

POLICY ALERT:

October 10, 2023

# New Climate Regulations in California: SB 253 & SB 261

CALIFORNIA'S CLIMATE CORPORATE DATA ACCOUNTABILITY (SB 253) AND  
CLIMATE-RELATED FINANCIAL RISK (SB 261) BILLS MOVE FORWARD TO LAW

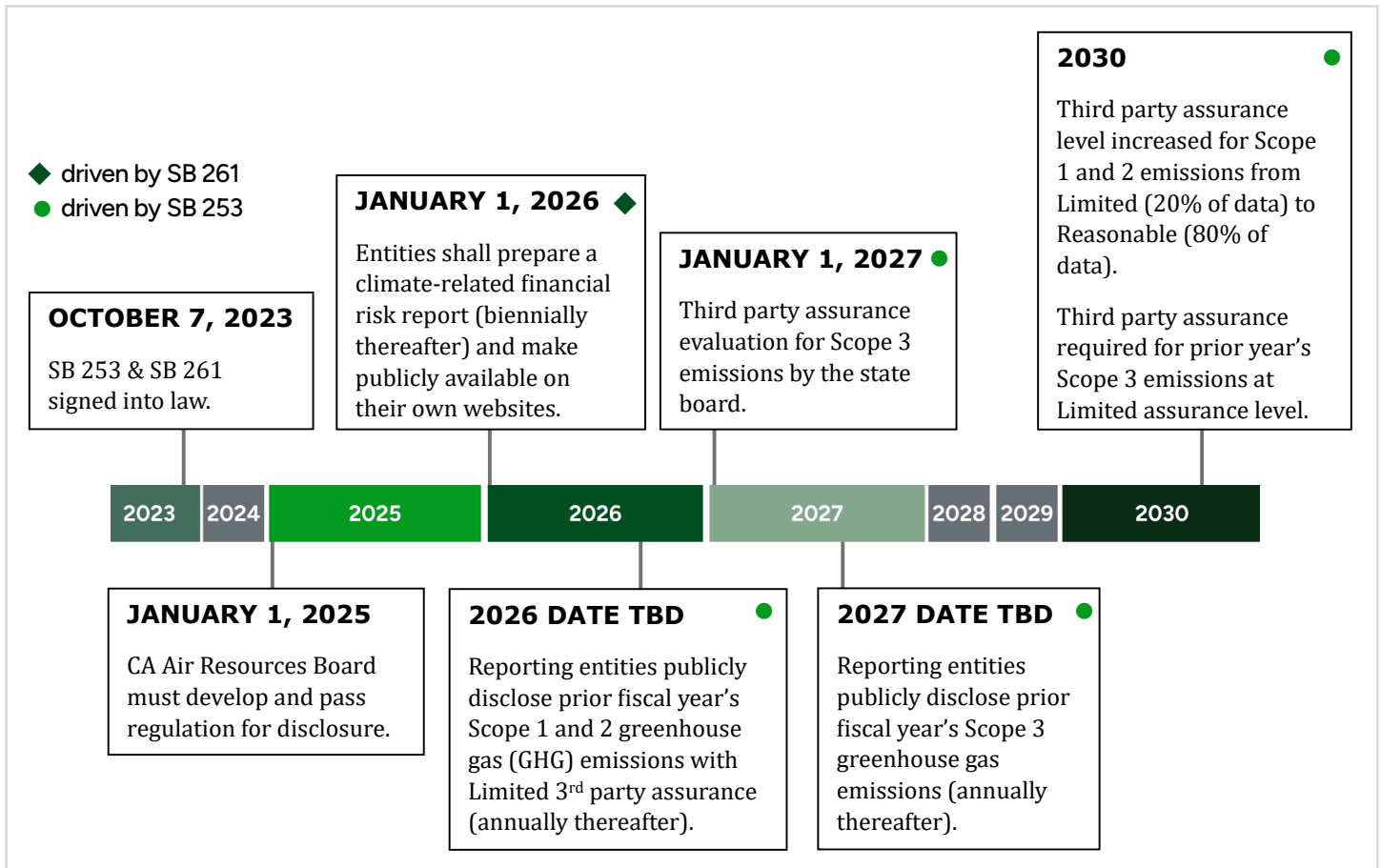


Sustainability is our business



On October 7, 2023, Governor Newsom of California (CA) signed two new climate bills into law. CA Senate Bills (SB) 253 and 261 apply to any public or private company doing business in CA that meets certain annual revenue thresholds (more below) and prescribe penalties for compliance violations.

## Timeline



[SB 253, the Climate Corporate Data Accountability Act](#) will affect public and private entities<sup>1</sup> operating in CA that earn >\$1B annual revenue. It will require entities to publicly disclose and assure Scope 1 and 2 emissions, and eventually Scope 3 emissions as well. SB 253 requires conformance with the Greenhouse Gas Protocol standards and guidance for corporate and value chain (scope 3) accounting. As a founding member of the World Business Council for Sustainable Development, who helps develop and maintain the GHG Protocol standards, ERM actively tracks and comments on routine updates to their requirements. We are intimately familiar with deployment of the GHG Protocols' principles across companies' emissions profiles, developing inventories to confidently advance decarbonization journeys.

<sup>1</sup> Covered "entity" does not include a business entity that is subject to regulation by the Department of Insurance in the state of CA, or that is in the business of insurance in any other state.

SB 253 penalties for nonfiling, late filing, or other failure to meet the requirements may reach up to \$500,000 per reporting year. However, a reporting entity will not be subject to an administrative penalty for any misstatements with regard to Scope 3 emissions disclosures made with a reasonable basis and disclosed in good faith. Additionally, penalties assessed for Scope 3 reporting, between 2027 and 2030, shall only occur for nonfiling.

Beyond the stipulated financial penalties for non-compliance, companies may face reputation or business continuity risks of inaction, which could have more severe consequences than the penalties themselves.

[SB 261, the Climate-Related Financial Risk Act](#) applies to public or private entities that operate in CA and earn >\$500M annual revenue. In relation to SB 261, ERM has delivered over 250 TCFD climate-risk analyses to clients in virtually every industry.

SB 261's applicability revenue threshold is lower than SB 253's, meaning that some entities may only be required to disclose climate-related financial risk. However, like the Task Force on Climate-related Financial Disclosures (TCFD), ERM recommends calculating GHG emissions prior to evaluating climate-related financial risk (i.e., entities should understand their own climate impact to wholly evaluate risk associated with it).

## How ERM can help you

SB 253 and SB 261 are part of a regulatory wave bringing carbon and climate-related financial risk disclosures to the forefront for companies. ERM is expertly suited to review your company's documentation, governance, process controls, data and technical capacity of personnel generating climate data. ERM can assess readiness and work with your team in compiling disclosures that are vetted and audit-ready.

## Key Contacts

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