



Proposed Federal Supplier Climate Risks and Resilience Rule Significant and Major Contractors FAQ

What is the Federal Supplier Climate Risks and Resilience Rule?

- In November 2022, the Biden Administration proposed the Federal Supplier Climate Risks and Resilience Rule, including a number of amendments to the Federal Acquisition Regulation (FAR) that are designed to ensure that certain Federal suppliers publicly disclose their greenhouse gas (GHG) emissions and climate-related financial risks and set science-based GHG emissions reduction targets.
- The proposed rule groups Federal suppliers into two categories, “significant contractors” and “major contractors,” and sets out different requirements for each.
- The deadline for submitting comments to the proposed rule closed on February 13, 2023 and we are waiting for the adoption of the final rule.

Who is a “significant contractor?”

- A supplier is considered a “**significant contractor**” if it received at least \$7.5 million in annual Federal contracts but less than \$50 million.
- Significant contractors would **only be required to report Scope 1 and Scope 2 emissions** under the proposed rule.

Who is a “major contractor?”

- A supplier is considered a “**major contractor**” if it received more than \$50 million in annual Federal contracts.
- Major contractors generally would be **required to publicly disclose Scopes 1, 2 and 3 GHG emissions, disclose climate-related financial risks, and set science-based GHG emissions reduction targets.**

(1) GHG Inventory Disclosures for Significant and Major Contractors

- Both significant and major contractors must report their Scope 1 and 2 emissions following the GHG Protocol Corporate Accounting and Reporting Standard.
- GHGs include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, nitrogen trifluoride, and sulfur hexafluoride. Contractors may calculate emissions using the calculation tool of their choice, as long as it is in alignment with the GHG Protocol Corporate Accounting and Reporting Standard (e.g., [the EPA's simplified GHG emissions calculator](#)).
- The GHG inventory must represent emissions during a continuous period of 12 months, ending not more than 12 months before the inventory is completed.
- Major contractors are also required to conduct a GHG inventory of their Scope 3 emissions.

(2) Annual Climate Disclosure for Major Contractors

- Major contractors must complete an annual climate disclosure that aligns with the Task Force on Climate-related Financial Disclosures (TCFD) and describes the contractor’s climate risk assessment process and identifies the contractor’s transition or physical risks.
- The annual climate disclosure is submitted by completing those portions of the [CDP Climate Change Questionnaire that align with the TCFD](#) as identified by CDP within its current or previous fiscal year. Questions beyond those that are necessary to provide an annual climate disclosure for Federal use are optional for purposes of the proposed rule. The annual climate disclosure must be made available on a publicly accessible website, which could be the company’s own website or the CDP website.

(3) Science-based Targets for Major Contractors

- A major contractor is also required to develop a science-based target and have the target validated by the [Science Based Targets Initiative \(SBTi\)](#).
- A science-based target is a target for reducing GHG emissions that is in line with reductions that the latest climate science deems necessary to meet the goals of the Paris Agreement to limit global warming to well below 2°C above pre-industrial levels and pursue efforts to limit warming to 1.5°C. The target must be validated by SBTi within the previous five calendar years and must also be made available on a publicly accessible website. Validated targets published by SBTi on the SBTi website satisfy this requirement.

How should Federal suppliers comply with the proposed rule?

- A supplier may comply with the proposed rule directly, or, alternatively, through its immediate or highest-level owner, except that the supplier itself must report the GHG Inventory Disclosure.

Effective Dates

- **Significant and major contractors must report their Scope 1 and 2 emissions starting one year after publication of a final rule.**
- **Major contractors would have two years to report their Scope 3 GHG emissions, conduct a climate risk assessment and identify risks, complete the CDP climate change questionnaire, and commit to, develop, and obtain SBTi validation of a science-based target.**