SEC Climate Rule: Quick Compare

MANIFEST CLIMATE

#		SEC Climate Rules[1]		California			Europe
				SB 253[2]	SB 261[3]		
		Proposed Rules (2022)	**Final Rules (2024)**		**Using TCFD**	**Using IFRS**	**CSRD**
			Wording in gray italics denotes the relevant section of the final rules and the pages of SEC discussion and analysis[4]		*Covered entities can comply either by issuing a risk assessment statement that is consistent with TCFD or IFRS standards. For comparison purposes, the TCFD and climate-focused elements of the IFRS rules are used*		
	Context						
1.	Covered organizations	Issuers registered with the SEC. Key categories: Large Accelerated Filers (LAFs); Accelerated Filers (AFs) and smaller reporting entities with exemptions[5]		>$1bn revenue doing business in California	>$500m revenue doing business in California		EU and non-EU entities exceeding regulatory thresholds
2.	# of Covered Entities	<10,000		>5,000	>10,000 (Figures for California)		>50,000
3.	Scope	Climate		GHG emissions	Climate[6]	Climate (ESG+)[7]	ESG+
4.	Initial Filing Year	LAF compliance dates (AFs and others later) General - FY 2023 (2024) Scope 3 - FY 2024 (2025) *pp. 586*	LAF compliance dates (AFs and others later) General - FY 2025 (2026) Expenditures[8] - FY 2026 Emissions - FY 2026 *pp. 589*	FY 2026 (subject to change per Governor Newsom's signing statement)			2024
5.	Estimated Compliance Costs	$430k - $550k[9]	$197k - $739k[10] *pp. 725-782* *(in particular pp. 739+)*	Estimates range widely. SEC Final Rule refers to indicative TCFD alignment costs ranging from $10k to >$200k (pp 726), and costs to produce first TCFD, SASB and GRI reports of >600k (pp. 731). Compliance costs >$1m are referenced in Complaint (see below) in the context of Scope 3 emissions			Cost (% / revenue) Admin: 0.004% - 0.008% Audit: 0.013% - 0.026% (limited assurance)
6.	Pending Litigation vs. Standard	Complaint (10 States) filed.[11] Environmentalist suit likely		Complaint issued in California District Court (Jan 2024)[12]			To be confirmed
	Specific Topics						
7.	Definition of Climate-Related Risks and Opportunities	Similar to TCFD	TCFD inspired; but no value chain references[13] *§1500; §1502(a); pp.73 - 99*	✗	✓	Similar to TCFD	Similar to TCFD
8.	Time Horizons	Short, medium and long-term (SML) time horizons defined by registrant	Short = ≤ 12 months Long = > 12 months (Medium = not used)[14] *§1502(a); pp. 100 - 105*	✗	SML defined by reporter	SML defined by reporter	Short = current year Medium = >1 to < 5 yrs Long = > 5 yrs
9.	Materiality Determination	Single materiality *§1502(a); pp. 100 - 105*		✗	Single materiality	Single materiality	Double materiality[16]
10.	Transition Plans	✓ If adopted; extensive detail required	✓ if adopted; very limited detail required *§1500; §1502(e); pp. 125 - 139*	✗	✓ limited detail	✓ detailed requirements	✓ detailed requirements
11.	Scenario Analysis	Disclosure required if used	Disclosure required if used and impacts deemed material. Narrowed with qualifiers *§1500; §1502(f); pp. 140 - 150*	✗	✓ limited detail	✓ detailed requirements	✓ detailed requirements

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12.	Internal Carbon Pricing	✓ if used; detailed disclosure of impact required on risk management	✓ if used; no detailed disclosure of impact *§1502(g); pp. 151 – 159*	✗	✓ if relevant	✓ if relevant, including decision-making impact	✓ if relevant, including decision-making impact
13.	Board Oversight	✓	✓ limited detail *§1501(a); pp. 160 – 172*	✗	✓	✓	✓
14.	Management Oversight	✓	✓ if material *§1501(b); pp. 172 – 182*	✗	✓	✓	✓
15.	Climate Linked Pay	✗	✗	✗	✓	✓	✓
16.	Risk Management	✓	✓ if material *§1503; pp. 184 – 198*	✗	✓	✓	✓
17.	Targets and Goals	✓	✓ if material *§1504; pp. 198 – 222*	✗	✓	✓	✓
18.	GHG Emissions – Scope 1	✓	✓ if material[17] *§1505; pp. 222 – 261*	✓	✓	✓	✓
19.	GHG Emissions – Scope 2	✓	✓ if material[18] *§1505; pp. 222 – 261*	✓	✓	✓	✓
20.	GHG Emissions – Scope 3	✓ if material	✗ [19] *§1505; pp. 222 – 261*	✓	✓ if appropriate	✓	✓
21.	Attestation	Scope 1 and 2 Limited assurance - LAF/AF - FY2/3 Reasonable assurance - LAF/AF - FY 4	Scope 1 and 2, if disclosed Limited assurance - LAF/AF - FY 3 (FY 2029) Reasonable assurance - LAF - FY 7 (FY 2033) *§1506; pp. 262 – 356*	Scope 1 and 2 - 2026 (limited assurance) Scope 1 and 2 - 2030 (reasonable assurance) Scope 3 - 2030 (limited assurance, subject to CARB review)	✗	✗ (not for California)	✓ limited assurance; reasonable assurance may follow
22.	Financial Impact Metrics	Disclosure of financial impact of severe weather events (etc.), subject to 1% threshold (Financial Impact Metrics)	✗ A registrant must disclose how severe weather (etc.) impacts its estimates/assumptions underpinning its financial statements (if it does), but this is different from the more technical Financial Impact Metrics in the proposed rules. *Art. 14; pp. 402 – 448*	✗	✓ very limited	✓ limited	✓
23.	Expenditure Metrics	Disclosure of expenditures incurred to mitigate risk of weather events (etc.), subject to 1% threshold (Expenditure Metrics)	Expenditure Metrics disclosure required, but substantially narrowed from proposed rules *Art. 14; pp. 402 – 448*	✗	✓ very limited	✓ limited	✓

Footnotes

1. The final rules for The Enhancement and Standardization of Climate-Related Disclosures for Investors, see: https://www.sec.gov/files/rules/final/2024/33-11275.pdf
2. Climate Corporate Data Accountability Act (Senate Bill 253).
3. Climate-Related Financial Risk Act (Senate Bill 261).
4. See: https://www.sec.gov/files/rules/final/2024/33-11275.pdf
5. Indicatively, the following thresholds apply: Large Accelerated Filers = market value >$700m; Accelerated Filers = market value $75m - <$700m. Other reporting entities, which have materially lower disclosure obligations, are Emerging Growth Companies EGCs (gross revenues <$1.235bn) and Smaller Reporting Companies (SRCs) ((1) public float <$250m, or (2) annual revenues <$100m and either (i) no public float, or (ii) a public float of <$700m.
6. Obligation under SB 261 is to disclose the organization's climate-related financial risk, in accordance with the TCFD framework.
7. Obligation under SB 261 is to disclose the organization's climate-related financial risk, which may be discharged pursuant to "an equivalent reporting requirement", which includes the IFRS standards. Note: although the IFRS standards expand beyond climate, the focus in this table is on climate.
8. Information regarding certain material expenditures.
9. Estimated average annual compliance costs over the first six years of compliance; figures calculated by reference to the Commission's estimate in its originally proposed rules (2022, pp. 373).
10. Estimated average annual compliance cost over the first 10 years of compliance (pp. 741).
11. Petition reportedly filed at the Atlanta-based 11th U.S. Circuit Court of Appeals.
12. See: https://www.uschamber.com/assets/documents/FILED-Chamber-v.-CARB-Complaint.pdf.
13. The final rules shift away from value chain disclosures. Value chain was referenced 11 times in the proposed rules, but were omitted entirely from the final rules.
14. Registrants can divide up "long-term" time horizon (i.e. >12 months) into discrete chunks, e.g. distinguish between what the registrant perceives to be medium and longer term risks.
15. The final rule does not reference "single" materiality. But the Commission does refer to its own precedent, and that of the Supreme Court, to define materiality, which requires a (single) financial impact assessment: A matter is material if there is a substantial likelihood that a reasonable investor would consider it important when determining whether to buy or sell securities or how to vote or such a reasonable investor would view omission of the disclosure as having significantly altered the total mix of information made available. Contrast this to, for example, European rules, which require covered entities to consider both financial materiality and impact materiality (i.e. double materiality).
16. Double materiality has two dimensions: financial materiality and impact materiality (ESRS 1 (General Requirements), Paragraph 37)). Financial materiality occurs when there is a material impact on an organization's finances (ESRS 1, para. 49). Impact materiality occurs when the organization has material actual or potential positive or negative impacts on people or the environment (ESRS 1, para. 43).
17. The materiality of Scope 1 emissions is not determined merely by the amount of these emissions. Rather, the guiding principle is the traditional securities law principle (see note above). SRCs and EGCs are exempted from the obligation to disclose emissions.
18. The materiality of Scope 2 emissions is not determined merely by the amount of these emissions. Rather, the guiding principle is the traditional securities law principle (see note above). SRCs and EGCs are exempted from the obligation to disclose emissions.
19. There is still one reference to Scope 3 in the final rules (§230.436(i)(1). Presumably this is a typo.