Status Update: California Climate Bills SB-253 and SB-261

The Uplift Agency

SUSTAINABILITY & SOCIAL IMPACT CONSULTING

Overview of California Climate Legislation

In September 2023, Governor Gavin Newsom signed two landmark bills into law: SB-253 and SB-261. These regulations mark a significant shift in the U.S., requiring companies operating in California to disclose their greenhouse gas (GHG) emissions and climate risks. Here's what you need to know:

SB-253 and SB-261 require disclosure of:

2026	**Scope 1 & 2 Emissions:** Report by 2026.
2027	**Scope 3 Emissions:** Report by 2027.
2026	**Climate Risk Reports:** Based on TCFD recommendations, due by January 1, 2026.

Recent Legislative Developments

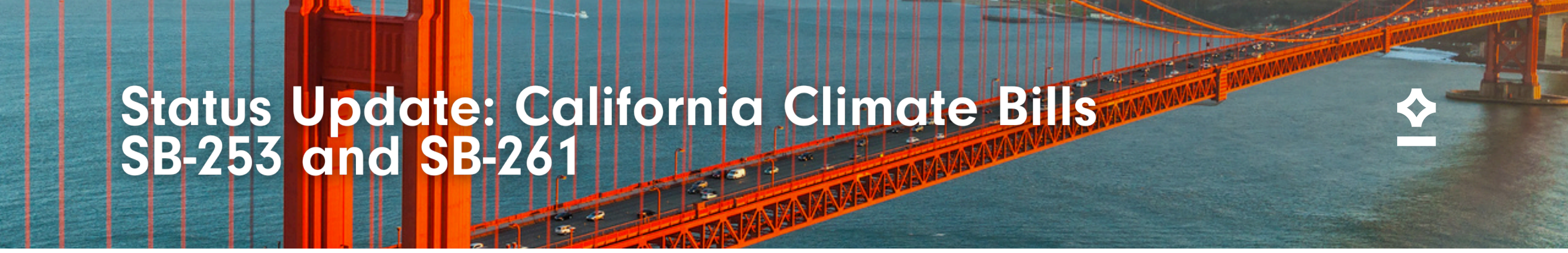
Governor Newsom's Proposal: Initially suggested a 2-year delay in reporting deadlines, suggesting that the timelines were too tight.

Current Status: Proposal was not accepted by California legislators. The State Senators who sponsored SB-253, SB-261- Scott Weiner and Henry Stern, as well as climate action advocates across the nation, did not support Newsom's proposal for a delay. As such, the reporting deadlines remain unchanged.

SB-219: The two state senators proposed a new bill: SB-219, which defined minor changes to SB-253 and SB-261. This bill passed in the California legislature in late August and is not yet signed by the governor. *The new bill does not alter the year of the corporate disclosures (all are still 2026).*

Governor Newsom has until September 30 to sign SB-219, but regardless of whether he signs or vetoes this bill, the timing on the corporate disclosures (Scope 1 and Scope 2 emissions) will not change, so companies will still need to prepare Scope 1 and Scope 2 emissions, achieve limited assurance by sometime in 2026, as determined by CARB, and publish their climate risk reports no later than January 1 2026.

Have a question or need help getting started? Contact Uplift's ESG & Sustainability team leads: hello@theupliftagency.com



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Will Your Company Have to Comply* with the California Climate Accountability Laws?

STEP 1

A company must first meet the definition of "**doing business in California**" to meet the first threshold for compliance with these laws. Here's what that means:

- [ ] *Does your company engage in any transaction for the purpose of financial gain within California?*
- [ ] *Is California the principal state from which your company's trade or business is directed or managed?*
- [ ] *Does your company's California sales, property, or payroll exceed [the requirements found here?]*

If you answered "**Yes**" to any of these, answer the questions below to identify whether your company will have to comply with SB 253 and SB 261. If you answered "**No**", your company does not have to comply with either of these laws.

**This document does not contain legal advice. Please consult your attorney regarding your legal obligations.*

STEP 2

SB 253 — **Climate Corporate Data Accountability Act**

- [ ] Does your company's overall annual revenue exceed $1 billion (in total, not just in California)?

SB 261 — **Climate-related Financial Risk Act**

- [ ] Does your company's overall annual revenue exceed $500M (in total, not just in California)?

AB 1305 — **Voluntary Carbon Market Disclosures Act**

- [ ] Does your company market or sell, purchase, or use carbon offsets in California?

If you answered "**Yes**" to the question above, your company will have to comply with AB 1305 regardless of whether it meets the criteria for "doing business in California".

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What This Could Mean for Your Company

1. Recommended Actions

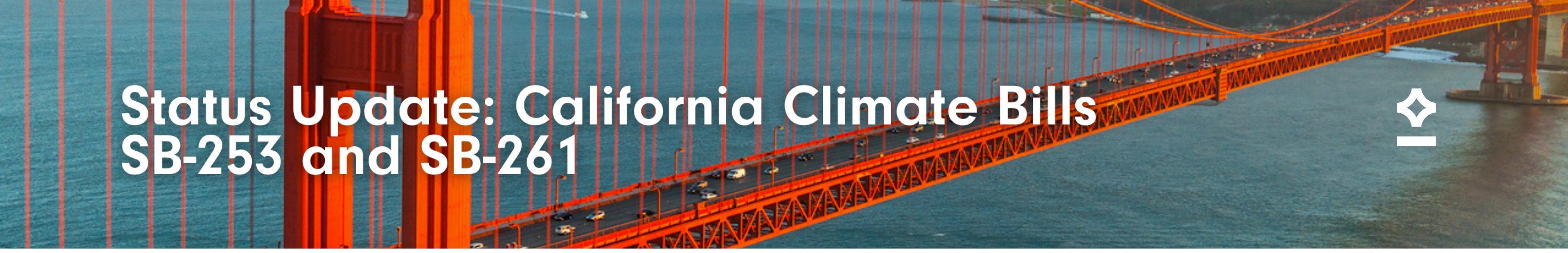
- **Quantify Your Emissions:** Start measuring your Scope 1 and Scope 2 emissions if you haven't already. Accurate data collection is critical, ensure your data is collected and calculated by emissions experts.
- **Achieve Independent Assurance:** Ensure that your emissions data meets the required standards through independent verification.
- **Prepare Climate Risk Reports:** Develop reports in accordance with TCFD guidelines, due by January 1, 2026.

2. Clarifying 2026 Timelines

- **Anticipating Clarity around Deadlines:** CARB (California Air Resources Board) is the state agency required by the laws to develop and adopt regulations based on the bills that have passed. CARB might be the agency that accepts and ensures compliance with the laws, or it may opt to contract the implementation of the regulation to an external group. CARB is expected to define a specific day or month in 2026 for Scope 1 and Scope 2 emissions disclosures.

3. Financial and Operational Impact:

- **Annual Fees:** Companies will be required to pay an annual fee for both disclosures - climate risk and emissions, though the timing of the payments is not yet defined.
- **Penalties:** According to the law, CARB can bring civil actions and penalties against companies to which the law applies. Penalties relating to SB-253 (emissions reporting) can be up to $500,000 and penalties for SB-261 (financial risk reporting) can be up to $50,000.
- **Safe Harbor:** Companies will not face administrative penalties for inaccuracies in scope 3 emissions reporting, provided the information was based on reasonable assumptions and shared in good faith. Additionally, CARB has indicated it will refrain from enforcement actions for incomplete disclosures during the first year, as long as organizations can show they made sincere efforts to meet the law's requirements.



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Why Act Now?

The compliance deadlines are approaching rapidly, and companies that delay will face increased pressure as the deadlines near. Preparing now will help you avoid last-minute challenges and ensure smooth, timely compliance with California's climate regulations.

Uplift's Emissions, Climate Risk, Resiliency & Reporting Services

As expert advisors and climate specialists, Uplift walks with you each step of the way: translating the reporting requirements, collecting and tracking the emissions, simplifying the climate science and data, and developing accurate and meaningful climate disclosures and adaptation plans. We help our clients navigate the evolving landscape of U.S. and international climate regulations, preparing them for emissions requests from customers and suppliers.

Our expertise spans various climate-related frameworks, including California's Climate Accountability Laws, TCFD, CSRD, and IFRS S1 & S2 Standards.

Our services include GHG inventory development, emissions reduction strategies, carbon offset procurement, climate risk assessment, and adaptation planning. We provide expert guidance, data collection tools, and ongoing support to help you achieve your climate goals.

By partnering with Uplift, you can mitigate climate risks and build resilience, enhance your sustainability reputation and attract responsible investors, demonstrate leadership in climate action, and achieve regulatory compliance with confidence.

Uplift's Approach to Climate Risk Assessments & Climate Resilience Strategies

- **Step 1** — Establish climate risk team & conduct **gap assessment**
- **Step 2** — Conduct **TCFD-aligned scenario analysis** to identify your climate risks & opportunities
- **Step 3** — Develop meaningful **climate risk metrics**, targets, & effective management approaches
- **Step 4** — Prepare for **updates** to your business **strategies** and governance systems
- **Step 5** — Develop your company's **climate report** & provide meaningful stakeholder **communications**.

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