

Federal Supplier Climate Risks and Resilience Rule

By Matt Orrell, CPA, Partner

Regulatory requirements continue to evolve in the sustainability sector and that includes those for organizations doing business with the U.S. Federal Government. In November 2022, congress proposed the Federal Supplier Climate Risks and Resilience Rule which is currently pending.

With the objective of strengthening the resilience of federal supply chains, the rule would require that certain federal contractors publicly disclose their greenhouse gas emissions and climate-related financial risks as well as set emissions reduction targets. The comment period for the proposed Rule closed in early February 2023 and, since the rulemaking process typically takes at least two to three years, a final Rule could come as early as November 2024. Companies would be required to start reporting one year after publication of the Rule.

Rule Requirements

The proposed Rule provides a tiered approach to compliance, classifying contractors as Major, Significant and Other. Major contractors are defined as suppliers contracted for more than \$50 million annually and Significant contractors have annual contracts ranging from \$7.5 to \$50 million. Suppliers with annual contracts below \$7.5 million are considered as Other and are excluded from the Rule's requirements. Significant and Major contractors would be required to report their Scope 1 and Scope 2 emissions. Major contractors would also be required to disclose their Scope 3 emissions, to identify their climate risks and to set appropriate emissions reduction targets.

Federal Contractors		Federal Supplier Climate Risks and Resilience Proposed Rule Requirements		
Segment	Annual Federal Obligations	Scope 1, Scope 2 and relevant categories of Scope 3 emissions in alignment with the GHG Protocol Corporate Standard	Climate Risk assessed in alignment with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD)	Emissions reduction target validated by the Science Based Target initiative (SBTi)
Major Contractors	>\$50M	Yes (Through CDP)	Yes (Through CDP)	Yes (Through SBTi)
Significant Contractors	>\$7.5M - \$50m	Yes (Scope 1 and Scope 2 only)	No	No
Other Contractors	<\$7.5M	No	No	No

While the anticipated implementation date may seem far off, it's important to be proactive about evaluating your systems and processes to ensure compliance by the implementation date.

Contact Us

We welcome the opportunity to answer any questions you may have related to this topic or any other assurance, technology, tax, or advisory matters relative to sustainability and ESG. Please call or email any of the Sustainability and ESG Services team members below:

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