

EARLY IMPRESSIONS

California Climate Accountability Package (SB 219) Update



FOREWORD

As the state of mandatory corporate sustainability reporting continues to undergo uncertainties and pendulum swings in the United States, California has pushed the agenda forward with the recent passage of SB 219, which provides further clarity around the previously enacted California climate accountability laws (SB 253 and SB 261).

We at Uniquis welcome the actions taken by California policymakers to lead the United States with its climate disclosure regime. Despite the politicization of ESG in the U.S. coupled with the election of a new Republican administration, which may result in setbacks to federal climate-related lawmaking, we look to other jurisdictions – including individual states and countries – to take a greater leadership role in advancing efforts in this arena. We would be happy to participate in any discussions required to provide clarifications on our views captured in the pages that follow. We look forward to hearing from you.

Yours Sincerely,

For Uniquis Consultech

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BACKGROUND OF SB 219

California signed several landmark climate disclosure bills into law in late 2023. These included SB 253 (GHG emissions disclosure) and SB 261 (climate risk disclosure), which were [covered by Uniquis](#) previously, followed by AB 1305 (carbon offset disclosures) – together often referred to as California’s climate accountability package. Governor Newsom conditionally approved the laws, warning that the state’s policymakers would need to clarify details around implementation of the rules.

Although the California Air Resources Board (CARB) faced an original deadline to issue appropriate rules by January 2025, policymakers indicated that the state would likely delay enforcement of these laws due to issues around establishing adequate funding and appropriate implementation guidance. Governor Newsom had initially proposed delaying implementation of the climate accountability laws by two years. However, on August 31st, 2024, the state’s legislature instead passed an amendment bill, SB 219, which supports the implementation of the climate accountability package. Governor Newsom signed the amendment bill into law on September 27th, 2024.

KEY CHANGES IN SB 219

Though SB 219 retains the original disclosure deadlines outlined in SB 253 and SB 261, the amendment bill ultimately grants CARB flexibility and time to implement the climate accountability package – with significant changes to SB 253. Notably, SB 219 provides CARB with an additional six months to establish implementation rules for GHG emissions disclosures. The law also allows CARB to amend the reporting schedule for Scope 3 emissions by in-scope entities, with the first Scope 3 reports due in 2027. Furthermore, the amendment clarifies that GHG emissions reports can be consolidated at the parent company level, exempting subsidiaries from reporting GHG emissions separately. Finally, the amendment delinks payment of annual fees from filing disclosures for the climate laws. These changes are summarized as follows:

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Implementation Element	SB 253 / SB 261 (Sept 2023)	SB 219 (Sept 2024)
(SB 253) GHG Reporting Guidance	CARB to promulgate GHG emissions disclosure guidance (SB 253) by January 2025	CARB now has until July 2025 to issue emissions disclosure guidance (SB 253)
(SB 253) Scope 3 Reporting Schedule	Scope 3 disclosure (SB 253) was due previously within 180 days of Scope 1 and 2 reports	CARB to provide reporting entities with the Scope 3 reporting schedule (SB 253)
(SB 253) Consolidated Reporting	Subsidiaries can consolidate disclosures with the parent company for climate risk reports (SB 261) only	Subsidiaries can now also consolidate disclosures with the parent company for GHG emissions (SB 253)
(SB 253 / SB 261) Fee Schedule	Fees due upon filing of GHG emissions (SB 253) and climate risk reports (SB 261)	Fees no longer due upon filing, but still due on or before January 2026, biennially after that for climate risk reports (SB 261) and unspecified timelines for GHG emissions (SB 253)
(SB 253 / SB 261) Annual Report	CARB to delegate review of GHG emissions and other responsibilities to emissions reporting organizations	CARB can either delegate responsibilities or receive GHG emissions reports directly and assume certain other responsibilities

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Although SB 219 provides clarifying updates needed for California's climate accountability package, there remains much uncertainty for reporting entities preparing to comply with California's climate disclosure regime. For example, although CARB now has until July 2025 to issue GHG emissions disclosure guidance, in-scope entities are still required to report GHG emissions by 2026. Therefore, many reporting entities may need to collect GHG emissions data for the 2025 reporting period without any guidance from CARB in the first half of 2025 regarding applicability, accountability, and reporting details. Other implementation questions are also still left open, including how to calculate annual revenues and the definition of "doing business" in California (see Uniquis' interpretation of "doing business" in California below, as based on the state's business entity and tax laws). The fee schedule for SB 253 disclosures is also yet to be determined.

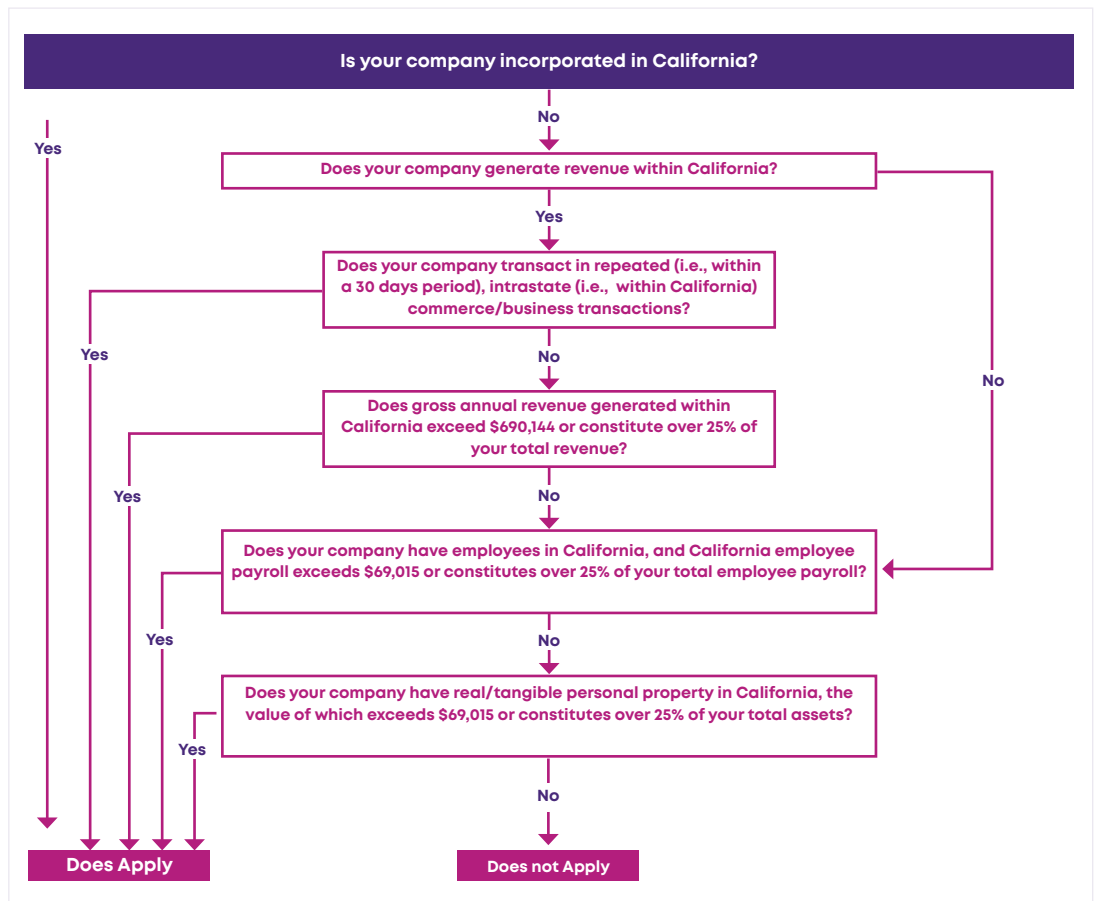
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What does 'doing business in California' mean?



Furthermore, California’s climate accountability package has been facing federal litigation, the outcomes of which will affect current and future attempts to establish climate reporting frameworks in the United States. In *Chamber of Commerce of the United States of America et al. v. California Air Resources Board et al.*, the plaintiffs alleged that the climate regime violates the First Amendment, the Supremacy Clause, and constitutional limitations on extraterritorial regulation, including the dormant Commerce Clause. A California judge recently refused a request to immediately disallow the laws based on constitutional grounds, but has left room for the laws to be challenged in the future should greater evidence be further presented.

In addition, the outcomes of various litigation against the U.S. SEC’s climate disclosure rules may also impact the timelines, scope, or entirety of California’s climate accountability regime. Despite these regulatory challenges, reporting entities should prepare for the rapidly approaching 2025 reporting period to ensure adequate processes are in place to enable compliance with climate disclosure requirements. Furthermore, irrespective of a state- or federal-level regulatory regime for reporting sustainability-related information, the consensus remains that sustainability and climate-related issues will continue to be important to many regulators, investors, businesses, and customers – as these stakeholders continue to demand standardized, reliable climate-related data as a tool for risk management, value creation, and accountability. Companies should ensure they prepare robust GHG emissions monitoring processes, maintain rigorous internal control systems, and consult with legal counsel or subject matter experts to prepare their first climate-related disclosures, if they are not doing so already.

Businesses can strive or continue to meet ongoing and future disclosure expectations by strengthening their non-financial data collection and assurance capabilities.

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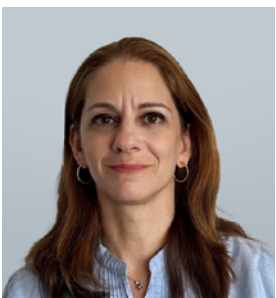
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