

Climate Corporate Data Accountability Act (SB 253)

Annual reporting and verification of Scope 1, 2, and 3 emissions

KEY DETAILS

- ▶ **Scope:** U.S.-organized public and private entities that “do business in California”¹ and have total annual revenues in excess of **\$1 billion** (based on prior fiscal year)
- ▶ **Reporting:** Annually calculate and disclose Scope 1 (directly controlled assets), Scope 2 (procured energy), and Scope 3 (supply chain and investments) emissions
- ▶ **Verification:** Obtain independent, third-party verification for emissions inventories, with: (1) Scope 1 and 2 assurance required at a limited level beginning in 2026 and a reasonable level beginning in 2030, and (2) Scope 3 assurance required at a limited level beginning in 2030
- ▶ **Timeline:** Scope 1 and 2 emissions reporting will begin “starting in 2026,” with Scope 3 emissions “starting in 2027”²
- ▶ **Penalties:** Enforced by the California Air Resources Board (CARB), and **not to exceed \$500,000** in a reporting year



TAKEAWAYS FOR COMPANIES

- ▶ SB 253 requirements go beyond the SEC’s proposed climate disclosure rule in SB 253’s requirement for all subject entities to report Scope 3 emissions. However, similar to the SEC’s proposed rule, SB 253 provides a safe harbor for Scope 3 emissions disclosures that are made with a reasonable basis and disclosed in good faith
- ▶ Disclosure can be made through a report “prepared to meet other national and international” requirements, which may reduce the reporting burden for companies already calculating and verifying their emissions pursuant to requirements in other jurisdictions
- ▶ SB 219, passed on August 31, 2024, allows companies subject to SB 253 to consolidate reporting at the parent company level

1. This term is undefined in the legislation, but the California Tax Code uses similar language and defines “doing business” as actively engaging in any transaction for the purpose of financial gain within California, being organized or commercially domiciled in California, or having California sales, property, or payroll exceed specified amounts

2. The specific dates are pending further guidance from the CARB