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To the Point

CARB approves initial regulation for California climate disclosure laws

California is the first and only US state to broadly require climate-related disclosures.

What you need to know

- The California Air Resources Board approved an initial regulation for reporting under the California Corporate Data Accountability Act (SB-253) and the California greenhouse gases: climate-related financial risk law (SB-261) at its 26 February 2026 meeting.
- The regulation sets an initial reporting deadline of 10 August 2026 for Scope 1 and Scope 2 emissions under SB-253. Limited assurance is not required for the first year of reporting.
- The implementation of SB-261, which requires in-scope entities to provide disclosures on climate-related financial risks and the measures they adopted to reduce and adapt to those risks, remains paused following an injunction issued by the US Court of Appeals for the Ninth Circuit. The injunction is pending appeal.

Overview

The California Air Resources Board (CARB) **approved** the California Greenhouse Gas Reporting and Climate Financial Risk Disclosure Initial Regulation (initial regulation) at its 26 February 2026 meeting. The initial regulation establishes a fee structure to cover the cost of program administration, defines key terms in the legislation and specifies a first-year reporting deadline. The initial regulation is largely consistent with the proposed regulation released in December 2025 and information that CARB shared during its November 2025 public workshop.

CARB said future rulemaking would address data assurance requirements, further enforcement provisions, the recurring reporting deadline and reporting templates.

The US Court of Appeals for the Ninth Circuit's pause on the implementation of SB-261, which requires disclosures on climate-related financial risks and the measures used to reduce and adapt to those risks, remains in effect. This preliminary injunction does not apply to SB-253, which requires disclosures of Scope 1 and Scope 2 greenhouse gas (GHG) emissions.

This publication highlights important aspects of the initial regulation, including scoping definitions and revenue thresholds for in-scope entities, and provides an overview of the reporting requirements and associated fees that will be assessed by CARB under SB-253 and SB-261.

Key considerations

Scoping definitions

SB-253 and SB-261 apply to both public and private entities that do business in California and have more than $1 billion and $500 million in annual revenue, respectively. Tax-exempt entities as defined under the Internal Revenue Code (e.g., non-profit entities, charitable organizations) and insurance entities subject to regulation in US states are exempt from these laws. Entities need to understand certain key definitions under the laws to determine whether they will be in-scope for reporting.

Revenue

The revenue thresholds apply to an 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 in the initial regulation is consistent with the definition of gross receipts in the California Revenue and Taxation Code.[1]

Doing business in California

Doing business in California is defined under the initial regulation 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 sales in California 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. Under the initial regulation, 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.[2]

A subsidiary that is included in a report of a parent entity, including a non-US parent entity, does not have 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.

Reporting clarifications

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 said limited assurance on these emissions disclosures is not required in the first year of reporting.

CARB set an initial deadline of 10 August 2026 for reporting Scope 1 and Scope 2 emissions under SB-253. The deadline for subsequent reporting may be earlier (e.g., 30 June). 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.

CARB issued a draft template and memo[3] 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 is considering the feedback it received on the draft before potentially issuing an updated template.

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

SB-261 reporting

SB-261 requires in-scope entities to post a report on their website providing disclosures (1) in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures or an equivalent reporting standard (e.g., IFRS 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 reporting date 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.[4]

CARB issued an updated disclosure checklist[5] on 17 November 2025 for entities to use for their reporting under SB-261. CARB said each published report should specify the reporting framework used and list the disclosures recommended under the framework that were included or omitted. Entities should provide a reason why any recommended disclosures were not included and indicate any plans to include them in future reports. 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.

Good faith efforts

CARB reiterated that it will exercise enforcement discretion for the first reporting cycle if entities demonstrate good faith efforts to comply with the law's requirements, as indicated in its 5 December 2024 enforcement notice. CARB said entities that are 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 expects to invoice the fee assessment by 10 September 2026.

Next steps

- Entities should refer to the approved initial regulation published on CARB's website and continue preparing for compliance with California's climate disclosure laws.
- Entities should continue to monitor the ongoing legal challenges related to these laws, including the appeal being considered by the US Court of Appeals for the Ninth Circuit.
- Entities should continue to monitor developments related to the California climate disclosure laws and consider providing feedback to future proposed regulations.

Endnotes:

[1] California Revenue and Taxation Code Section 25120(f)(2).

[2] Title 17, California Code of Regulations, Section 95833.

[3] Posted for Public Comment: Draft Reporting Template for Scope 1 and Scope 2 Greenhouse Gas Emissions Pursuant to Health and Safety Code § 38532.

[4] CARB's Enforcement Advisory for SB-261 issued on 1 December 2025.

[5] Climate Related Financial Risk Disclosures: Checklist for minimum reporting requirements under SB-261.