Scope 3 After California: What Comes Next for the Metals Supply Chain

- **California's Scope 3 mandate is on hold.** The Ninth Circuit found it likely unconstitutional; Scope 1 and 2 reporting continues.
- **Other states will likely follow California's lead,** dropping or delaying Scope 3 in their own bills.
- **Global rules still apply.** CSRD, ISSB and EU sustainable-finance rules keep Scope 3 in play for many metals companies.
- **The accounting is changing.** The GHG Protocol is merging with ISO, and the Carbon Measures coalition is pushing product-level ledgers.
- **Product-level data is the safest bet** for metals companies, whatever happens in court.

A First Amendment ruling stalls Scope 3

November 10, 2026 was a milestone: the first mandatory corporate emissions reports in U.S. history, filed under California's SB 253. But a court ruling the day before will shape what gets reported next. The U.S. Chamber of Commerce, the California Chamber of Commerce, the American Farm Bureau Federation and other business groups had challenged the law as unconstitutionally compelled speech. In *Chamber of Commerce v. Sanchez*, a 2–1 Ninth Circuit panel let Scope 1 and 2 reporting proceed but found Scope 3 likely unconstitutional. It also found SB 261's climate-risk reports likely unconstitutional.

The court's reasoning matters for anyone in a metals value chain. Scope 1 and 2 data comes from a company's own records, such as fuel invoices and utility bills. Scope 3 comes from suppliers and customers the reporting company does not control. The court found neither supplier data nor industry averages reliable enough to justify a mandate. It also found no evidence in the record that mandatory Scope 3 reporting reduces emissions.

Nothing is final. The case returns to the district court to decide whether Scope 3 can be severed from the rest of SB 253. Rehearing and Supreme Court review are both possible.

Other states were waiting for this

New York, New Jersey, Illinois, Colorado and Washington have all floated bills modeled on SB 253. Most stalled. New York's came closest: it passed the State Senate 40–22 in February 2026, but the

Assembly adjourned in June without a vote. New Jersey's bill reportedly dropped Scope 3 entirely in committee.

We think many of these legislatures were waiting to see what survived in California. Expect the next round of state bills to look like California after the ruling: Scope 1 and 2, assurance, and little or no mandatory Scope 3.

Global rules still ask for Scope 3

The ruling does not change what European or global regimes require.

- **CSRD.** The EU narrowed its Corporate Sustainability Reporting Directive this year. It now applies only to groups with more than 1,000 employees and more than €450 million in turnover, starting with fiscal 2027. Those companies still report value-chain emissions, though a new cap limits what they can demand from suppliers under 1,000 employees. Expect EU customers to keep asking.
- **ISSB.** IFRS S2 requires Scope 3, with first-year relief and a materiality test for which categories to include. The IFRS Foundation counts nearly 50 jurisdictions moving toward its standards, with companies in 13 already using them for FY2025.
- **SFDR.** The EU's Sustainable Finance Disclosure Regulation governs how funds market themselves as green. Its "SFDR 2.0" overhaul would replace Articles 8 and 9 with three categories: Transition, ESG Basics, and Sustainable. Fund managers will still need emissions data from the companies they hold, including metals producers seeking "transition" capital.

Scope 3 has always been the hard part

The court put into legal language what practitioners have said for years: Scope 3 is expensive, hard to verify, and often built on averages.

For a metals service center, purchased steel and aluminum can be most of the footprint. Yet the data often comes from mill averages or spend-based factors rather than the specific heats a company bought. A spend-based estimate moves with metal prices, not with emissions.

Then there is double counting. A mill's Scope 1 emissions show up again as Scope 3 for the service center that buys the coil. They appear a third time for the OEM that buys the part. The GHG Protocol accepts this by design, since each company reports its own value chain. Critics argue that makes Scope 3 totals useless for adding up or comparing across companies.

The accounting itself is changing

In July 2026, the GHG Protocol confirmed plans with ISO to merge its Scope 1, 2 and 3 standards with ISO 14064-1 into a single co-branded standard. Public consultation is expected in 2027, with publication targeted for late 2028.

A bigger challenge comes from industry. Carbon Measures, a coalition launched in October 2025 by ExxonMobil, BASF, Linde, Air Liquide and others, is building a ledger-based system. The idea is to track emissions like costs in financial accounting: recorded once, then passed along with the

product at each sale. That would count every tonne only once. The coalition is also defining carbon intensity standards for products including steel.

For metals, a ledger approach replaces Scope 3 guesswork with product-specific data that moves with the material. It also lines up with the EU's carbon border tax (CBAM), which already requires embedded-emissions data for steel and aluminum imports.

What metals companies should do now

Scope 3 is not dead. It is moving from a legal mandate toward a commercial requirement, set by customers, investors and trade rules. Our advice:

1. **Make Scope 1 and 2 assurance-ready.** That is what California still requires, and it is the foundation of every product footprint.
2. **Hold, don't scrap, Scope 3 work.** Keep the data you have built. Pause new spending tied only to California.
3. **Shift toward product-level data.** Mill-specific emissions on purchased metal will matter more than spend-based averages, whichever framework wins.

SOURCES

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Greenway Steel advises clients across the metals supply chain on sustainability, emissions reporting and decarbonization.
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