Earlier this month, Governor Newsom announced his support of a sweeping climate bill enacted by the California legislature that would compel major companies operating in California to disclose their greenhouse gas emissions. Specifically, companies with over $1 billion in revenue—whether public or private companies—that "do business" in California would have to disclose Scope 1, Scope 2, and Scope 3 GHG emissions. (While many companies already disclose Scope 1 and Scope 2 emissions, which are direct emissions and indirect emissions from the consumption of power, respectively, Scope 3 emissions—which include the direct and indirect emissions of suppliers and customers—are significantly more difficult to calculate, and few companies disclose such figures.) Further, this climate legislation would also compel companies with over $500 million in revenue—again, either public or private—that "do business" in California to disclose their climate-related financial risk and measures taken to reduce such risk.
Such regulations--particularly when propounded by California, one of the most economically significant states in America--are groundbreaking significant, to put it mildly.

Additionally, it is highly likely that this move by California will impact the pending federal climate disclosure regulations propounded by the SEC. As an initial matter, this legislation goes beyond the SEC’s proposed climate disclosures, as it will apply to private as well as public companies. Moreover, the existence of this disclosure regime places additional pressure on the SEC both to quickly promulgate its own regulations (as otherwise it could be perceived as a laggard regulator) and for the SEC to maintain a robust set of requirements in its own climate disclosures. In particular, the fact that California will demand Scope 3 GHG emissions disclosures as a price of "doing business" in California may encourage the SEC to maintain a similar disclosure requirement from its draft regulation in the final version, despite the extensive criticism that the Scope 3 disclosure requirement has provoked from regulated entities and commenters.

That California has chosen to issue these climate disclosure regulations, and enter the public debate concerning the appropriate extent of climate change disclosures (and emphatically on the pro-disclosure side), is highly significant, and will likely exert a powerful influence on subsequent developments in this space.

Gov. Gavin Newsom of California said that he would
sign a landmark climate bill that passed the state’s legislature last week requiring major companies to publicly disclose their greenhouse gas emissions, a move with national and global repercussions. The new law will require about 5,000 companies to report the amount of greenhouse gas pollution that is directly emitted by their operations and also the amount of indirect emissions like employee travel, waste disposal and supply chains. Climate policy advocates have long argued that such disclosures are an essential first step in efforts to harness financial markets to rein in planet-warming pollution. For example, when investors are made aware of the climate-warming impacts of a company, they may choose to steer their money elsewhere.

https://www.nytimes.com/2023/09/17/climate/california-climate-disclosure-