

Memorandum

California Climate Reporting Laws: CARB Communicates Delay on Regulations but Holds Firm on Reporting Timelines

May 30, 2025

With initial reporting deadlines fast 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") yesterday offered proposed directional guidance and revised timing for the publication of crucial regulations during a lengthy [Virtual Public Workshop](#). CARB chair Liane Randolph communicated that while the state is committed to maintaining the reporting deadlines set by statute, implementing regulations previously expected by July 1 will now be released before the end of the year. The delay in regulations prolongs the period of considerable uncertainty for companies seeking to determine whether they fall in scope of the laws, and if so, devising compliance plans to prepare for applicable reporting requirements.

Background: Reporting Requirements of SB 253 and SB 261

SB 253 and SB 261, which came into effect in amended form on Jan. 1, 2025, constitute the most significant emissions and climate-related disclosure laws enacted in the U.S. to date.

- [SB 253](#) requires annual disclosure of greenhouse gas ("GHG") emissions (Scopes 1, 2 and 3) by U.S.-organized companies doing business in California with total annual revenues exceeding \$1 billion (based on the prior fiscal year), in line with the Greenhouse Gas Protocol standards and related guidance. Non-compliance can result in fines of up to \$500,000 a year.
- [SB 261](#) requires biennial disclosure of climate-related financial risks by U.S.-organized companies doing business in California (excluding insurance companies) with total annual revenues exceeding \$500 million (based on the prior fiscal year), in line with the Task Force on Climate-related Financial Disclosures framework and recommendations (or an equivalent reporting requirement). Non-compliance can result in fines of up to \$50,000 a year.

[SB 219](#), which amended certain elements of the measures, set a deadline for CARB, the state agency charged with implementing the laws, to issue implementing regulations by July 1, 2025. For more detailed information on the laws and their requirements, see our prior Alerts [here](#) and [here](#).

Key Takeaways from the Workshop

While Chair Randolph and CARB staff indicated that CARB is still in the early stages of the regulatory process, the Workshop offered important indications of rulemaking to come.

- While SB 253, as amended, calls for CARB to adopt implementing regulations by July 1, 2025, Chair Randolph repeatedly affirmed that regulations should be expected “by the end of the year,” without providing further detail on timing.
- Chair Randolph confirmed that the original reporting timelines under the laws hold. As such:
 - Under SB 253, companies will be required to report Scope 1 and 2 GHG emissions in 2026 (covering fiscal year 2025). CARB did not clarify when during 2026 those reports will be due, but indicated that much of the feedback received during CARB’s [Information Solicitation](#) period¹ regarding implementation of SB 253 and SB 261 emphasized the need for companies to have adequate time to collect and seek assurance over this data.
 - SB 261’s requirement for in-scope companies to publish a climate-related financial risk report by January 1, 2026 remains in place. CARB has not determined whether it will issue regulations regarding SB 261 implementation or simply offer guidance (and if the latter, by when).
- CARB staff also proposed the following “staff concepts” addressing scoping criteria under SB 253 and SB 261:
 1. Definition of “doing business” in California. As expected, CARB proposes to adopt the definition of “doing business” as provided in the California Revenue and Taxation Code (“RTC”), with minor modifications to clarify that “doing business” means actively engaging in any transaction for the purpose of financial or pecuniary gain or profit. The relevant RTC provision covers any company that (i) is organized or domiciled in California, (ii) has sales in California exceeding \$735,019, (iii) has real or tangible personal property in the state exceeding \$73,502 or 25% of the entity’s total, or (iv) pays compensation in that state above \$73,502 or 25% of the total compensation paid.² Workshop attendees yesterday questioned whether having a remote employee base in California qualifies as “doing business,” and whether certain business sectors will be excluded entirely (no answers were provided).
 2. Definition and related calculations of “annual revenue”. CARB’s initial proposal is to determine whether an entity meets the annual revenue thresholds in SB 253 and 261 based on the definition of gross receipts as set forth in [RTC Section 25120\(f\)\(2\)](#). Public feedback received during CARB’s solicitation period focused on clarifying whether revenue thresholds include the parent company, subsidiar(ies) or both, and whether income sources (*e.g.*, interest, fees, dividends and investment income) can be considered revenue.
 3. Definition of “corporate relationships” for purposes of understanding the relationship between a parent and subsidiary. CARB proposes to leverage the approach under California’s Cap-and-Trade program to define corporate relationships. Under that program, a corporate association exists when one entity has a degree of ownership or control (50%) over another entity. Public feedback received

¹ Responses were due Feb. 14, 2025 and are publicly [posted](#).

² Figures apply to the 2024 tax year. All figures are adjusted for inflation each year.

during CARB's solicitation period focused on whether a definition of "level of control" is needed, and in the instance of a subsidiary "doing business in California," whether the requirements under SB 253 and 261 extend to the parent company located outside of California.

- CARB is actively seeking feedback on initial staff concepts and other interpretive issues and called on stakeholders to provide recommendations, while also noting that CARB is tracking developments with respect to ongoing EU (and other international) frameworks and discussions closely to inform and further refine California's laws. CARB plans to hold additional workshops and open discussions in the coming months.

Next Steps for Companies

Companies expected to be captured by SB 253 and/or SB 261 continue to be in a holding pattern as they await further guidance and rulemaking from CARB; meanwhile, preparation should continue.

- With respect to scoping, companies should assume CARB's implementing regulations will not differ materially from the proposal offered yesterday, including the relevant definition of "doing business" in California. As noted above, this sets a relatively low bar, potentially including companies that have even a single office or a single employee in the state.
- To prepare for reporting under SB 253, companies should continue to collect relevant, accessible data to support Scope 1 and 2 emissions calculations. During the Workshop, Chair Randolph repeatedly referenced the [Enforcement Notice](#) published by CARB on December 5, 2024, which indicated that CARB would not pursue enforcement against covered entities for incomplete reporting in 2026, provided that: (i) those entities demonstrate good faith efforts to comply with the law, and (ii) their initial reports are based on information that the entity already possessed or was collecting as of the date of the Enforcement Notice.
- For purposes of SB 261 reporting, companies that are likely to be in scope should take steps to prepare now, using 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.

We are also continuing 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. While several of the actions brought have been dismissed, one legal challenge—whether disclosure requirements under SB 253 and SB 261 impermissibly compel speech to regulate conduct relating to emissions (SB 253) or climate-related financial risk (SB 261) in violation of the First Amendment—remains. On Tuesday, May 28, the court delayed the hearing on a preliminary injunction³ until June 10, 2025.

³ The focus of the preliminary injunction remains on whether the disclosures mandated by SB 253 and 261 are commercial, factual, and uncontroversial, and whether California possess a compelling interest to enforce these regulations.

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 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](#).

For further information regarding this memorandum, please contact one of the following authors:

NEW YORK CITY

Leah Malone
+1-212-455-3560
leah.malone@stblaw.com

Chayla S. Sherrod
+1-212-455-2779
chayla.sherrod@stblaw.com

WASHINGTON, D.C.

Emily B. Holland
+1-202-636-5987
emily.holland@stblaw.com

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