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CLIENT UPDATE MEMORANDUM

AUTHORS: Norman A. Dupont, David Hori

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RE: Summary of California's New Climate Corporate Data Accountability Act, SB 253

I. Overview

The California legislature recently passed a first-in-the-nation climate disclosure bill. Senate Bill 253 (SB 253), entitled the "Climate Corporate Data Accountability Act", adds a new section to California's Health and Safety Code and requires corporate entity disclosures starting in 2026. This means businesses must annually measure and disclose their greenhouse gas (GHG) emissions in conformance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised edition).

II. Main Takeaways

WHO must report GHG emissions?

"Reporting entities" are subject to the mandates of SB 253. This term includes partnerships, corporations, limited liability companies, or other business entities formed in California or elsewhere, who "do business" in California, and whose total annual revenues exceed $1 billion.

SB 253 does not separately define what constitutes "doing business" in California. However, the California Franchise Tax Board defines the term as any of the following: 1) engaging in any transaction for the purpose of financial gain within the state; 2) organizing or commercially domiciled in the state; or 3) having California sales, property, or payroll in excess of certain thresholds. Therefore, this bill covers not only business entities with easily predictable GHG emissions from factories, but also office-based businesses, such as professional service companies that meet the revenue threshold.

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WHAT must be disclosed?

Covered businesses are required to disclose Scope 1 (emissions from sources that a reporting entity owns or directly controls) and Scope 2 (emissions from electricity, steam, heating, or cooling consumption) data starting in 2026 for calendar year 2025. Businesses will be required to disclose Scope 3 (indirect, corporate value chain emissions) data starting in 2027 for calendar year 2026. A reporting entity's disclosure must consider acquisitions, divestments, mergers, and other structural changes that can affect GHG emissions reporting. Such corporate transactions that affect GHG emissions must be disclosed in a manner consistent with the Greenhouse Gas Protocol.

The State Air Resources Board is tasked with adopting implementing regulations by January 1, 2025. We expect more precise guidance will be available at that time.

WHEN are the disclosures required?

SB 253 imposes a starting date for disclosures of Scope 1 and Scope 2 data in 2026, with a trigger date of 2027 for Scope 3 data disclosures. We anticipate the State Air Resources Board's regulations will provide more detailed instructions about the exact deadlines and required formatting of disclosures to an electronic database.

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