As set out in our view on global standards for corporate sustainability-related financial disclosures[3], we support the ISSB and its mission to deliver a global baseline of investor-focused disclosure standards. The ISSB standards IFRS S1 and S2 build on existing frameworks, such as the Task Force on Climate-Related Financial Disclosures Recommendations (TCFD), and maintain its four-pillar structure around governance, strategy, risk management, and metrics and targets. We believe that global comparability and consistency of information can be best achieved by the alignment of jurisdictional regimes with the ISSB standards through the "building blocks" approach, which allows regulators to address any jurisdiction-specific policy objectives while maintaining the global baseline.

Going forward, we anticipate that companies may increasingly transition from disclosures prepared using the TCFD recommendations to disclosures prepared using the ISSB standards. This reflects both the integration of TCFD into the ISSB standards and increasing jurisdictional adoption of ISSB standards globally[4]. We welcome that SB261 allows entities to satisfy the requirements for a climate-related financial risk report through disclosures prepared in accordance with the ISSB standards. To promote efficient reporting for entities subject to climate disclosure rules in multiple jurisdictions, CARB could explore additional opportunities for cross-referencing of disclosures made under globally recognised reporting frameworks, notably IFRS S2. Given the evolving disclosure landscape and the importance of maintaining comparability across jurisdictions, CARB may over time consider further alignment with the ISSB standards, while continuing to meet California's specific needs.

Furthermore, we note that IFRS S2 includes built-in transition reliefs and proportionality mechanisms intended to make implementation more feasible for first-time reporters, such as the concept of "reasonable and supportable information available without undue cost or effort" and flexibility in analytical approaches based on an entity's circumstances. CARB could consider equivalent measures in its implementation of the reporting requirements to balance the needs for robust disclosure with any practical implementation challenges.

SB 253: Climate Corporate Data Accountability Act (Questions 7-9)

In line with our expectations of portfolio companies[5], we support reporting of Scope 1, Scope 2 and material Scope 3 greenhouse gas emissions in accordance with the GHG Protocol Standard.

We observe that IFRS S2, specifically paragraph 29(a), provides an effective model for standardizing certain GHG Protocol aspects while maintaining appropriate flexibility. This includes alignment with financial reporting boundaries and clear disclosure of measurement approaches and assumptions, while preserving methodological choices that allow companies to reflect their specific circumstances. For Scope 2 emissions specifically, we suggest consideration of location-based emissions as the primary metric, supplemented by disclosure of contractual instruments. This approach aligns with IFRS S2 and enables meaningful comparisons across companies.

[3] NBIM view: Global standards for corporate sustainability-related financial disclosures
[4] IFRS Foundation: Jurisdictional progress towards the adoption or other use of ISSB Standards, November 2024
[5] NBIM: Climate change expectations

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Postal address
P.O. Box 0179 Sentrum,
NO-0107 Oslo

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We note that SB261 includes a provision recognising ISSB-aligned disclosures as satisfying the requirement for a climate-related financial risk report. However, SB253 does not currently include an equivalent cross-referencing opportunity for greenhouse gas emissions reporting. To minimise duplication of efforts for reporting companies, CARB could consider establishing a similar provision in the implementation of SB253 that would recognise disclosures prepared under IFRS S2 as satisfying the greenhouse gas emissions reporting requirements.

For investors to confidently use climate-related financial information, it should be subject to appropriate quality controls, both in terms of internal governance procedures and third-party assurance. As outlined in our expectations on climate change, we support reasonable assurance for Scope 1 and 2 emissions information and limited assurance for remaining climate disclosures, including Scope 3. We acknowledge that assurance of climate-related reporting has been largely voluntary to date and believe that limited assurance can be a practical starting point, with an expectation that it progresses to reasonable assurance over time, subject to market capacity.

Basing assurance practices on a global standard can enhance investors' confidence in climate-related financial disclosures. The International Auditing and Assurance Standards Board's International Standard on Sustainability Assurance 5000 (ISSA 5000) could inform the development of assurance requirements within the context of California's specific jurisdictional arrangements.

SB 261: Climate Related Financial Risk Disclosure (Questions 10-13)

While recognising the biennial reporting cycle established in SB261, we encourage integration with entities' existing financial reporting periods and timings where possible. This harmonisation strengthens the connectivity between climate-related and other financial information and supports more timely and comprehensive analysis by investors.

We observe that many organisations currently report climate-related financial information through a variety of channels including TCFD-aligned reporting, CDP (formerly the Carbon Disclosure Project) climate questionnaires, and sustainability reports with climate risk sections. The ISSB has made significant progress in consolidating these voluntary standards, including incorporating TCFD recommendations and the industry-specific standards of the Sustainability Accounting Standards Board (SASB). We also note ongoing work on interoperability between the ISSB Standards and other standards such as those developed by the Global Reporting Initiative (GRI), and CDP's work to align its climate questionnaire with the ISSB standards[6]. As noted in our response to Question 3, we encourage CARB to continue to work towards alignment with these efforts, to streamline implementation for companies while ensuring investors receive consistent and comparable information across markets.

[6] IFRS Foundation (2024), 'ISSB delivers further harmonisation of the sustainability disclosure landscape: new work plan', IFRS News, 5 June 2024

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