

# Technical Line

## A closer look at California's climate disclosure laws

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### What you need to know

- ▶ Public and private entities that do business in California and meet certain annual revenue thresholds are required to provide certain disclosures under California's climate disclosure laws beginning in 2026.
- ▶ Reporting of Scope 1 and Scope 2 emissions under the California Climate Corporate Data Accountability Act (SB-253) is required for in-scope entities by 10 August 2026.
- ▶ Reporting of climate-related financial risks and measures adopted to reduce and adapt to those risks under the California Greenhouse gases: climate-related financial risk law (SB-261) is required for in-scope entities. Implementation of this law remains paused following an injunction issued by the US Court of Appeals for the Ninth Circuit. The injunction is pending appeal.
- ▶ Entities that operate in California and make net-zero emissions claims, carbon-neutral claims or significant greenhouse gas emissions reduction claims are required to continue disclosing information about those claims and the purchase or use of voluntary carbon offsets used to achieve those claims.

### Overview

California enacted two climate disclosure bills ([SB-253](#) and [SB-261](#)<sup>1</sup>) into California law in October 2023 that apply to both public and private US entities that do business in the state and meet certain annual revenue thresholds. California is the first and only US state to broadly require climate-related disclosures.

The California Climate Corporate Data Accountability Act (SB-253) requires in-scope entities to report Scope 1, Scope 2 and Scope 3 greenhouse gas (GHG) emissions in accordance with the GHG Protocol. The California Greenhouse gases: climate-related financial risk law (SB-261) requires in-scope entities to prepare a climate-related financial risks report of climate-disclosures in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and disclose measures adopted to reduce and adapt to those risks.

The California Air Resources Board (CARB) **approved** the initial regulation for SB-253 and SB-261 at its 26 February 2026 meeting. CARB discussed rulemaking for GHG emissions reporting and assurance requirements, among other matters, at its 23 March 2026 workshop.<sup>2</sup>

Separately, California enacted the California Voluntary carbon market disclosures bill (**AB-1305**) into California law in October 2023 requiring entities operating in California and that make net-zero emissions claims, carbon-neutral or carbon-neutral product claims, or significant GHG reduction claims, to disclose information about those claims and the purchase or use of voluntary carbon offsets to achieve those claims.

This publication discusses important aspects of reporting under the California climate disclosure laws and provides an overview of AB-1305.

## Key considerations for SB-253 and SB-261

SB-253 and SB-261 apply to entities that do business in California and have more than \$1 billion and \$500 million in annual revenue, respectively.

Entities in the scope of SB-253 and SB-261 include partnerships, corporations, limited liability companies and other business entities formed under the laws of any state in the US or the District of Columbia or under an act of Congress. Subsidiaries of non-US entities located in the US that meet this definition are also in scope. Tax-exempt entities as defined under the Internal Revenue Code (e.g., nonprofit entities, charitable organizations) and insurance entities subject to regulation in US states are exempt from these laws.

The initial regulation approved by CARB defines the following key terms under the laws that entities need to understand to determine whether they will be in-scope for reporting.

### Scoping definitions

#### *Revenue*

The revenue thresholds apply to a US entity's total revenue, not only its California revenue. An entity is required to consider the lesser of its prior two fiscal years of revenue to determine if it is within the scope of the laws. The definition of revenue is consistent with the definition of gross receipts in the California Revenue and Taxation Code.<sup>3</sup>

#### *Doing business in California*

Doing business in California is defined as an entity actively engaging in any transaction for the purpose of financial gain in California that either (1) is organized or commercially domiciled in California or (2) has California sales exceeding either an inflation adjusted amount (i.e., \$757,070 for 2025) or 25% of the entity's total sales.

This definition closely aligns with the definition of doing business in the California Revenue and Taxation Code, while omitting sections of the tax code relating to property holdings and payroll. Entities whose only business in California is the presence of teleworking employees are not in the scope of the definition.

### How we see it

The terms defined in the initial regulation, including those for revenue and doing business in California, are similar to those in the California Revenue and Taxation Code. Entities should consider referring to their tax filings when performing their scoping assessments.

***Subsidiaries***

The laws apply to US legal entities, including US subsidiaries of non-US parent entities. A business entity is considered a subsidiary if another business entity has an ownership interest in or control of the first entity by direct corporate association, as defined in the California Code of Regulations.<sup>4</sup>

A subsidiary that is included in a report of a parent entity, including a non-US parent entity, does not need to provide a separate report under SB-253 or SB-261. This parent-level consolidation option is intended to reduce the burden of reporting for multiple entities under the same parent.

**SB-253 reporting**

SB-253 requires in-scope entities to annually disclose Scope 1, Scope 2 and Scope 3 emissions in accordance with the GHG Protocol and obtain assurance over those disclosures. These requirements will be phased in and are subject to subsequent rulemaking.

CARB set an initial deadline for reporting Scope 1 and Scope 2 emissions under SB-253 of 10 August 2026. This reporting deadline applies to all entities, regardless of their fiscal year end. Entities will have at least six months after their fiscal year end to compile the necessary emissions data and submit their report.

Entities with a fiscal year ending between 1 January 2026 and 1 February 2026 will report data from the fiscal year ending in 2026. Entities with a fiscal year ending between 2 February 2026 and 31 December 2026 will report data from the fiscal year ending in 2025. Entities will begin reporting Scope 3 emissions in 2027. CARB has not determined the annual deadline for emissions reporting under SB-253 in 2027 and beyond.

Entities will need to submit their emissions information to CARB or an emissions reporting organization that will be designated by CARB. Either CARB or the designated organization will develop a publicly accessible digital platform for the emissions data.

CARB issued a draft template and memo<sup>5</sup> on 10 October 2025 that includes guidance on submitting Scope 1 and Scope 2 emissions data in the first year of reporting for entities in the scope of SB-253. The template, which is voluntary in 2026, is designed to assist entities with submitting the required information.

**CARB set an initial deadline of 10 August 2026 for reporting Scope 1 and Scope 2 emissions under SB-253.**

**Standard setting**

While SB-253 requires entities to report emissions in accordance with the GHG Protocol, CARB has requested feedback on allowing other approaches to account for GHG emissions and said it is closely monitoring and considering the impacts of ongoing standard setting activities that may amend the GHG Protocol.

CARB provided an overview of and requested feedback on several proposed rulemaking concepts for reporting Scope 1, Scope 2 and Scope 3 emissions under SB-253 in 2027 and beyond at its March 2026 workshop, including those related to:

- ▶ Organizational boundaries
- ▶ Applicable GHG accounting methods
- ▶ Emissions factors that can be used
- ▶ Options for reporting Scope 3 emissions (e.g., potential phase-ins based on industry or emissions category)

Additionally, CARB is considering feedback received on the draft template for reporting Scope 1 and Scope 2 emissions and expects to publish an updated template in mid-2026 that will be required for reporting Scope 1 and Scope 2 emissions in 2027 and beyond.

### *Assurance requirements*

SB-253 requires an entity to annually obtain limited assurance on Scope 1 and Scope 2 emissions disclosures. However, CARB said limited assurance on these emissions disclosures is not required in the first year of reporting. Reasonable assurance on Scope 1 and Scope 2 emissions disclosures will be required starting in 2030 (on 2029 data). Limited assurance on Scope 3 emissions disclosures will also be required starting in 2030 (on 2029 data). CARB can modify the dates based on trends in third-party assurance requirements for Scope 3 emissions.

Assurance providers need to be independent and have significant experience in measuring, analyzing, reporting or attesting to GHG emissions. CARB is required to review the qualifications for third-party assurance providers in 2029 based on an evaluation of trends in education related to emissions and the qualifications of third-party assurance providers.



### **Standard setting**

CARB's current rulemaking activities are expected to establish specific requirements for entities to obtain limited assurance over their Scope 1 and Scope 2 emissions reporting beginning in 2027, including identifying acceptable assurance standards and frameworks.

### **SB-261 reporting**

SB-261 requires in-scope entities to post a report on their website, and update it every other year, providing disclosures (1) in accordance with the recommendations of the TCFD or an equivalent reporting standard (e.g., International Financial Reporting Standards S2, *Climate-related Disclosures*) and (2) on the measures they adopted to reduce and adapt to identified climate-related risks.

CARB opened a public docket on 1 December 2025 for entities to post the public link to their published climate-related financial risk report. The docket will remain open until 1 July 2026.

SB-261 requires that companies post their first report by 1 January 2026. However, enforcement of this law has been paused following a motion for injunction, pending appeal, granted by the US Court of Appeals for the Ninth Circuit on 18 November 2025. CARB said it will provide further guidance, including an alternative reporting date, after the appeal is resolved.<sup>6</sup>

CARB issued an updated disclosure checklist<sup>7</sup> on 17 November 2025 for entities to use for their reporting under SB-261. CARB said each published report is required to specify the reporting framework used and list the disclosures recommended under the framework that were included or omitted. Entities need to provide a reason why any recommended disclosures were not included and indicate any plans to include them in future reports. This relief does not apply to the requirement to disclose adopted measures to reduce and adapt to climate-related financial risks under the TCFD's recommendations. CARB said entities in the early stages of evaluating climate-related risks may disclose how these risks relate or may be relevant to the entity, even if no material risks have been identified.

### **Enforcement provisions and good faith efforts**

CARB is responsible for enforcing both SB-253 and SB-261 and may impose penalties for late filings, non-filings and other failures to meet the requirements of the laws. The penalties may not exceed \$500,000 for SB-253 and \$50,000 for SB-261 each year. When imposing penalties, CARB is required to consider the entity's past and present compliance, whether the entity made a good faith effort to comply with the requirements and when it undertook those efforts.

Additionally, SB-253 includes a safe harbor from penalties for reporting Scope 3 emissions. Entities will not be assessed penalties for any misstatements of the disclosure of Scope 3 emissions if the disclosures were made with a reasonable basis and provided in good faith.

CARB reiterated in its March 2026 workshop that it will exercise enforcement discretion for the first reporting cycle if entities demonstrate good faith efforts to comply with SB-253's requirements, as indicated in its 5 December 2024 enforcement notice. CARB said entities that were not collecting or planning to collect data as of the date of the enforcement notice are not required to submit Scope 1 and Scope 2 emissions data in 2026. These entities should submit a statement on their letterhead to CARB saying that they did not submit a report and were not collecting or planning to collect data at the time the enforcement notice was issued.

### Implementation fees

Both laws require in-scope entities, including in-scope subsidiaries included in a parent's report, to pay an annual flat fee to CARB. The fee is based on the total annual program costs and the number of entities required to report under SB-253 and SB-261, not the revenue or GHG emissions of each entity. An entity in the scope of both laws will have to pay both fees. CARB said it expects to invoice the fee assessment by 10 September 2026.

### Key considerations for AB-1305

AB-1305 requires entities operating in California, which is undefined in the law, that make (1) net-zero emissions claims, (2) carbon-neutral or carbon-neutral product claims or (3) significant GHG emissions reduction claims in California to disclose the following:

- ▶ Information about how the claim was determined to be accurate or actually accomplished and how interim progress toward that goal is being measured (e.g., verification of the entity's emissions, identification of the entity's science-based targets and related verification, relevant sector methodology)
- ▶ Whether there is independent third-party verification of the entity's data and claims

AB-1305 requires these entities to disclose the following information about any voluntary carbon offsets purchased or used in California:

- ▶ The name of the entity selling the offset and the offset registry or program
- ▶ The project identification number
- ▶ The project name listed in the registry or program
- ▶ The offset project type (e.g., carbon removal, avoided emissions, combination of both)
- ▶ The site location of the offset project
- ▶ The protocol used to estimate emissions reductions or removal benefits
- ▶ Whether the claim and data have been independently verified

AB-1305 also requires entities that market or sell voluntary carbon offsets within California to disclose the following:

- ▶ Information about the carbon offset project (e.g., including the protocol used to estimate emissions reductions or removal benefits, the location of the project, the project timeline, the date the project started or will start, the type of project, whether the project meets any established standards, whether the project has been independently verified, the annual number of emissions reduced or carbon removed)
- ▶ Details about accountability measures if a project is not completed or does not meet the projected emissions reductions or removal benefits (e.g., what actions the entity will take in those situations)
- ▶ The data and calculation methods needed to independently reproduce and verify the number of carbon offsets issued

CARB will exercise enforcement discretion for the first reporting cycle if entities demonstrate good faith efforts to comply with SB-253's requirements.

Disclosures under AB-1305 are required to be updated annually.

The penalty for violating AB-1305 is \$2,500 for each day that information is not available on the entity's website or is inaccurate, with a limit of \$500,000 for each violation.

AB-1305 was effective on 1 January 2024. However, the sponsor of AB-1305 clarified in a letter to the Chief Clerk of the California Assembly that the intent was for the effective date to be 1 January 2025. The sponsor attempted to amend the law in the 2024 legislative session, but the amendment did not pass before the legislative session ended.

## Next steps

- ▶ Entities should refer to the approved initial regulation for SB-253 and SB-261 published on CARB's website.
- ▶ Entities should continue preparing for compliance with these laws and determine how they will gather information to meet the requirements of the laws, including whether they will need to set up new processes, systems and controls.
- ▶ Entities should continue to monitor developments related to the California climate disclosure laws and consider providing feedback to future proposed regulations.
- ▶ Entities should continue to monitor the ongoing legal challenges related to the California climate disclosure laws, including the injunction appeal being considered by the US Court of Appeals for the Ninth Circuit.

## Endnotes:

- <sup>1</sup> [SB-219, Greenhouse gases: climate corporate accountability: climate-related financial risk](#), was signed into law in September 2024 amending SB-253 and SB-261 by permitting reporting at the consolidated parent company level, with no separate subsidiary reporting required, and directing CARB to set the schedule for Scope 3 emissions reporting under SB-253. However, the bills continue to be referred to as SB-253 and SB-261.
- <sup>2</sup> [SB 253 March 2026 Workshop Slides](#).
- <sup>3</sup> [California Revenue and Taxation Code Section 25120\(f\)\(2\)](#).
- <sup>4</sup> [Title 17, California Code of Regulations, Section 95833](#).
- <sup>5</sup> [Posted for Public Comment: Draft Reporting Template for Scope 1 and Scope 2 Greenhouse Gas Emissions Pursuant to Health and Safety Code § 38532](#).
- <sup>6</sup> [CARB's Enforcement Advisory](#) for SB-261 issued on 1 December 2025.
- <sup>7</sup> [Climate Related Financial Risk Disclosures: Checklist](#) for minimum reporting requirements under SB-261.

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