



Oct 10, 2025

Categories:

[In the News](#)
[Publications](#)

Authors:

[Thierry R. Montoya](#)

Using the GHG Protocol for California Climate Reporting

California's climate disclosure laws now require structured, auditable reporting. S.B. 253 and S.B. 261 move companies from aspiration to enforceable filings, and expect clear methods, tested decision processes, and public accountability.

At the [California Air Resources Board's](#) Aug. 21 public workshop, staff stated that entities subject to S.B. 253 and S.B. 261 may rely on existing reporting standards such as the Greenhouse Gas Protocol, which provides the governing framework.

The standards are technology-neutral. Software may speed the work, but the GHG Protocol defines the rules. Given CARB's position, an overview of protocol method selection, data sources and disclosure is timely for compliance planning.

This article previews the practical takeaways that matter most:

- Selecting and documenting a defensible method for each source;
- Identifying and disclosing the information used to apply that method;
- Maintaining records that support assurance;
- Keeping approvals traceable to accountable people;
- Managing supplier information so data quality improves over time; and
- Recognizing that artificial intelligence may execute, but not redefine, the rules.

Background on the GHG Protocol

The GHG Protocol emerged in the late 1990s as a joint initiative of the [World Resources Institute](#) and the World Business Council for Sustainable Development to create a common accounting language for greenhouse-gas reporting across sectors and jurisdictions.

It remains administered by those organizations, with updates issued through standards, guidance and technical notes.

The protocol's Corporate Accounting and Reporting Standard introduced core concepts such as organizational boundaries and Scope 1, 2, and 3 emissions. Subsequent guidance clarified location-based and market-based accounting for purchased electricity and set out category-specific methods for Scope 3.

Because regulators, investors and voluntary programs have referenced or aligned to these standards for decades, the protocol is widely regarded as the baseline corporate greenhouse gas accounting framework. CARB's acknowledgment places those rules at the heart of California compliance.

From Mandate to Method

S.B. 253 requires covered companies to report GHG emissions across Scopes 1 and 2 with assurance, and to phase in Scope 3. S.B. 261 requires a public report on climate-related financial risk and board oversight.

Both statutes assume reporting that applies the protocol's accounting principles — relevance, completeness, consistency, accuracy and transparency — to boundary setting, method selection and disclosures.

This suggests establishing organizational boundaries, selecting category-appropriate methods and presenting disclosures that allow an independent reader to understand the company's approach.

What "GHG Protocol-Compliant" Actually Means

A GHG Protocol-compliant method is a defined calculation approach applied with the protocol's boundary rules and data-quality order. It states what is measured, how the organizational boundary is drawn, which data are used, which factors convert activity to emissions and how uncertainty is treated.

“Data-quality order” means the protocol’s preference for supplier-specific activity data over generic or spend-based estimates.

Illustrations

For Scope 1 stationary combustion, use measured fuel with fuel-specific factors and stated measurement assumptions. For Scope 2 electricity, apply the location-based or market-based approach and identify the choice.

For Scope 3, Category 1 — purchased goods and services — favor supplier-specific, full life-cycle information for key inputs. Where that level of detail is not yet available, use broader models with explanation and a path to improvement.

Method, Data Sources and Disclosure

The GHG Protocol links method and disclosure. Companies select the applicable method for each source and category, identify the data sources used to apply that method, and explain material assumptions and limitations.

Where estimates are used, explain why they were necessary and how they will be refined. When inputs or methods change between periods, disclose the change and distinguish method effects from performance effects.

This matters under S.B. 253 because assurance will test both the number reported and the path used to produce it.

Records That Support Assurance

The GHG Protocol does not prescribe a file format, but it does assume that disclosures can be traced to underlying information.

Maintain an organized file that links each disclosure line to source materials — utility bills, purchasing summaries, supplier confirmations, the year’s conversion factors and notes explaining corrections.

Organize as work proceeds, rather than at year-end. Label documents with dates and version identifiers, and keep a short

index that maps records to disclosure lines.

This approach supports the protocol's transparency and accuracy principles, and may facilitate third-party assurance once CARB's rules take effect.

Approvals and Accountability

The GHG Protocol's transparency and accuracy principles call for a traceable decision path that identifies who made key choices and on what basis. One way to evidence this is to separate proposal from approval.

A tool may propose a value; a designated reviewer accepts or adjusts it and records a brief rationale. This preserves the method, keeps judgment with accountable people, and provides boards and reviewers with a clear record of responsibility without altering the underlying approach.

Supplier Information

Scope 3 reporting depends on supplier information. The GHG Protocol acknowledges differing data availability and allows broader models when supplier-specific figures are not available, while anticipating progressive improvement.

Companies may use stable request cycles, focus on the most material categories and suppliers, retain original supplier responses alongside corrections, and document the transition from estimates to more specific information.

Contract terms with priority suppliers can formalize timing, formats, confidentiality protections and a road map for improving data over time. These measures align with the protocol's objectives without over-engineering the process in year one.

Integrating Governance With the Inventory

Method choices affect governance under S.B. 261. Board oversight of climate-related financial risk will be more credible when the inventory's decision trail is clear.

Committees should receive concise method summaries, uncertainty ranges for material categories, and explanations of year-over-year changes that separate methodology effects from genuine performance shifts.

Align these materials with the evidence file: Each disclosure line should map to specific records, and each material judgment should point to the approval that authorized it. Governance improves when the inventory can be read, tested and explained.

A Brief Note on AI

The GHG Protocol prescribes what must be counted, and how methods are selected, documented and disclosed; it does not prescribe software.

If a company uses AI to read invoices, organize records or propose estimates, the selected protocol method and identified data sources govern every step.

AI may speed the work; it cannot redefine the rules. Keep model outputs traceable to inputs, note material assumptions, and prevent automated changes that would alter a disclosed method mid-cycle without documentation and explanation.

Conclusion

CARB's statement removes uncertainty about which accounting rules to follow while the agency completes rulemaking.

With that question settled, the near-term task is to apply the GHG Protocol's mechanics: Define methods by source and category, identify the information used to execute those methods, disclose assumptions and changes with precision, and keep a record that allows an independent reviewer to see how numbers were produced.

Taken together, those steps may produce disclosures that meet statutory expectations and may support assurance under S.B. 253. More broadly, S.B. 253 and S.B. 261 compliance can be based on the protocol's methods and principles.

An overview of the GHG Protocol's data sources, boundary rules, category-specific methods, disclosure obligations and accountable approvals is central to program design. By centering the protocol — and by treating tools as means rather than ends — reporting entities may meet their legal obligations and present decision-useful information to regulators, investors and the public.

*Reprinted with permission from Portfolio Media, Inc. © 2025.
Further duplication without permission is prohibited. All rights reserved*

© 2026 FBT Gibbons LLP. May be considered attorney advertising in some jurisdictions.