

California Climate Finance Reporting Legislation 2023 – Summary

On October 7, 2023, California Governor Gavin Newsom signed into law two climate risk disclosure bills that will have widescale national impacts. [The final bills](#) require companies that "do business in California" and meet certain thresholds to disclose their greenhouse gas emissions and other climate-related financial risks. These bills go further than what the SEC has proposed in its climate risk disclosure rule and could become a de facto national standard for climate risk financial reporting.

Before heading to the Governor’s desk, SB 253 and SB 261 were modified slightly before being passed by the full Assembly in September 2023. The modifications included pushing the implementation timing back a year for SB 261 and reducing and delaying when the fines go into effect on entities that do not report under both bills.

Governor Newsom [expressed a few concerns](#) about the final regulations specifically relating to the implementation timelines and costs to businesses to comply. Below is a short breakdown of the reporting requirements in each of the bills, which has been updated with the final changes and Governor Newsom’s concerns.

	SB 253	SB 261
Companies affected	<ul style="list-style-type: none"> ▪ Companies doing business in CA ▪ > \$1 billion revenue based on prior FY ▪ Public and private 	<ul style="list-style-type: none"> ▪ Companies doing business in CA ▪ > \$500 million ▪ Public and private, excludes insurance companies
Reporting	Disclose Scope 1, 2 and 3 using Greenhouse Gas Protocol	TCFD analysis Describe measures taken to reduce or adapt to climate risks identified
Est number of companies impacted	5,400	10,000
Entity to report to	California Air Resources Board to establish an “emissions reporting organization”	Post on the company’s website Submit affirmation to CA Secretary of State

<p>Qualifications for “doing business in CA”</p>	<ul style="list-style-type: none"> ▪ Engaging in any transaction for the purpose of financial gain within California; or ▪ Domiciled; or ▪ Sales of \$610k; or ▪ Property valued at \$61k; or ▪ Payroll of \$61k 	<p>Any corporation, partnership, LLC or other business entity formed in any US state with total revenues of at least \$500 million and that does business in CA.</p>
<p>Assurance</p>	<p>Independently verified by a firm with “sufficient competence”</p> <p>Limited assurance for scope 1 & 2 during 2026 – 2030; reasonable assurance 2023 forward</p> <p>Scope 3 assurance to be determined by a board review in 2030</p>	
<p>Timing</p>	<p>CARB must develop and adopt regulations by January 1, 2025</p> <p>Scope 1 & 2 reporting begins 2026</p> <p>Scope 3 reporting begins 2027</p>	<p>Covered entities must report on or before January 1, 2026, then biennially</p>
<p>Fines</p>	<p>Penalties for scope 3 reporting from 2027-2030 will only occur for non-filing; administrative penalties on a reporting entity will not exceed \$500,000 in a reporting year</p>	<p>The administrative penalties on a reporting entity will not exceed \$50,000 in a reporting year.</p>
<p>Additional details about the bills</p>	<p>SB252 failed by only <i>one vote</i> in the CA Senate in 2022. The delay in Scope 3 reporting is believed to help procure the final vote.</p>	<p>Double reporting avoidance: Should the SEC finalize a materially similar reporting requirement, the federal reporting requirement would satisfy the SB 261 reporting requirement.</p>
<p>Governor Newsom’s Concerns</p>	<p>Believes implementation deadlines are infeasible; reporting protocols could create inconsistent reporting across businesses; worried about the cost of the bill for businesses</p>	<p>Does not believe the California Air Resources Board (CARB) has sufficient time to carry out the requirements of the bill; worried about the cost of the bill for businesses</p>

For any questions, please reach out to Rachel Curley, Director of Policy and Programs, at rcurley@ussif.org.

About US SIF

[US SIF: Sustainable Investment Forum](#) is the leading voice advancing sustainable investing across all asset classes. Its mission is to rapidly shift investment practices toward sustainability-aligned goals with the aim of achieving long-term investment goals and preserving our planet and society. US SIF members include investment management and advisory firms, mutual fund companies, asset owners, data and research firms, financial planners and advisors, broker-dealers, banks, credit unions, community development financial institutions and non-profit associations. [JOIN US!](#)

US SIF is supported in its work by the US SIF Foundation, a 501(C)(3) organization that undertakes educational and research activities to advance the mission of US SIF, including offering trainings for advisors and other financial professionals on the [Fundamentals of Sustainable and Impact Investment](#).