

SB 261 (STERN) CLIMATE-RELATED FINANCIAL RISK



TO: Members, Senate Committee on Environmental Quality

**SUBJECT: SB 261 (STERN) CLIMATE-RELATED FINANCIAL RISK
SCHEDULED FOR HEARING MARCH 15, 2023
OPPOSE – AS INTRODUCED JANUARY 30, 2023**

The California Chamber of Commerce and the organizations listed below must respectfully **OPPOSE SB 261 (Stern)**, as introduced on January 30, 2023, which requires a broad range of business entities to prepare and submit to the California Air Resources Board (CARB) a climate-related financial risk report. According to **SB 261**, climate-related financial risk is described as material risk of harm to immediate and long-term financial outcomes due to physical and transition risks, including, but not limited to, risks to corporate operations, provision of goods and services, supply chains, employee health and safety, capital and financial investments, institutional investments, financial standing of loan recipients and borrowers, shareholder value, consumer demand, and financial markets and economic health. **SB 261** would require that entities report on measures used to reduce and adapt to disclosed climate related financial risks.

The measure is premature given the amount of activity happening at the federal and international levels. Both the executive and legislative branches have served notice that changes will be happening soon in this area. The Securities and Exchange Commission is already reviewing their guidance documents on the topic and expects to provide an update shortly. There is a very real risk that compliance with **SB 261** will not align with federal or the Task Force's own recommendations. The recommendations also assert that any national level requirements should preempt those at state or local levels, noting that "The Task Force's recommendations were developed to apply broadly across sectors and jurisdictions and should not be seen as superseding national disclosure requirements". The measure not only lacks compliance acknowledgement for entities subject to a federal level requirement, but it also jumps the gun by superseding national disclosure requirements that are imminent.

By mandating an annual report in accordance with the Final Recommendations of the Task Force on Climate-Related Financial Disclosures, **SB 261** is itself in conflict with the recommendations. The recommendations are designed to be voluntary and to maintain the standard of materiality, the report notes that "any disclosure recommendations by the Task Force would need to be voluntary, would need to incorporate the principle of materiality and would need to weigh the balance of costs and benefits". The recommendations also assert the need for flexibility". Further the report acknowledges the importance of a deliberate transition, noting that "As understanding, data analytics, and modeling of climate-related issues becomes more widespread, disclosures can mature accordingly" Unfortunately, **SB 261** was drafted with a degree of rigidity that doesn't allow for flexibility based on the maturation of our understanding of data collection and analytics as noted in the Task Force's own findings.

The Task Force's recommendations seem to be designed to offer guidance to those in the business community on how best to mitigate risk, yet the approach taken by **SB 261** would actually impose the greatest amount of risk on those most susceptible to financial uncertainty; the small business community. **SB 261** takes a one-size fits all approach to the business community and applies a reporting standard that would impact a broad array of businesses here in California. The Task Force's own findings note that there should be a proportional approach to developing disclosure requirements to ensure that smaller organizations are not subject to risk. Risk that the report clearly identifies in the form of "litigation given the high degree of uncertainty around the future timing and magnitude of climate-related impacts". While larger institutions might be able to assume that risk, that is often not the case for smaller businesses here in California. And, at an even more granular level, the impact to the small business community will vary based on geographic location, which is also not accounted for in this proposal. Unfortunately, **SB 261** does not follow the guidance offered in the report and puts the small business community at risk writ large.

For these reasons, CalChamber and the organizations listed below must respectfully **OPPOSE SB 261 (Stern)**.

Sincerely,



Brady Van Engelen
Policy Advocate
California Chamber of Commerce
On behalf of

African American Farmers of California, Will Scott, Jr.
Agricultural Energy Consumers Association, Maddie Munson
American Pistachio Growers, Richard Matoian
American Composites Manufacturers Association, Dan Leacox
Antelope Valley Chambers of Commerce, Vicky Ventura
Building Owners and Managers Association, Matthew Hargrove
California Asphalt Pavement Association, Russel Snyder
California Apartment Association, Debra Carlton
California Apple Commission, Todd Sanders
California Blueberry Commission, Todd Sanders
California Blueberry Association, Todd Sanders
California Business Properties Association, Matthew Hargrove
California Chamber of Commerce, Brady Van Engelen
California Credit Union League, Robert Wilson
California Construction and Industrial Materials Association, Adam Harper
California Cotton Ginners and Growers Association, Roger Isom
California Date Commission, Kristy Kneiding
California Fresh Fruit Association, Ian LeMay
California Fuels and Convenience Alliance, Jack Yanos
California Independent Petroleum Association, Sean Wallentine
California Poultry Federation, Maddie Munson
California Retailers Association, Ryan Allain
California Walnut Commission, Robert Verloop
Can Manufacturers Institute, Greg Hurner
Carlsbad Chamber of Commerce, Bret Schanzenbach
Chino Valley Chamber of Commerce, Zeb Welborn
Citrus Heights Chamber, Diane Ebbitt
Costa Mesa Chamber of Commerce, David Haithcock
Danville Area Chamber of Commerce, Judy Lloyd
Far West Equipment Dealers Association, Joani Woelfel
La Cañada Flintridge Chamber of Commerce, Pat Anderson
Long Beach Area Chamber of Commerce, Alexandra Lakatos
Los Angeles Area Chamber of Commerce, Jacqueline Romero
National Association of Industrial and Office Properties, Matthew Hargrove
Nisei Farmers League, Manuel Cuncha, Jr.
North San Diego Chamber of Commerce, Sophia Hernandez
Oceanside Chamber of Commerce, Scott Ashton
Olive Growers Council of California, Todd Sanders
Orange County Business Council, Connor Medina
Palos Verdes Peninsula Chamber of Commerce, Marilyn Lyon
Rancho Cordova Chamber of Commerce, Diann Rogers
Santa Barbara South Coast Chamber of Commerce, Dustin Hoiseth
Southern California Leadership Council, Mike Roos
Specialty Equipment Market Association, Christian Robinson
The Greater High Desert Chamber of Commerce, Mark Creffield
Torrance Area Chamber of Commerce, Donna Duperron

Walnut Creek Chamber, Bob Linscheid
West Precast Prestressed Concrete Institute, Dan Leacox
West Ventura County Business Alliance, Nancy Lindholm
Western Agricultural Processors Association, Roger Isom
Western Growers Association, Matthew Allen
Western Plant Health Association, Renee Pinel
Western States Petroleum Association, Shant Apekian
Wine Institute, Tim Schmelzer

cc: Gabrielle Meindl, Senate Committee on Environmental Quality
Gil Topete, Office of Senator Stern
Legislative Affairs, Office of the Governor
Scott Seekatz, Senate Republican Caucus