

Introduced by Senator Wiener

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An act to add Section 38532 to the Health and Safety Code, relating to greenhouse gases.

LEGISLATIVE COUNSEL'S DIGEST

SB 260, as introduced, Wiener. Climate Corporate Accountability Act.

The California Global Warming Solutions Act of 2006 requires the State Air Resources Board to adopt regulations to require the reporting and verification of statewide greenhouse gas emissions and to monitor and enforce compliance with the act. The act requires the state board to make available, and update at least annually, on its internet website the emissions of greenhouse gases, criteria pollutants, and toxic air contaminants for each facility that reports to the state board, as provided.

This bill would require the state board, on or before January 1, 2023, to develop and adopt regulations requiring publicly traded domestic and foreign corporations with annual revenues in excess of \$1,000,000,000 that do business in California, defined as “covered entities,” to publicly disclose their greenhouse gas emissions, categorized as scope 1, 2, and 3 emissions, as defined, from the prior calendar year. The bill would require the state board, on or before January 1, 2024, to develop and adopt regulations requiring covered entities to set science-based emissions targets, as defined, based on the covered entity’s emissions that have been reported to the state board. The bill

would require covered entities to disclose their greenhouse gas emissions and science-based emissions targets in a manner that is easily understandable and accessible to residents of the state, including, but not limited to, by making that information available on a widely available digital platform. The bill would also require covered entities to ensure that their public disclosures have been independently verified by a third-party auditor, approved by the state board, with expertise in greenhouse gas emissions accounting. The bill would require the state board to consult with a panel of experts to determine standards and protocols for the state board to utilize to collect data for all scope 3 emissions from covered entities and to set science-based emissions targets for covered entities.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. The Legislature finds and declares all of the
- 2 following:
- 3 (a) California has demonstrated its leadership in the battle
- 4 against climate change and the climate actions of the state have
- 5 inspired and contributed to bold actions in other states and across
- 6 the globe.
- 7 (b) Yet, even in California, carbon emissions are not being
- 8 reduced at the scale and pace required to avoid the worst impacts
- 9 of climate change, and Californians are already facing devastating
- 10 wildfires, sea level rise, drought, and other impacts associated with
- 11 climate change.
- 12 (c) California has achieved record economic growth, is the fifth
- 13 largest economy in the world, and is a highly desired consumer
- 14 market for the globe's most profitable corporations.
- 15 (d) Facing an imperative to act decisively and quickly to combat
- 16 the growing climate threat and given the outsized role consumer
- 17 purchasing plays in contributing to the climate crisis, publicly
- 18 traded domestic and foreign corporations that have access to
- 19 California's tremendously valuable consumer market by virtue of
- 20 exercising their corporate franchise in the state also share a
- 21 responsibility for addressing the climate crisis in the Golden State.
- 22 (e) Corporations play a major role in the worsening climate
- 23 crisis through emissions activities that include, but are not limited

1 to, corporate operations, employee and consumer transportation,
2 goods production and movement, construction, land use, and
3 natural resource extraction.

4 (f) Accurate, verified, and comprehensive data is required to
5 determine a company's greenhouse gas (GHG) emissions, also
6 known as its carbon footprint, and to effectively identify the
7 sources of the pollution and develop means to reduce the same.

8 (g) To ensure reductions of GHG emissions are sufficient to
9 address the climate crisis, it is necessary that a company set an
10 emissions reduction target in line with the scale of reductions
11 required to keep global warming at or below 1.5°C above
12 preindustrial levels, as defined by the leading climate science.

13 (h) The people and communities of California, facing the
14 existential threat of climate change, have a right to know about
15 the sources of carbon pollution, as measured by the GHG emissions
16 data of those publicly traded domestic and foreign corporations
17 benefiting from doing business in the state, and the emissions
18 reduction goals of these corporations, as measured by science-based
19 emissions targets, in order to make informed decisions about the
20 impact of the consumers' choices when purchasing, patronizing,
21 and making investments in these corporations.

22 (i) To ensure that corporate carbon emissions data disclosure
23 and science-based emissions targets are actionable by the people
24 of California, it is imperative that the information is conveyed in
25 a manner that is understandable and accessible to the general
26 public.

27 (j) The current approach for monitoring climate emissions from
28 private corporate enterprises relies almost exclusively on voluntary
29 reporting of greenhouse gas inventories, goals, commitments, and
30 agreements, and lacks the full transparency needed for the state to
31 make meaningful, strategic, and rapid carbon reductions. By their
32 nature, these voluntary campaigns neither record nor disclose the
33 full list of emitters or the full scope of carbon pollution by those
34 reporting the information. The result is a continuing lack of
35 transparency from polluters.

36 (k) Mandating GHG emissions data disclosure and science-based
37 emissions targets for all publicly traded domestic and foreign
38 corporations with annual revenues in excess of \$1,000,000,000
39 that do business in California will also help the state achieve its
40 climate goals through the creation of additional market-based

1 incentives that encourage innovative approaches to carbon
2 reduction.

3 (l) Given the corporate sector's major role in the worsening
4 climate crisis and given the state's overall leadership in addressing
5 and reducing climate emissions, it is in the interest of the state to
6 require corporate disclosure of carbon emissions data and
7 science-based emissions targets.

8 SEC. 2. Section 38532 is added to the Health and Safety Code,
9 to read:

10 38532. (a) This section shall be known, and may be cited, as
11 the Climate Corporate Accountability Act.

12 (b) For purposes of this section, the following terms have the
13 following definitions:

14 (1) "Covered entity" means a publicly traded domestic
15 corporation or a publicly traded foreign corporation with annual
16 revenues in excess of one billion dollars (\$1,000,000,000) that
17 does business in California.

18 (2) "Science-based emissions target" means a greenhouse gas
19 (GHG) emissions reduction target that is in line with the scale of
20 reductions required to keep global warming at or below 1.5°C
21 above preindustrial levels, and includes scope 1 emissions, scope
22 2 emissions, and scope 3 emissions.

23 (3) "Scope 1 emissions" means all direct greenhouse gas
24 emissions that stem from sources that a covered entity owns or
25 directly controls, including, but not limited to, fuel combustion
26 activities.

27 (4) "Scope 2 emissions" means indirect greenhouse gas
28 emissions from electricity purchased and used by a covered entity.

29 (5) "Scope 3 emissions" means indirect greenhouse gas
30 emissions, other than scope 2 emissions, from activities of a
31 covered entity that stem from sources that the covered entity does
32 not own or directly control and may include, but are not limited
33 to, emissions associated with the covered entity's supply chain,
34 business travel, employee commutes, procurement, waste, and
35 water usage.

36 (c) On or before January 1, 2023, the state board shall develop
37 and adopt regulations to require a covered entity to verify and
38 annually report to the state board all of the covered entity's scope
39 1 emissions, scope 2 emissions, and scope 3 emissions. The state

board shall ensure that the regulations adopted pursuant to this subdivision require, at a minimum, both of the following:

(1) That a covered entity, on or before January 1, 2024, and annually thereafter, publicly disclose all of the covered entity's scope 1 emissions, scope 2 emissions, and scope 3 emissions for the prior calendar year in a manner that is easily understandable and accessible to residents of the state, including, but not limited to, by making that information available on a widely available digital platform. The public disclosure shall include the name of the covered entity and any fictitious names, trade names, assumed names, and logos used by the covered entity.

(2) That a covered entity's public disclosure pursuant to this subdivision is independently verified by a third-party auditor, approved by the state board, with expertise in greenhouse gas emissions accounting. The covered entity shall ensure that a copy of the complete, audited greenhouse gas emissions inventory for the prior calendar year, including the name of the approved third-party auditor, is provided to the state board as part of or in connection with the covered entity's public disclosure pursuant to this subdivision.

(d) On or before January 1, 2024, the state board shall develop and adopt regulations to require a covered entity to set a science-based emissions target, based on the entity's emissions that have been reported to the state board pursuant to subdivision (c). The state board shall ensure that the regulations adopted pursuant to this subdivision require, at a minimum, both of the following:

(1) That a covered entity, on or before January 1, 2025, and annually thereafter, publicly disclose the science-based emissions target the covered entity has set for its emissions in a manner that is easily understandable and accessible to residents of the state, including, but not limited to, by making that information available on a widely available digital platform.

(2) That a covered entity's science-based emissions target is independently verified by a third-party auditor, approved by the state board, with expertise in greenhouse gas emissions accounting. The covered entity shall ensure that a copy of the complete, audited science-based emissions target, including the name of the approved third-party auditor, is provided to the state board as part of or in

1 connection with the covered entity's public disclosure pursuant to
2 this subdivision.

3 (e) In developing regulations pursuant to this section, the state
4 board shall consult with a panel of experts, which shall include,
5 but not necessarily be limited to, experts in climate science and
6 corporate carbon emissions accounting, implementing state agency
7 representatives, stakeholders representing consumer interests, and
8 covered entities that are leaders in collecting, reporting, and setting
9 targets for the reduction of their own carbon footprint, to develop
10 standards and protocols for the state board to utilize to do both of
11 the following:

- 12 (1) Collect data for all scope 3 emissions from a covered entity.
- 13 (2) Set a science-based emissions target for a covered entity.