



CLIMATE LAW

MAY 1, 2024 | PRESENTED BY: KAREN MCGAFFEY

- **Corporate Action & Disclosure Requirements**
- **Cap-and-Trade Programs**
- **Transportation Emissions**



CORPORATE ACTION & DISCLOSURES

GHG Emission Reporting

- **GHG Emissions: Scope 1, 2, and 3**
- **Longstanding GHG Reporting Requirements**
- **Voluntary Company Reporting**

Company Goals, Pledges, and Targets

Commits to Net Zero By 2040



Announces a Net Zero Emissions Commitment

Announces Pledge to Achieve Net-Zero Carbon Emissions Globally by 2030

A third of the world's largest companies now have net-zero targets

Greenwashing?

Global corporations' climate pledges are 'misleading,' not credible

COP27 - Corporate climate pledges rife with greenwashing - U.N. expert group

Corporate climate pledges are falling short

The False Promise of Corporate Carbon Neutrality

Top 24 Multinational Companies' Climate Pledges 'Lack Integrity'

Corporate Climate Promises Don't Add Up

Multinationals charged with greenwashing as they fail to meet climate pledges

Corporate climate pledges are weaker than they seem

Climate pledges from top companies crumble under scrutiny

Public Company Regulation



- **2010 Guidelines**
- **March 2022 Proposed Rule**
- **March 2024 Final Rule**



SEC Rule

Regulation S-K

Quantitative and qualitative disclosures in periodic filings

- **GHG emissions.** For LAFs and AFs, Scope 1 and 2 emissions, if material.
- **Governance.** Board's oversight of and management's role
- **Strategy, business model, outlook.** Climate-related risks that have materially affected or are reasonably likely to have a material impact.
- **Material expenditures and impacts.** Material expenditures incurred and material impacts on financial estimates
- **Risk management.**
 - Processes for identifying, assessing, and managing material climate-related risks.
 - Plans to mitigate transition risks.
- **Targets and goals.** Material climate-related targets and goals.

Regulation S-X

Disclosures in footnotes of financial statements

- **Severe weather and other natural conditions.** Aggregate expenditures incurred and losses, and aggregate capitalized costs and charges, if exceed specified thresholds.
- **Carbon offsets and Renewable Energy Certificates.** The aggregate amount of carbon offsets and RECs expensed, if material to the company's plans to achieve disclosed climate-related goals.
- **Estimates and assumptions.** Financial estimates and assumptions materially affected by severe weather events, other natural conditions, or any disclosed targets or transition plans.

Climate-Related Risks

Climate-Related Risks		
Transition Risks <i>Actual or potential negative impacts on a company's business, results of operations, or financial condition</i>		Physical Risks <i>Extreme weather events or natural conditions that may pose risks to a company's business operations</i>
Regulatory	Market	Acute
<ul style="list-style-type: none"> • Pricing of GHG emissions • Exposure to litigation 	<ul style="list-style-type: none"> • Changing customer behavior • Increased cost of raw materials 	<ul style="list-style-type: none"> • Increased severity of extreme weather events • Hurricanes, tornadoes, floods, heatwaves
Technological	Reputation	Chronic
<ul style="list-style-type: none"> • Investment in new technologies • Costs of transitioning to lower-emissions tech 	<ul style="list-style-type: none"> • Shifts in consumer preferences • Stigmatization of industry 	<ul style="list-style-type: none"> • Rising temperatures • Rising sea levels • Wildfire risks • Drought

Source credit: Adapted from I4CE, TCDF, Recommendations of the Task Force on Climate-Related Financial Disclosures (2016).

California SB 253 & SB 261

SB-253 Climate Corporate Data Accountability Act. (2023-2024)

Test | Votes | History | Bill Analysis | Today's Law As Amended | Compare Versions | Status | Comments To Author

SHARE THIS: Date Published: 10/09/2023 09:00 PM

Senate Bill No. 253
CHAPTER 382

An act to add Section 39532 to the Health and Safety Code, relating to greenhouse gases, and making an appropriation therein.
[Approved by Governor October 07, 2023. Filed with Secretary of State October 07, 2023.]

LEGISLATIVE COUNSEL'S DIGEST

SB 253, Water: Climate Corporate Data 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.

The bill would require the state board, on or before January 1, 2025, to develop and adopt regulations requiring specified information, requirements, limited liability corporations, and other business entities with total annual revenues in excess of \$1,000,000,000 and that do business in California, defined as "reporting entities," to publicly disclose to the emissions reporting organization, as defined, and obtain an assurance engagement or, starting in 2029 on a date to be determined by the state board, and annually thereafter, their scope 1 and scope 2 greenhouse gas emissions, as defined, and, starting in 2027 and annually thereafter, their scope 3 greenhouse gas emissions, as defined, from the reporting entity's prior fiscal year, as provided. The bill would require the state board to create during 2023, and update as necessary on or before January 1, 2025, these standards to evaluate scope 1 and scope 2 emissions reporting and to identify changes to the standards, as provided. The bill would require a reporting entity to obtain an assurance engagement, performed by an independent third-party assurance provider, of the entity's public disclosure as provided. The bill would require the state board, in developing these regulations, to consult with the Attorney General, other government stakeholders, investors, stakeholders representing consumer and environmental justice interests, and reporting entities that have demonstrated leadership in full-scope greenhouse gas emissions accounting and public disclosure and greenhouse gas emissions reductions. The bill would also require the state board to ensure that the assurance process remains the need for reporting entities to engage multiple assurance providers and ensure sufficient assurance provider capacity, as well as timely reporting implementation, as required. The bill would further require the state board to contract with an emissions reporting organization to develop a reporting program to receive and make publicly available the required disclosures. The bill would authorize the state board, starting in 2023 and every 5 years thereafter, to assess the global greenhouse gas accounting and reporting standards and to adopt an alternative standard if it determines that using the alternative standard would more effectively further the goals of the bill.

The bill would require the state board, on or before July 1, 2027, to contract with the University of California, the California State University, a national laboratory, or another qualified academic institution to prepare a report on the public disclosure made by reporting entities to the emissions reporting organization. The bill would require, in preparing the report, consideration to be given to, at a minimum, greenhouse gas emissions from reporting entities in the context of state greenhouse gas emissions reduction and climate goals. The bill would require the state board to provide the report to the emissions reporting organization to post on a digital platform that would be required to be created by the emissions reporting organization, and publicly accessible, to have the state board's report and the reporting entities' public disclosures. The bill would require the emissions reporting organization to provide the state board's report to the relevant policy committee of the Legislature.

The bill would require a reporting entity, upon filing its disclosure, to pay to the state board an annual fee set by the state board, as provided. The bill would create the Climate Accountability and Emissions Disclosure Fund, require the proceeds of the fees to be deposited in the fund, and continuously appropriate the moneys in the fund to the state board for purposes of the bill. By creating a continuously appropriated fund, the bill would create an appropriation. The bill would require the state board to adopt regulations that authorize it to seek administrative penalties for violations of these provisions, as specified.

Vote: majority. Appropriation: yes. Fiscal Committee: yes. Local Programs: no.



CALIFORNIA REPUBLIC

SB-261 Greenhouse gases: climate-related financial risk. (2023-2024)

Test | Votes | History | Bill Analysis | Today's Law As Amended | Compare Versions | Status | Comments To Author

SHARE THIS: Date Published: 10/09/2023 09:00 PM

Senate Bill No. 261
CHAPTER 383

An act to add Section 38533 to the Health and Safety Code, relating to greenhouse gases, and making an appropriation therein.
[Approved by Governor October 07, 2023. Filed with Secretary of State October 07, 2023.]

LEGISLATIVE COUNSEL'S DIGEST

SB 261, State: Greenhouse gases: climate-related financial risk.

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.

The bill would require, on or before January 1, 2026, and biennially thereafter, a covered entity, as defined, to prepare a climate-related financial risk report disclosing the entity's climate-related financial risk and measures adopted to reduce and adapt to climate-related financial risk. The bill would require the covered entity to make a copy of the report available to the public on its own internet website.

The bill would require the state board to contract with a climate reporting organization, as defined, to biennially prepare a public report that contains specified information, including a review of the disclosure of climate-related financial risk contained in a subset of publicly available climate-related financial risk reports and an analysis of the systemic and sectorwide climate-related financial risks facing the state. The bill would require the state board to adopt regulations that authorize it to seek administrative penalties from covered entities for failing to make the report publicly available on its internet website or publishing an inadequate or insufficient report, as specified.

The bill would require covered entities to pay an annual fee for the state board's actual and reasonable costs to administer and implement the bill. The bill would create the Climate-Related Financial Risk Disclosure Fund, require the proceeds of the fees to be deposited in the fund, and continuously appropriate the moneys in the fund to the state board for purposes of the bill. By creating a continuously appropriated fund, the bill would make an appropriation.

Vote: majority. Appropriation: yes. Fiscal Committee: yes. Local Programs: no.



**ECONOMY WIDE
MARKET MECHANISMS**

Economy Wide – Market Mechanisms

- **Cap and Trade / Cap and Invest**
- **Carbon Tax**

Federal Government



Regional Greenhouse Gas Initiative



- **States**
- **Sectors**
- **Mechanics**
- **Results**

RGGI Allowance Auctions

Allowance Prices and Volumes

Auction	Date	Quantity Offered	CCR Sold	Quantity Sold	Clearing Price	Total Proceeds
Auction 63	2024-03-13	15,855,879	8,416,278	24,272,157	\$16.00	\$388,354,512.00
Auction 62	2023-12-06	22,090,709	5,565,291	27,656,000	\$14.88	\$411,521,280.00
Auction 61	2023-09-06	21,948,358	0	21,948,358	\$13.85	\$303,984,758.30
Auction 60	2023-06-07	22,026,639	0	22,026,639	\$12.73	\$280,399,114.47
Auction 59	2023-03-08	21,522,877	0	21,522,877	\$12.50	\$269,035,962.50
Auction 58	2022-12-07	22,233,203	0	22,233,203	\$12.99	\$288,809,306.97

California Cap-and-Trade Program

- **Scope**

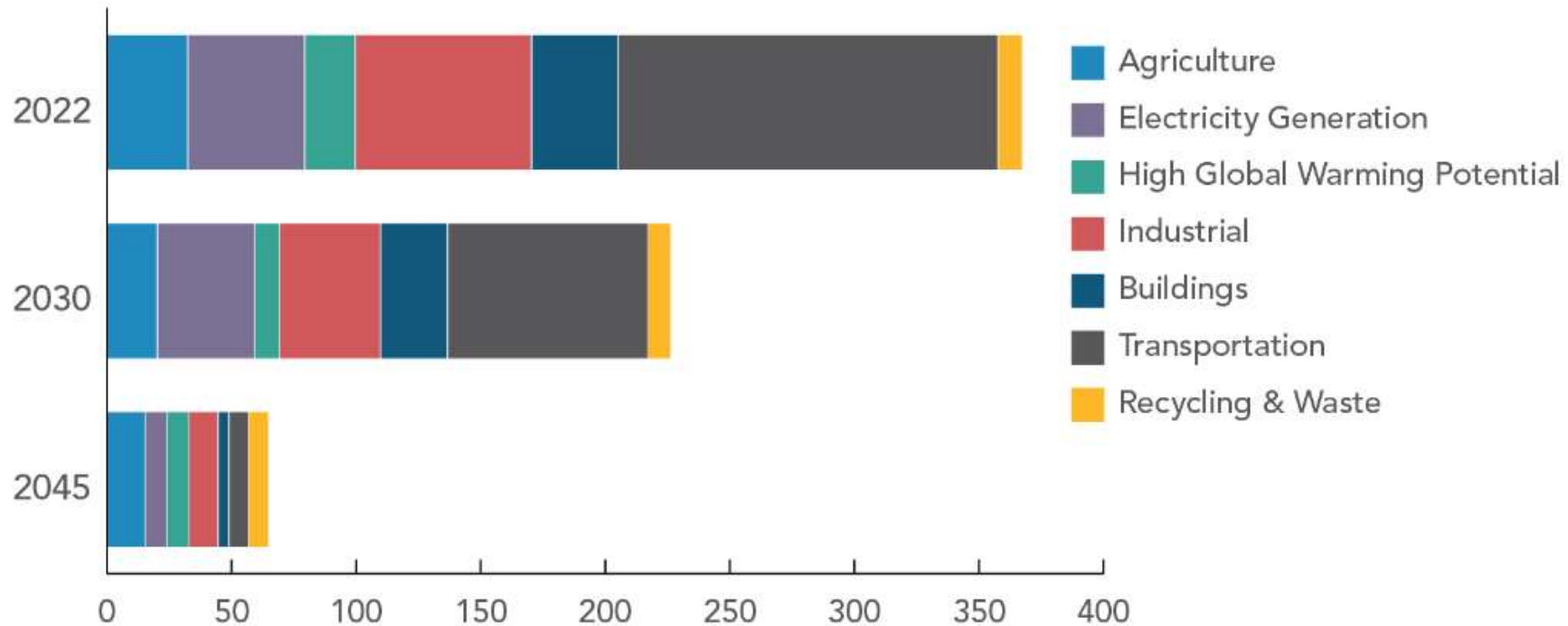
- **Goal**

- **Mechanics**



California 2022 Scoping Plan

82% Drop in GHGs from Direct Source Reductions



Washington

- **Executive Order**
- **Clean Air Rule**
- **Litigation**
- **Climate Commitment Act**



Oregon – Climate Protection Program

Executive Order 20-04

**Climate Protection
Program, OAR 340-271**

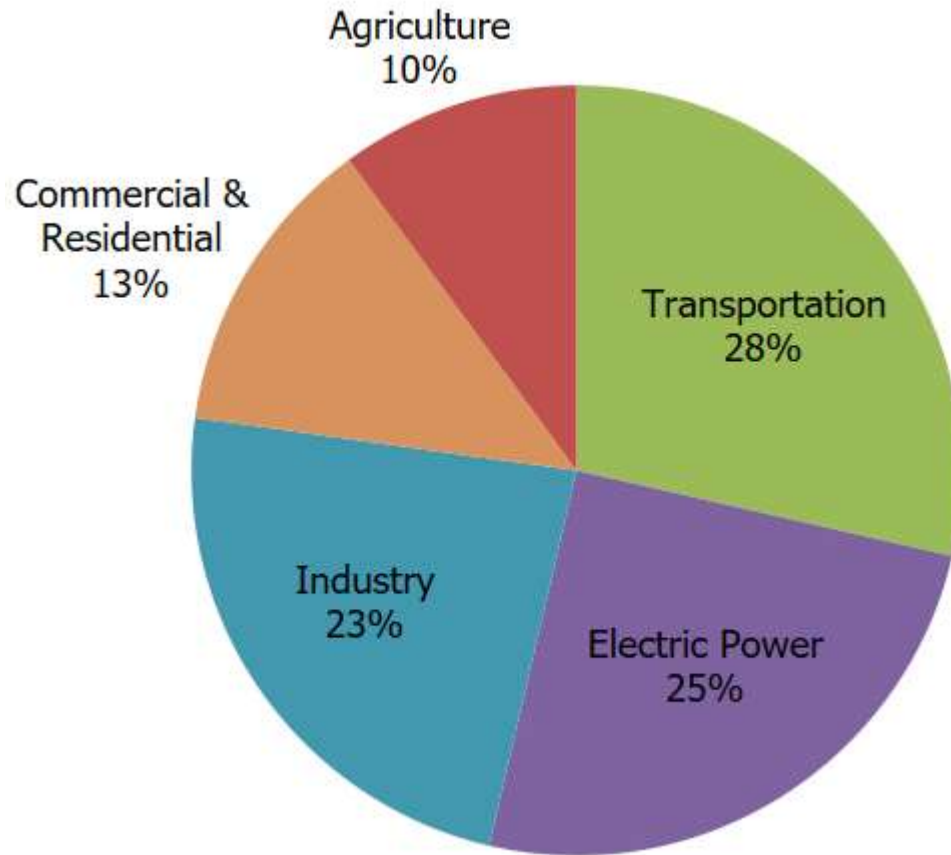
Litigation





TRANSPORTATION EMISSIONS

Transportation GHG Emissions

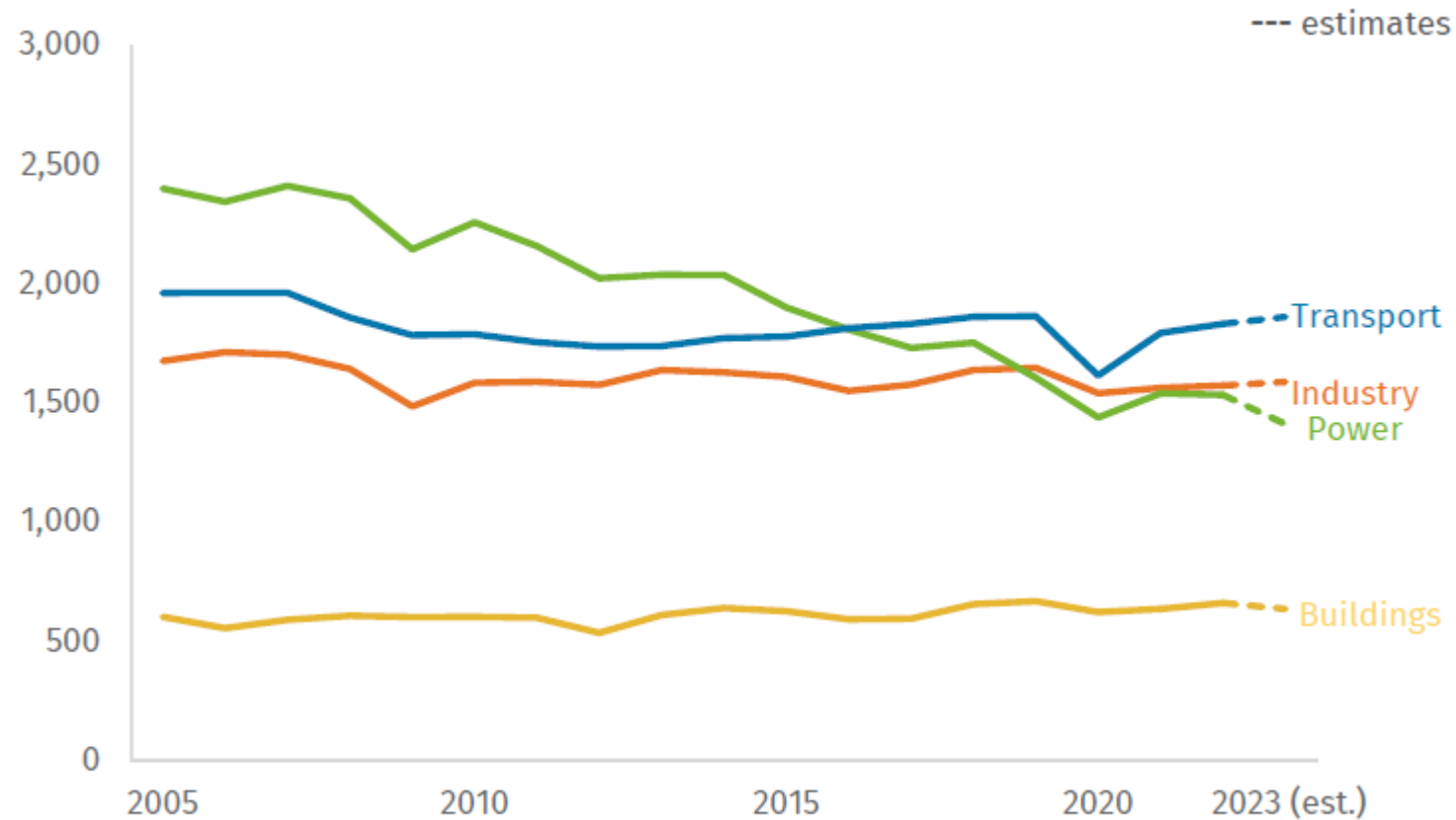


Total U.S. Greenhouse Gas Emissions by Economic Sector in 2021

EPA, Sources of GHG Emissions

Transportation Emissions Still Increasing

US GHG emissions by major emitting sector
Million metric tons CO₂-equivalent

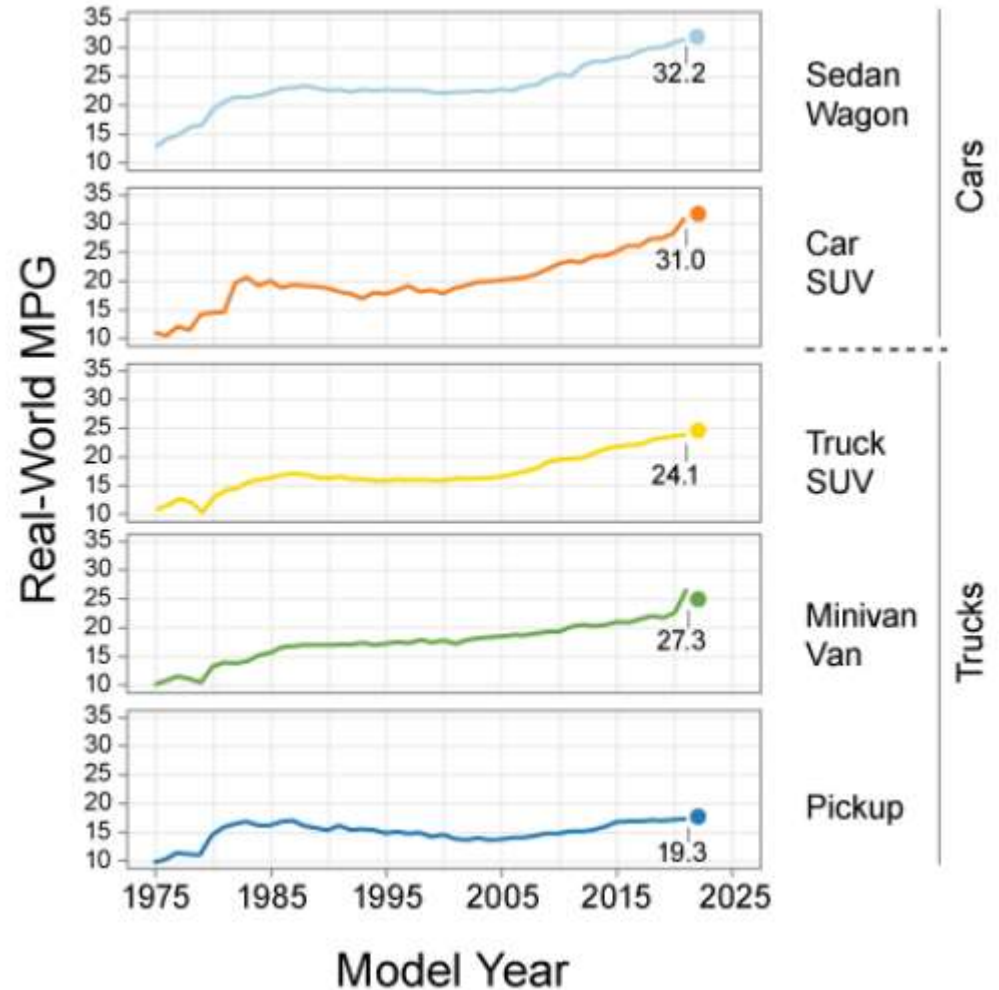
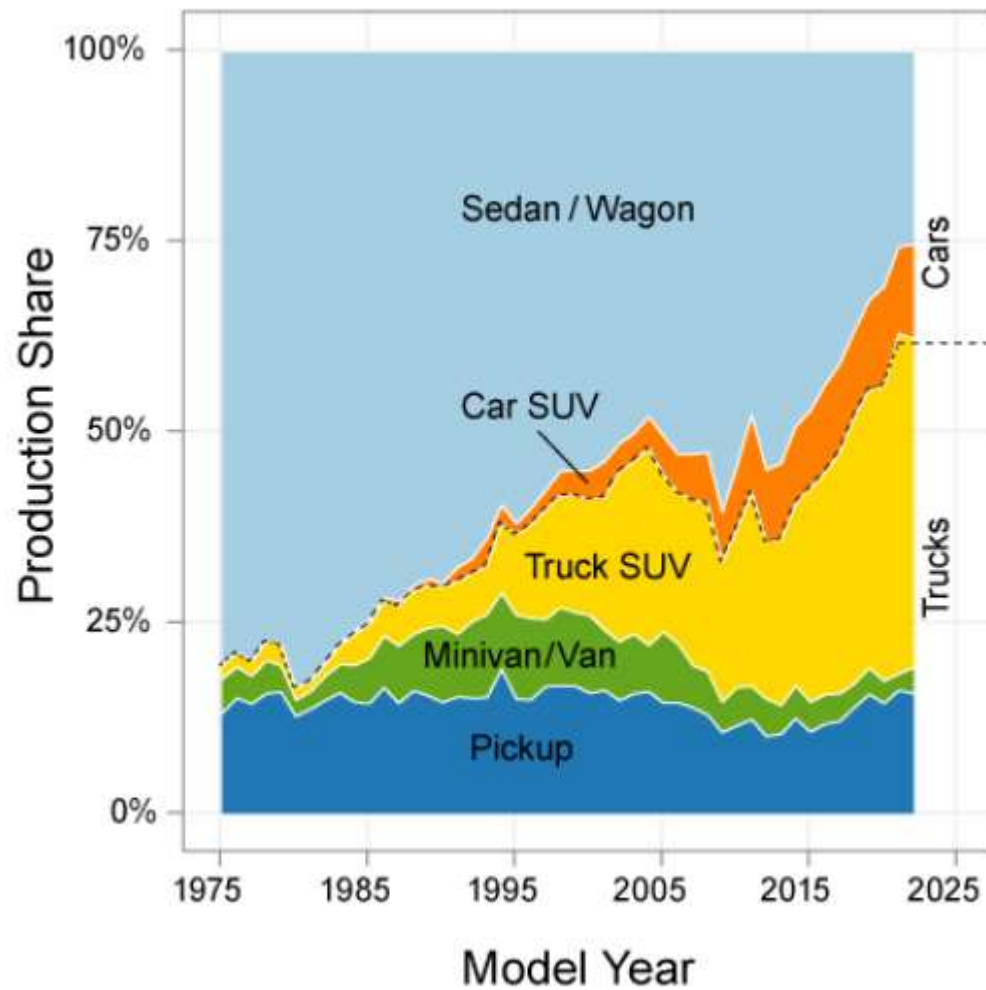


Source: Rhodium Group

Transportation Emissions



Fuel Efficiency



Electric and Hydrogen Fuel Cell Vehicles



Fuel Efficiency Regulation

Clean Air Act Section 202:

The Administrator shall by regulation prescribe (and from time to time revise) in accordance with the provisions of this section, standards applicable to the emission of any air pollutant from any class or classes of new motor vehicles or new motor vehicle engines, which in his judgment cause, or contribute to, air pollution which may reasonably be anticipated to endanger public health or welfare.

Fuel Efficiency and GHG Emissions

- **Obama Administration**
- **Trump Administration**
- **Biden Administration**

California

- **Low Emission Vehicle Program**
- **Zero Emission Vehicle Program**



Other States

Clean Air Act Section 177

Notwithstanding section 7543(a) of this title, any State which has plan provisions approved under this part may adopt and enforce for any model year standards relating to control of emissions from new motor vehicles or new motor vehicle engines and take such other actions as are referred to in section 7543(a) of this title respecting such vehicles if—

- (1)** such standards are identical to the California standards for which a waiver has been granted for such model year, and
- (2)** California and such State adopt such standards at least two years before commencement of such model year (as determined by regulations of the Administrator).

Carbon Intensity of Fuels



- **Federal Renewable Fuel Standard**
- **State Clean Fuel Standards**

Federal – EPA Renewable Fuel Standard

- **RFS Program**
- **Litigation**
- **Small Refinery Exemptions**



State Programs

- **California – Low Carbon Fuel Standard**
- **Washington – Clean Fuel Standard**
- **Oregon – Clean Fuels Program**



Funding Infrastructure

DOT announces \$623 million in grants support EV charging infrastructure

Another round of federal EV grants to fund existing EV charging options in 20 states

California Set to Distribute \$40 Million to Build EV Fast Chargers

With influx of state and federal funding, Illinois looks to add enough chargers to support 1 million EVs

PennDOT announces funding for EV infrastructure projects

\$23 Million In Federal Funds Awarded To Expand Michigan EV Infrastructure

Oklahoma Department of Transportation Receives 8 Million for Infrastructure Expansion

Wisconsin is closer to building out an EV charging network

