



California – Climate Accountability Package

What is it?

In October 2023, the California State Senate approved two pieces of climate-related legislation (the “Bills”) as part of the state’s Climate Accountability Package. The Bills are the first comprehensive Greenhouse Gas (“GHG”) emissions disclosure regulations to come into force in the United States.

- Senate Bill 253, Climate Corporate Data Accountability Act: This requires all companies earning over \$1 billion that do business in California to provide a detailed accounting of their GHG emissions, including their Scope 3 supply chain emissions.
- Senate Bill 261, Climate-related Financial Risk Act: This requires all companies earning over \$500 million that do business in California to prepare climate-related financial risk reports.

Note: As of January 30, 2024, these bills are the subject of ongoing litigation in the United States District Court for the Central District of California.



Senate Bill 253:

- At the core of this bill is the requirement for companies to disclose their full GHG emissions on an annual basis. This includes the disclosure of a company's Scope 3 emissions in line with the Greenhouse Gas Protocol standard.
- The Bill would require companies to obtain an assurance engagement, performed by an independent third-party assurance provider.
- Companies would be required to pay an annual fee to be deposited into a Climate Accountability and Emissions Disclosure Fund, which will be used to cover the costs of implementing the law.

Senate Bill 261:

- The main goal of this Bill is the requirement for companies to prepare a climate-related financial risk report disclosing their exposure to climate risks and the actions they are taking to adapt/reduce those risks.
- The reports should be in line with the recommendations outlined by the Taskforce on Climate related Financial Disclosures (TCFD), now incorporated into International Sustainability Standards Board (ISSB) guidelines.

Applies to?

1. Senate Bill 253 captures any public or private company earning over \$1 billion in revenue that does business in California. This includes any financial institution that meets the criteria.
2. Senate Bill 261 captures any public or private company earning over \$500 million in revenue that does business in California. This includes any financial institution that meets the criteria, excluding insurance companies who are already subject to similar regulation by the state insurance commissioner.

When it applies?

Senate Bill 253: Scope 1 and 2 emissions will need to be reported from 2026 onwards (for 2025 data), whereas Scope 3 will need to be reported from 2027 onwards (for 2026 data).

Senate Bill 261: The first climate risk disclosures by companies are due before 2026, and then every two years thereafter.

The California State Air Resources Board ("SARB") will develop and adopt more detailed regulations to implement the Bills before the respective deadlines.



Where can I get more information?

Bill Text - SB-253 Climate Corporate Data Accountability Act. ([ca.gov](#)) | Senate Bill 253 by the Governor of California
Bill Text - SB-261 Greenhouse gases: climate-related financial risk. ([ca.gov](#)) | Senate Bill 261 by the Governor of California

How MSCI can help?

MSCI's climate data and solutions are designed to support climate-related disclosures, risk management, and investment decision-making. From measuring greenhouse gas emissions to forward-looking climate-related financial risks, MSCI helps financial institutions satisfy evolving reporting requirements. MSCI provides access to industry-leading models & data and off-the-shelf **Climate Risk Reporting** templates based on the TCFD and ISSB climate-related standards.

Measuring GHG Emissions & Current Exposures

Climate Change Metrics: As of December 2023, MSCI's Climate Change Metrics database provides access to 900+ climate-related data points including Scope 1, 2 and 3 emissions for 10,000 issuers, fossil fuel exposure data and a low carbon transition score.

Total Portfolio Footprinting: MSCI's Total Portfolio Footprinting (TPF) tool is designed to help financial institutions measure their financed emissions across the lending books in line with the standards developed by the Partnership for Carbon Accounting Financials (PCAF). Coverage includes financed emissions data for more than 10,000 issuers of equity and fixed-income securities, close to two million securitized products, one million+ municipal bonds, and other financial instruments¹. The solution can inform governance, strategy and risk management reporting and is a key part of the ISSB standards on metrics and targets for financial institutions.

Climate Proxies: Climate proxies are an add-on to Total Portfolio Footprinting, aiming to refine GHG Emissions (Scopes 1-3) estimates for companies beyond MSCI's standard coverage. This method leverages MSCI's Climate Change Metrics and is based on a straightforward segmentation by industry, geography, emissions intensity, and company size. These proxies, applicable for both EVIC and sales-based emissions assessments, simplify mapping non-covered entities and provide an annually updated lookup table. Additionally, MSCI plans to release forward-looking climate risk assessments in 2024.

Evaluating Climate-Related Financial Risks

Climate Scenario Analysis: MSCI's Climate Value-at-Risk (Climate VaR) model delivers a forward-looking, return-based valuation for measuring climate-related risks and opportunities. Climate VaR is a financial modeling approach that translates climate-related costs into valuation impacts on companies, securities, and real estate across:

- Transition, Policy Risk and Technology Opportunities, 5 scenarios
- Physical Risk, 10 scenarios across 10 hazards
- Asset classes covered: public equities, corporate bonds, sovereigns, commercial and residential real estate

MSCI Geospatial and Physical Hazard Exposures: MSCI's hazard exposure database offers extensive physical risk scoring for over 1 million asset locations and 70,000 companies². The database evaluates a wide range of risks, covering 12 hazards, across 4 time periods, and 11 climate scenarios, applicable to both corporate and real estate assets. Key metrics include:

- Acute hazard exposures for both 100 and 200-year return periods
- Exceedance days for assessing chronic hazards
- Hazard percentile scores per each peril, facilitating easy benchmarking
- Regional scores at state, city-level, and zip code

¹ As of December 2023

² As of March 2024



About MSCI

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