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California Lawmakers Pass Bill Requiring Greater Climate Accountability

September 19, 2023

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California lawmakers seek to raise the bar on climate regulation through the California Climate Corporate Data Accountability Act (Senate Bill 253), which would require large public and private companies to disclose their carbon emissions. The California Senate delivered the bill to Governor Gavin Newsom, who has already announced his intention to sign it. If enacted, **this bill will require** all companies doing business in California with revenues upward of $1 billion to disclose Scope 1 and 2 (direct) emissions starting in 2026 and Scope 3 (indirect) emissions beginning in 2027. All emissions must be reported in line with the Greenhouse Gas Protocol (the most widely used greenhouse gas accounting standards), and reporting entities must engage a credentialed independent third-party assurance provider to audit their reports starting in 2026 for Scope 1 and 2 emissions and 2030 for Scope 3 emissions. Finally, the state will set an annual filing fee that will fund the oversight of the program, and reporting entities who fail to timely file will incur administrative penalties of up to $500,000.

These requirements are notably more strict than those announced in the **SEC's proposed emissions disclosure rule** last year. Indeed, the bill would not only require disclosures from public companies, but would also require disclosures from privately held companies that currently fall outside the purview of the SEC's proposed rule. Unlike the SEC's proposed rule, the **California bill** would also require disclosure of Scope 3 emissions, regardless of whether the company's Scope 3 emissions are material or the company has set Scope 3 emissions reduction targets.

This variance from the proposed SEC standard comes as no surprise, as California has historically led the nation in enacting the most stringent emissions and air quality regulations. For example, decades ago, California was granted a waiver by the EPA permitting the state to adopt and enforce GHG emissions standards—the "tailpipe rule"— that allows for fewer emissions than the national standards. And, last September, Governor Newsom signed the California Climate Crisis Act that requires the state to reach net zero GHG emissions by 2045.

Taking the Temperature: California's move reflects a global push for greater emissions transparency and comes after a long period of waiting for the SEC to publish a final rule on climate disclosures. In that time, many companies have already started to report their emissions either because they are subject to the reporting requirements issued by the EU and/or UK or have voluntarily done so in response to investor demand and/or in anticipation of the imminent SEC regulation. If the bill becomes state law, it may pave the way for other states to follow suit by using the California Climate Corporate Data Accountability Act as a template for emissions disclosure regulation.