Federal Supplier Climate Risks and Resilience Proposed Rule

Summary

On November 10, 2022, the Biden-Harris Administration proposed the Federal Supplier Climate Risks and Resilience Rule to protect the federal government’s supply chains from significant climate-related financial risks. The comment period for the proposed rule closes on January 13, 2023.

The Federal Acquisition Regulatory Council would be responsible for amending the Federal Acquisition Regulation to implement these changes if the proposed rule is finalized.

Impacted federal contractors

The proposed rule would impose requirements on federal contractors based on annual obligations, as follows:

- For “major” contractors with greater than $50 million in annual federal obligations:
  - Disclose greenhouse gas (GHG) Scope 1, Scope 2, and relevant Scope 3 emissions through the CDP (formerly called the Carbon Disclosure Project)
  - Assess climate-related financial risks through the Task Force on Climate-Related Financial Disclosures (TCFD)
  - Set emission reduction targets that have been validated through the Science Based Targets Initiative (SBTi)

- For “significant” contractors with between $7.5 million to $50 million in annual federal obligations:
  - Disclose Scope 1 and Scope 2 emissions.

- All federal contractors with less than $7.5 million in annual federal obligations would be exempt from the proposed rule. In addition, the proposal includes exemptions for certain other entities, such as higher education institutions, non-profit research entities, and state and local governments, among others.

Proposed requirements

The proposed rule would require major and significant contractors to prepare a GHG inventory and to calculate GHG emissions in alignment with the widely used GHG Protocol Corporate Standard.

Major contractors would also be required to assess climate risks in alignment with the TCFD, which provides a recommended disclosure framework across governance, strategy, risk management, and metrics and targets, as well as implementation guidance.

Major contractors would be required to set emissions reduction targets validated by the SBTi, which provides organizations with an overview of how to set and submit for validation a science-based target.

Compliance dates

Significant and major contractors must complete a GHG inventory and disclose the total annual Scope 1 and Scope 2 emissions one year after the publication of a final rule in the Federal Register.

The remaining requirements for major contractors will be effective two years after the publication of a final rule.
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