

## **Informational Hearing**

### **Part B: California Air Resources Board (CARB), Implementation of Climate Disclosure Legislation**

#### **BACKGROUND**

##### **Climate Corporate Data Accountability and Climate-Related Financial Risk Disclosure Acts.**

The 2024-25 budget included \$8.4 million for 28 permanent positions to implement CARB's responsibilities for rulemaking, development and implementation of the requirements under SB 253 (Wiener), Chapter 382, Statutes of 2023, the Climate Corporate Data Accountability Act, and SB 261 (Stern), Chapter 383, Statutes of 2023, referred to as the Climate Related Financial Risk Disclosure Act. The 2024-25 and 2025-26 costs are initially funded by a loan from the Greenhouse Gas Reduction Fund, but beginning in 2026-27, the amounts will be phased out, fully repaid, and replaced by two statutorily authorized new funds that will generate revenue in the out-years: the Climate Accountability and Emissions Disclosure Fund (for SB 253), and the Climate-Related Financial Risk Disclosure Fund (for SB 261).

According to the budget agreement, the timeline for implementation is as follows:

##### **July 2024 – July 2025:**

- Establish the Climate Corporate Data and Risk Reporting Branch. Hire Branch Chief, four Section Managers and all vacant staff positions.
- Identify reporting entities. Identify data sources and systems to assist in identifying all mandated reporters; assess need for contractor support; distinguish those entities that are also subject to reporting under SB 261.
- Begin outreach to estimated 10,000 reporting entities.
- Identify all in-house and external IT services, systems and databases needed to conduct reporting, verification and analysis and provide data access under both SB 253 and SB 261. Conduct procurement activities to establish external agreements as needed.
- Design and begin regulatory development and process development for fee assessment, collection, evaluation and enforcement of the Climate Accountability and Emissions Disclosure Fund and the Climate-Related Financial Risk Disclosure Fund.
- Specific to SB 253, assess and coordinate with existing GHG emissions reporting protocols and review existing methodologies and services for reporting Scope 1, 2, and 3 GHG emissions.

- Manage the 2023-24 awarded RFP evaluating existing GHG emissions reporting methodologies, collaborate on recommendations for SB 253 specific quantification and reporting methodologies.
- Specific to SB 261, review existing methodologies, guidance documents and standards for Climate Change Financial Risk reporting. Assess and coordinate with other agencies implementing climate related financial risk disclosures.
- Begin rulemaking activities to develop separate rulemaking packages for SB 253 and SB 261. Assess the scope and economic impact of the proposed regulations, Initiate pre-rulemaking and formal rulemaking activities.
- Initiate procurement processes for external contractors as needed, including potential agreement with climate reporting agency.
- Coordinate stakeholder and public engagement, outreach and communications efforts supporting regulation development and program design.
- Specific to SB 261, begin the initial mandated convening of key program stakeholders.
- Facilitate interagency coordination and monitor federal regulatory actions.

**July 2025 – July 2026:**

- Finalize, seek adoption and approval of the initial rulemaking.
- Conduct additional stakeholder meetings and workshops to support the launch of program activities.
- Develop reporting systems and processes for SB 253 annual reporting.
- Develop Public Access Digital Platform.
- Begin implementation activities for accreditation of third party assurance providers, identify potential assurance providers, conduct outreach and draft training and guidance materials, initiate internal accreditation process and trainings.
- Conduct an analysis of third-party assurance requirements for scope 3 emissions.
- Create compliance assistance materials and documentation for reporting entities.
- Implement the Climate Accountability and Emissions Disclosure Fund and the ClimateRelated Financial Risk Disclosure Fund by developing internal processes and issuing initial communications and fee notices.

- Begin implementation activities for reporting requirements in coordination with other reporting programs.
- Establish enforcement processes.

**July 2026 – July 2027:**

- Continue implementation activities for reporting programs.
  - Identify reporting entities, conduct outreach, issue annual reporting reminders/notices.
  - Oversee annual reporting compliance under SB 253.
  - Create and update compliance assistance materials and documentation for reporting entities.
  - Provide regulatory assistance with data collection and analyze and respond to complex compliance questions with input from legal office.
  - Manage reporting contractors.
  - Identify potential assurance providers and conduct outreach supporting accreditation of assurance providers.
  - Hold assurance provider accreditation trainings.
- Contract with educational institute and manage contract to prepare annual reports of SB 253 emissions data.
- Consult with industry stakeholders to review established disclosure deadlines as required by SB 253.
- Release reporting entity data through publicly available digital platform.
- Continue management of the fee assessment under the Climate Accountability and Emissions Disclosure Fund and the Climate-Related Financial Risk Disclosure Fund.
- Support the independent analysis of a subset of climate risk data and information for release in a public report as defined in SB 261.

**July 2027 – July 2028 and beyond:**

- Review regulatory requirements and amend as necessary, including reporting and verification timeframes and reporting methodologies.
- Oversee annual reporting compliance under SB 253 and biennial reporting under SB 261.
- Continue implementation activities for reporting programs.
  - Issue reporting reminders/notices.
  - Create and update compliance assistance materials and documentation for reporting entities.

- Provide regulatory assistance with data collection and analyze and respond to complex compliance questions with input from the legal office.
  - Maintain reporting platform, databases, and publicly available digital platform.
  - Maintain assurance accreditation process. Hold assurance accreditation trainings.
- Analyze and implement expanded assurance requirements and standards for national and international reporting requirements that meet specified requirements of SB 253.
  - Continue management of the fee assessment under the Climate Accountability and Emissions Disclosure Fund and the Climate-Related Financial Risk Disclosure Fund.

**Questions.** The committee has requested CARB provide an update on the implementation of the Climate Corporate Data Accountability and Climate-Related Financial Risk Disclosure Acts. Specifically:

- Which activities identified for completion in 2024-25 have been completed or are underway?
- What specific challenges has CARB identified for any 2024-25 activities that are unlikely to be completed within the timeframe?
- How will any delays impact implementation activities in 2025-26 and beyond?