

California Takes the Lead: New Bills Promote Climate Risk Awareness



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In an era of increasing climate awareness, California has passed two landmark bills, SB253 (Climate Corporate Data Accountability Act) and SB261 (Climate-Related Financial Risk), aimed at promoting climate risk awareness and corporate responsibility. Governor Gavin Newsom plans to sign these bills by October 14, 2023.

SB253: The Climate Corporate Data Accountability Act

SB253, often referred to as the Climate Corporate Data Accountability Act, is a groundbreaking piece of legislation that will require public and private companies earning more than \$1 billion in annual revenue and operating in California to publicly disclose their greenhouse gas emissions. This disclosure will be done in two phases:

1. **Scope 1 and 2 Disclosure by 2026:** Companies will need to disclose their direct emissions (Scope 1) and indirect emissions from purchased electricity (Scope 2) by 2026.
2. **Scope 3 Disclosure by 2027:** A broader range of emissions, including those associated with the entire value chain, known as Scope 3 emissions, must be disclosed by 2027.

To ensure the effective implementation of SB253, the California Air Resources Board will be responsible for creating regulations by January 1, 2025. Additionally, a digital platform will be established to make these disclosures accessible to the public, enhancing transparency.

What makes SB253 particularly significant is that it is the first corporate greenhouse gas emissions disclosure law to be enacted in the United States. The legislation is expected to impact approximately 5,300 entities, urging them to take significant steps toward reducing their carbon footprint.

Moreover, the bill outlines a phased approach to assurance levels. Scope 1 and 2 emissions will be subject to limited assurance by 2026 and a reasonable assurance level by 2030. In 2026, the state board will also review third-party assurance requirements for Scope 3 emissions, with the possibility of establishing a Scope 3 assurance requirement.

Suppliers in and out of California may be pulled into the Scope 3 requirement if they serve companies subject to this Act.

SB261: Climate-Related Financial Risk Reporting

SB261, known as the Climate-Related Financial Risk Reporting Act, is another critical piece of legislation aimed at corporate transparency regarding climate-related financial risks. Starting from January 1, 2026, and every two years following, companies with annual revenues exceeding \$500 million that conduct business in California will be required to publish a climate-related financial risk report on their company website. This report should not only identify climate-related financial risks, but also outline measures taken by the company to mitigate these risks.

Support from Tech Giants: Apple and Google

Notably, tech giants Apple and Google have expressed their support for both SB253 and SB261. Their endorsement underscores the importance of these bills in addressing climate change at the corporate level.

What's Next?

California's stance in addressing climate change through these two bills reflects a growing recognition of the critical role businesses play in mitigating environmental risks. By requiring emissions disclosure and climate-related financial risk reporting, these bills are poised to catalyze a shift toward more sustainable and responsible corporate practices. As we await the Securities and Exchange Commission's climate rule, California's actions set a precedent for other states to consider.