

# Snapshot

NOVEMBER 7, 2023  
SNAPSHOT 2023-12

## California voluntary carbon market disclosure act

The state of California adopted [Assembly Bill \(AB\) 1305](#), *Voluntary carbon market disclosures*, which creates disclosure requirements for entities operating within California that market, sell, purchase, or use voluntary carbon offsets, as well as those that make claims of achieving net zero emissions or carbon neutrality that operate within California or are making claims within California. The bill is divided into three types of carbon offset-related activities: marketing and selling; purchase and use; and net zero and carbon neutrality.

### Marketing and selling

AB 1305 requires “a business entity that is marketing or selling voluntary carbon offsets within the state” to disclose on the entity’s website the following information:

- Details about the entity’s carbon offset project, such as the protocol used to estimate emissions reductions, dates and quantities when the emissions reductions/removals started, and whether the project meets any established standards
- Details regarding accountability measures if a project is not completed or does not meet the projected emissions reductions or removal benefits

### Purchase and use

AB 1305 requires that “an entity that purchases or uses voluntary carbon offsets that makes claims regarding the achievement of net zero emissions, claims that the entity, related entity, or a product is ‘carbon neutral,’ or makes other claims implying the entity, related entity, or a product does not add net carbon dioxide or greenhouse gases to the climate or has made significant reductions to its carbon dioxide or greenhouse gas emissions” should disclose on the entity’s website:

- The entity selling the offset and the offset registry/program
- The project name
- The offset project type (that is, whether the offsets purchased were derived from a carbon removal, an avoided emission, or both)
- The protocol used to estimate emissions reductions or removal benefits
- Whether there is independent third-party verification of data and claims

This section of AB 1305 does not apply to entities that do not operate within the state or to those that have not purchased or used voluntary carbon offsets that were sold within the state of California.

## Net zero and carbon neutrality

AB 1305 requires that “an entity that makes claims regarding the achievement of net zero emissions, claims that the entity, a related or affiliated entity, or a product is ‘carbon neutral,’ or makes other claims implying the entity, related or affiliated entity, or a product does not add net carbon dioxide or greenhouse gases to the climate or has made significant reductions to its carbon dioxide or greenhouse gas emissions, shall disclose on the entity’s website”:

- If and how an entity determined that a carbon neutral, net zero emission, or similar claim was accurate or actually accomplished, and how interim progress toward that goal is being measured, which may include independent third-party verification of greenhouse gas emissions, science-based targets, and methodology and third-party verification
- Whether there is independent third-party verification of the company data and claims listed

This section of AB 1305 does not apply to entities that do not operate within the state or do not make claims within the state of California.

## Penalties

AB 1305 provides a penalty for violating the bill of \$2,500 for each day that information is not available or is inaccurate, not to exceed \$500,000.

## Next steps

Entities are encouraged to confer with legal counsel when determining the applicability of AB 1305 requirements. Entities are also encouraged to take inventory of any existing claims regarding carbon offsets, net-zero emission status, carbon neutrality, and similar claims to prepare for compliance by January 1, 2024.

AB 1305	
<b>Applicability</b>	<ul style="list-style-type: none"> <li>• Entity marketing or selling voluntary carbon offsets within California</li> <li>• Entity purchasing or using voluntary carbon offsets and making claims of net zero emissions within California</li> <li>• Entity that makes a claim of achieving net zero emissions, carbon neutrality, or similar claims that operate within California or make claims within California</li> </ul>
<b>Report</b>	Specified information on the details of carbon offsets, as well achievement of net zero or carbon neutrality on the entity’s website
<b>Beginning</b>	January 1, 2024
<b>Frequency</b>	No less than annually

### Grant Thornton insight

These bills are another example of the increasing climate reporting requirements. To learn about other requirements, refer to our [Snapshot 2023-11](#) covering California climate bills, [Snapshot 2022-17](#) covering proposed disclosures for federal suppliers, and [Snapshot 2022-19](#) discussing the European Union’s Corporate Sustainability Reporting Directive.

With the increased climate reporting requirements, Grant Thornton encourages all entities to establish a comprehensive climate reporting program that will allow you to comply with regulatory requirements, meet stakeholder expectations, and foster resilience by understanding your risks and opportunities. Our service offerings around climate reporting can assist with meeting your regulatory reporting obligations, including

- Materiality assessments to aid in identifying material topics that require disclosure;
- Climate risk assessments to facilitate disclosure of the impact of climate on your business;
- GHG emissions inventory management plan to gather your GHG emissions data;
- Reporting and gap assessment to identify and assess gaps within the processes, controls, and data against the relevant disclosure requirements; and
- Assurance over the reported information.

## Contacts



**Jim Burton**  
*Partner*  
*ESG & Sustainability*  
T +1 303 813 3945  
E Jim.Burton@us.gt.com



**Marjorie Whittaker**  
*Managing Director*  
*ESG & Sustainability*  
T +1 202 521 1535  
E Marjorie.Whittaker@us.gt.com



**Elizabeth Sloan**  
*Managing Director*  
*ESG & Sustainability*  
T +1 630 873 2510  
E Elizabeth.Sloan@us.gt.com

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