

How “Green Lease Language” Can Help Tenants Comply with California’s SB 253 Law

Overview

Starting in 2026, California’s SB-253 law will require public and private entities that do business in the state of California with over \$1B in annual revenues to disclose their Scope 1, 2 and 3 greenhouse gas (GHG) emissions. The threshold for [doing business](#) in California is extremely low and will be met by most entities with any lease in the state. Companies must obtain limited assurance on their disclosures of Scope 1 (fuel used and energy generated) and Scope 2 (energy purchased for leased spaces, even if energy costs are included in rent). Many public and private companies disclose this information voluntarily, and it may soon be required by the Securities and Exchange Commission (SEC) as well. Non-compliance can result in a penalty of up to \$500,000 per reporting entity.

Lease Relevance for Occupiers

Green lease language is designed, in part, to encourage landlord and tenant cooperation around energy efficiency in buildings. Occupiers must report energy usage, which can be challenging if energy bills are not in their name. However, in its present form, the law does not require landlords to provide the data to occupiers.

Newmark can advise tenant negotiations on the inclusion of “green lease language” and clauses into leases to safeguard client interests, ensure reporting requirements are met and have guaranteed access to data on energy use.

Sample Green Lease Language

Sustainability Contact:

Include the contact details of a landlord representative who can discuss energy and sustainability matters.

Data Sharing:

Ensure the lease mandates regular sharing of energy usage (electricity, natural gas, steam or any other heating fuels) between tenants and landlords. The ideal timeframe is monthly, but annual sharing is acceptable.

Metering Rights:

Secure the tenant’s right to install submeters to independently track their own energy consumption if the landlord is unwilling to share data regularly or if the tenant wants to track their own energy usage, as some may have a corporate Net Zero target.

Cost Recovery:

Allows landlords to recover some of the costs from energy efficiency-related capital improvements that benefit occupiers. A careful review of costs and expected savings to occupiers is recommended. Efficiency investments may help client companies meet GHG reduction targets.

Key Lease Clauses to Consider

Sustainability Contact Clause:

Landlord and tenant shall designate a contact for sustainability and energy-related discussions including, but not limited to, retrofit projects, energy efficiency upgrades and data access.

Data Sharing Clause:

Landlord and tenant agree to share the Environmental Performance Data for the Premises (including electricity, natural gas, steam and any other fuel used to heat or power the building) on an annual basis, at minimum.

Metering Clause:

At their expense, the tenant is permitted to install metering devices (submeters, check meters, etc.) to measure the supply of gas, electricity or other energy or utility supplied to the premises.

Cost Recovery Clause:

The landlord may pass on expenses for energy-efficient improvements in operating costs charged to the tenant’s space, assuming savings to operating expenses are passed on to the tenant. However, the amount passed through by landlord to tenant in one year shall not exceed the prorated capital cost of that improvement over the expected life cycle term. Additionally, the amount passed on shall not exceed the actual savings in operating expenses attributable to that improvement.

References and Additional Information:

1. [California SB-253 Climate Corporate Data Accountability Act \(2023-2024\)](#)
2. [EY Technical Line - A closer look at California’s recently enacted climate disclosure laws](#)
3. [Watershed - California SB 253 and SB261: a guide for companies](#)
4. [What CA SB-253 means for your business](#)

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