

California Climate Reporting Laws: CARB Provides New Guidance on Climate Laws as Compliance Deadlines Approach

August 25, 2025

With initial reporting deadlines rapidly approaching under California’s climate reporting laws, [SB 253](#) (the Climate Corporate Data Accountability Act) and [SB 261](#) (the Climate-related Financial Risk Act), the California Air Resources Board (“CARB”) offered new guidance and updates during a [Virtual Public Workshop](#) held on August 21.¹ Key takeaways from the workshop include (i) the announced scheduled release date of October 14, 2025 for proposed regulations, (ii) a proposed June 30, 2026 deadline for reporting Scope 1 and 2 emissions, (iii) revised proposed scoping definitions relating to “revenue” and “doing business in California,” as well as other proposals outlined below.

Key Takeaways

While CARB is still in the process of drafting regulations, its staff communicated important updates on timing and new draft concepts relating to implementation.

- **Publication of Draft Regulations:** Draft regulations are targeted for publication on **October 14, 2025**, with finalization slated for December 11-12, following a 45-day public comment period.
- **SB 253 Reporting Deadline:** CARB staff is considering a **June 30, 2026** deadline for reporting of Scope 1 and 2 emissions under SB 253. Staff plans to post draft Scope 1 and 2 reporting templates for public comment by the end of September.
- **SB 253 Assurance:** CARB staff reiterated that CARB does not plan to require or provide accreditation of assurance providers. The forthcoming regulations will provide for assurance standards, and CARB is seeking feedback on the appropriate standards to be applied.
- **SB 261 Reporting Mechanism:** CARB plans to post a public docket on December 1, 2025 for entities to upload a link to their SB 261 reports, which must be publicly available on their website. Although reports must be available on the reporting entity’s website by January 1, 2026, the docket will remain open until July 1, 2026.
- **SB 261 Reporting Requirements:** CARB staff indicated that climate-based financial risk reports under SB 261 should include (i) a statement as to which framework is being applied (Task Force on Climate-related Financial Disclosures (TCFD) recommendations, IFRS Disclosure Standards or other national or exchange requirements), (ii) a discussion of which recommendations and disclosures from that

¹ Please see Appendix A for a summary of the laws and their requirements.

framework have been included, and (iii) a short summary of why certain recommendations have not been included, and any plans for future disclosures.

- Scoping Definitions: To address scoping criteria under SB 253 and 261, CARB staff proposed the following revised “staff concepts”:
 - Definition of “revenue.” A key scoping concern relates to the calculation of an entity’s revenue. Previously, CARB staff considered defining total annual revenue as gross receipts, as set forth in California Revenue and Taxation Code (RTC) [Section 25120\(f\)\(2\)](#). However, public feedback indicated that gross receipts are not a suitable metric for gauging revenue due to data confidentiality limitations, lack of verification and the expansiveness of gross receipts. CARB’s revised proposal would define revenue as “the total global amount of money or sales a company receives from its business activities, such as selling products or providing services.”
 - Definition of “doing business in California.” Previously, CARB staff had proposed relying on the California RTC for the definition of “doing business” in California, which covered companies (i) organized or domiciled in the state, (ii) with sales in the state above approximately \$735,000, (iii) with real property in the state above approximately \$73,000, or (iv) paying compensation to employees in the state above approximately \$73,000. CARB staff have now proposed a definition covering just prongs (i) and (ii) above and indicated that the “real property” and “compensation” thresholds are unnecessary given that most companies are captured under the first two prongs. The staff is also exploring the use of existing databases to determine which entities are “doing business in California,” and plans to post a list of entity names that they believe are subject to the regulations in the coming weeks. CARB staff, however, indicated that any company subject to the regulation will be responsible for compliance, even if it is not initially included on the published list.
- Exempted Organizations: Following stakeholder suggestions, CARB staff is proposing exemptions for certain entities including non-profits, companies whose only business in California is the presence of teleworking employees and business entities whose only activity within California consists of wholesale electricity transactions that occur in interstate commerce.
- Reporting Fees: CARB staff clarified the fee regulation concept and explained that CARB would assess an annual flat fee per regulated entity. Entities with more than \$1 billion in revenue that are subject to SB 253 and SB 261 must pay both fees. Based on CARB staff’s initial analysis of costs and number of participating entities, the estimated annual fee is \$3,106 for SB 253 and \$1,403 for SB 261. Any subsidiary filing parent company reports will be subject to a separate entity fee.

Next Steps for Companies

As we await further guidance and formal rulemaking from CARB, companies expecting to be in scope of the laws should continue efforts to prepare for compliance.

- With respect to scoping, companies should assume CARB’s implementing regulations will not differ materially from the staff proposals outlined on August 21, including the relevant definition of “doing business” in California. We recommend conducting an initial scoping exercise in advance of the publication of regulations, noting that various entities within a corporate structure may separately fall into scope.
- To prepare for emissions reporting under SB 253, companies should continue to collect relevant, accessible data to support Scope 1 and 2 emissions calculations for the last fiscal year ending prior to January 1, 2026.

- For purposes of SB 261 reporting, companies that are likely to be in scope should take steps to prepare now, leveraging the TCFD framework (or an equivalent) as a guide, including examining, implementing or revising governance structures and risk management processes in order to demonstrate proper analysis and oversight of climate risks.
- CARB continues to emphasize its desire for stakeholder feedback and comment. The current public comment period relating to workshop concepts is open until September 11. Companies that wish to submit feedback or provide input can submit comments [here](#) or [here](#).

We also continue to monitor developments in ongoing litigation concerning both SB 253 and SB 261. Both laws are subject to legal challenge in the U.S. District Court for the Central District of California brought by the United States Chamber of Commerce. The plaintiffs allege that the laws violate their First Amendment rights by infringing on their right to remain silent and compelling them to speak on the controversial issue of climate change. On August 13, a California federal judge [denied](#) the plaintiffs' motion for preliminary injunction, meaning that the implementation of the laws will continue while the claims are being litigated.

Finally, an [Executive Order 14260](#), "Protecting American Energy from State Overreach," signed by President Trump on April 8, 2025, requires the Attorney General to review state and local laws relating to climate change and GHG reporting (among others) and provide a report to the President outlining actions taken, and any recommendations for additional executive or legislative action required to stop the enforcement of illegal state and local laws, within 60 days following the Order. The Order does not specifically identify SB 253 or SB 261 or what, if any, actions need to be taken to directly challenge state or local laws, though based on complaints filed by the U.S. Department of Justice against states to date (including New York, Vermont, Hawaii and Michigan) in fulfillment of the Order and the broad language of the Order, such litigation cannot be excluded. For more information, see our prior Alert [here](#).

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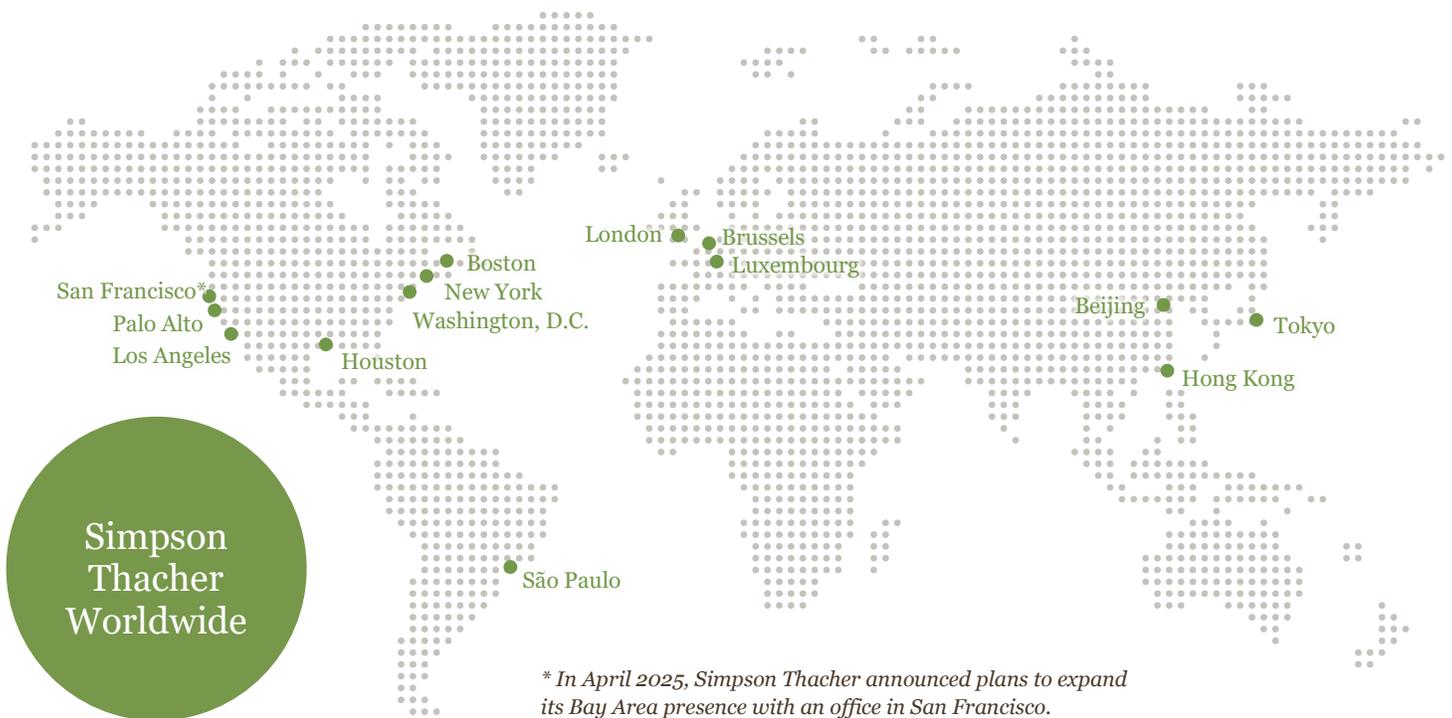
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Appendix A

Key Requirements of California SB 253: Climate Corporate Data Accountability Act (as amended by SB 219)

Covered Entities	<p>Corporations, partnerships, LLCs and other business entities formed under the laws of California, any other U.S. state or the District of Columbia, or under an act of Congress that (i) are “doing business” in CA and (ii) have more than \$1B annual revenue (based on prior fiscal year)</p> <p>“Doing business” to be defined in regulation, but staff proposal would consider an entity to be “doing business” in California if it does any of the following:</p> <ul style="list-style-type: none"> • Is organized or commercially domiciled in California; • Has California sales exceeding an annual threshold amounts (for the 2023 tax year, \$735,019)
Reporting Requirements	<p>Annual disclosure required as follows:</p> <p>2026: Scope 1 & 2 GHG emissions for prior fiscal year with limited assurance</p> <p>2027 - 2029: Scope 1 & 2 GHG emissions for prior fiscal year with limited assurance; Scope 3 GHG emissions for prior fiscal year</p> <p>2030 and after: Scope 1 & 2 GHG emissions for prior fiscal year with reasonable assurance; Scope 3 GHG emissions for prior fiscal year with limited assurance</p> <p>Specific reporting deadlines (dates) to be determined by CARB</p> <p>Consolidated reporting permitted at parent level</p>
Reporting Standard	<p>“Scope 1 emissions” defined as all direct GHG emissions that stem from sources that a reporting entity owns or directly controls, regardless of location, including, but not limited to, fuel combustion activities</p> <p>“Scope 2 emissions” defined as indirect GHG emissions from consumed electricity, steam, heating, or cooling purchased or acquired by a reporting entity, regardless of location</p> <p>“Scope 3 emissions” defined as indirect upstream and downstream GHG emissions, other than scope 2 emissions, from sources that the reporting entity does not own or directly control and may include, but are not limited to, purchased goods and services, business travel, employee commutes, and processing and use of sold products</p> <p>Reporting is required to be in conformance with the Greenhouse Gas Protocol (“GHG Protocol”) standards and related guidance, which includes information on topics such as setting operational and organizational boundaries, identifying and calculating emissions, accounting for reductions and other²</p> <p>After 2033, CARB may adopt another globally recognized alternative accounting and reporting standard</p>
Publication	<p>Publicly disclose to CARB or to an emissions reporting organization (if one is contracted by CARB)</p> <p>Public report to be issued by emissions reporting organization, if contracted, or CARB</p>
Administration/Enforcement	<p>Reporting entities must pay an annual fee to CARB (to be set out in regulation)</p> <p>CARB to adopt regulations authorizing it to seek administrative penalties for non-filing, late filing or other reporting-related failures</p> <p>Penalties imposed on a reporting entity may not exceed \$500,000 in a reporting year</p>

² The GHG Protocol is currently revising the Corporate Accounting and Reporting Standard, Guidance on Scope 2 Emissions and Scope 3 Standard and Scope 3 Calculation Guidance to incorporate public feedback on its current standards and potential new guidance, with revised texts expected to be released in 2025, and final standards and guidance expected in the latter half of 2026. Public feedback was invited from November 2022 through March 2023, and the GHG Protocol has since released corresponding survey and proposal summary reports.

Key Requirements of California SB 261: Greenhouse Gases: Climate-Related Financial Risk (as amended by SB 219)

Covered Entities	<p>Corporations, partnerships, LLCs and other business entities formed under the laws of California, any other U.S. state or the District of Columbia, or under an act of Congress that (i) are “doing business” in CA and (ii) have more than \$500M annual revenue (based on prior fiscal year)</p> <p>Insurance companies are excluded</p> <p>See SB 253 above for a discussion of the “doing business” in CA requirement</p>
Reporting Requirements	<p>Disclose (i) its climate-related financial risk, determined in accordance with the TCFD (as discussed below) and (ii) measures adopted to reduce and adapt to climate-related financial risk</p> <p>First reports must be made available on or before January 1, 2026 and every two years thereafter</p> <p>Substituted compliance available for publicly-available reports prepared pursuant to other law, regulation or listing requirement that incorporates consistent requirements, including IFRS Sustainability Disclosure Standards</p> <p>Consolidated reporting permitted at parent level</p>
Reporting Standard	<p>Report climate-related financial risk in accordance with the recommended framework and disclosures contained in the Task Force on Climate-related Financial Disclosures (“TCFD”), IFRS Disclosure Standards or a report developed in accordance with any regulated exchange, national government, or other governmental entity.</p> <p>The TCFD recommendations are structured around four thematic “pillars” as follows:</p> <p>(1) Governance: Disclose the governance around climate-related risks and opportunities</p> <p>(a) Describe the board’s oversight of climate-related risks and opportunities (if the reporting entity has a Board)</p> <p>(b) Describe management’s role in assessing and managing climate-related risks and opportunities</p> <p>(2) Strategy: Disclose the actual and potential impacts of climate-related risks and opportunities on the reporting entity’s business, strategy and financial planning</p> <p>(a) Describe the climate-related risks and opportunities that have been identified over the short, medium, and long term</p> <p>(b) Describe the impact of climate-related risks and opportunities on businesses, strategy, and financial planning</p> <p>(c) Describe the resilience of the strategy, taking into consideration different climate-related scenarios</p> <p>(3) Risk Management: Disclose how the entity identifies, assesses and manages climate-related risks and opportunities</p> <p>(a) Describe the processes for identifying and assessing climate-related risks</p> <p>(b) Describe the processes for managing those risks</p> <p>(c) Describe how those are integrated into overall risk management</p> <p>(4) Metrics and Targets: Disclose metrics and targets used to assess and manage climate-related risks and opportunities</p> <p>(a) Disclose the metrics used to assess climate-related risks and opportunities in line with its strategy and risk management process</p> <p>(b) Describe the targets used to manage climate-related risks and opportunities, and performance against those targets</p>
Publication	<p>Make publicly available on reporting entity’s website and post link on CARB’s public docket</p>
Administration/Enforcement	<p>Reporting entities must pay an annual fee to CARB (to be set out in regulation)</p> <p>CARB to adopt regulations authorizing it to seek administrative penalties for non-filing, late filing or other reporting-related failures</p> <p>Penalties imposed on a reporting entity may not exceed \$50,000 in a reporting year</p>