

Technical Line

A closer look at California's recently enacted climate disclosure laws

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What you need to know

- ▶ California enacted two climate disclosure laws that apply to both public and private entities that do business in the state and meet certain annual revenue thresholds. Both laws require initial disclosures in 2026.
- ▶ Entities with more than \$1 billion in annual revenue that do business in California will be required to annually disclose their Scope 1, Scope 2 and Scope 3 emissions in accordance with the GHG Protocol and obtain assurance over those disclosures.
- ▶ Entities with more than \$500 million in annual revenue that do business in California will be required to biennially provide disclosures (1) in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures, which includes Scope 1 and Scope 2 emissions without assurance, and (2) on the measures they adopted to reduce and adapt to identified climate-related risks.
- ▶ California also enacted a third climate disclosure law that requires entities that operate in California and make net-zero emissions claims, carbon-neutral claims or significant greenhouse gas emissions reduction claims to disclose information about those claims and the purchase or use of voluntary carbon offsets used to achieve those claims.

Overview

Gov. Gavin Newsom of California signed two climate disclosure bills¹ into California law in October 2023 that will require entities organized in the US that conduct business in the state and meet certain annual revenue thresholds to provide climate-related disclosures,

including Scope 1, Scope 2 and Scope 3 greenhouse gas (GHG) emissions in accordance with the Greenhouse Gas Protocol (GHG Protocol)² and disclosures in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

These disclosures overlap with the disclosure requirements included in the rules adopted by the Securities and Exchange Commission (SEC) in March 2024, but there are some differences, including the fact that the California requirements apply to both public and private entities. California is the first US state to broadly require climate-related disclosures.

The California Climate Corporate Data Accountability Act (SB-253) applies to entities with more than \$1 billion in annual revenue that do business in California, while the California Greenhouse gases: climate-related financial risk law (SB-261) applies to entities with more than \$500 million in annual revenue that do business in California. These laws are widely expected to apply to thousands of entities, including subsidiaries of non-US-based entities.

Gov. Newsom also signed the California Voluntary carbon market disclosures bill³ (AB-1305) into California law that requires 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.

SB-219⁴ was signed into law in September 2024 and amends SB-253 and SB-261 as follows:

- Entities are permitted to report the information required by SB-253 at the consolidated parent company level, with no separate subsidiary reporting required.
- The deadline for the California Air Resources Board (CARB) to finalize implementing regulations was extended by six months to 1 July 2025. The effective dates of the laws remain unchanged (see *Effective dates* below).
- A reporting entity will be required to publicly disclose its Scope 3 emissions on a schedule specified by the CARB starting in 2027, and annually thereafter, rather than publicly disclosing Scope 3 emissions no later than 180 days after its Scope 1 and Scope 2 emissions are publicly disclosed.

This publication discusses the current text of the laws, as amended.

Key considerations for SB-253 and SB-261, as amended

SB-253 requires entities that had more than \$1 billion in annual revenue in the previous fiscal year and do business in California to annually disclose their Scope 1, Scope 2 and Scope 3 emissions in accordance with the GHG Protocol. The CARB is required to adopt regulations to implement the requirements of SB-253 by 1 July 2025. It may evaluate the effectiveness of the GHG Protocol in 2033 and adopt an alternative globally recognized standard if it would more effectively meet the goals of SB-253.

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

The deadline for reporting on Scope 1, Scope 2 and Scope 3 emissions will be determined by the CARB, but Scope 3 emissions may be allowed to be reported at a later date than Scope 1 and Scope 2 emissions. The CARB may update the initially determined Scope 3 emissions deadline in 2029 based on trends in Scope 3 emissions reporting, so that Scope 3 emissions are reported as close in time as practicable to the Scope 1 and Scope 2 emissions deadline.

When setting the initial and updated reporting deadlines, the CARB will consider stakeholder input, the time it takes entities to receive emissions data and the capacity of assurance providers to provide an independent assurance report.

How we see it

The potentially staggered deadlines may reduce the burden of reporting Scope 3 emissions for certain entities because they may be able to collect Scope 1 and Scope 2 information from entities in their value chain that can be used in calculating Scope 3 emissions.

SB-253 includes a safe harbor from penalties for reporting Scope 3 emissions. That is, 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.

SB-261 requires entities that had more than \$500 million in revenue in the previous fiscal year and do business in California (including those entities subject to SB-253) to biennially disclose on their website (1) climate-related information in accordance with the TCFD's recommendations and (2) measures they have adopted to reduce and adapt to the climate-related risks disclosed under the TCFD's recommendations. The TCFD's recommendations include disclosures about climate-related governance, strategy, risk management, and metrics and targets, including Scope 1 and Scope 2 emissions without assurance.

Insurance companies are exempt from SB-261 because they are already required to report under the TCFD's recommendations in accordance with the Climate Risk Disclosure Survey of the National Association of Insurance Commissioners.

If an entity is not able to provide all of the disclosures under the TCFD's recommendations, it should make the disclosures to the best of its ability and provide a detailed explanation of any reporting gaps and the steps it will take to prepare complete disclosures. 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.

A subsidiary that is included in a report of a parent entity does not have to provide a separate report under either SB-253 or SB-261, as amended.

To avoid duplication of effort, an entity may satisfy its reporting requirements under the two laws using disclosures prepared to comply with other reporting requirements (e.g., the Corporate Sustainability Reporting Directive (CSRD), the International Sustainability Standards Board standards, the SEC rules), if those disclosures satisfy all of the requirements of the laws.

Both laws require in-scope entities to pay an annual fee to the CARB to fund the administration and implementation of the laws. The CARB is responsible for enforcing the new requirements and may impose penalties for late filings, non-filings and other failures to meet the requirements of SB-253 and SB-261. The penalties may not exceed \$500,000 for SB-253 and \$50,000 for SB-261 in a given year. When imposing penalties, the CARB must consider the entity's past and present compliance and whether the entity made a good faith effort to comply with the requirements and when it undertook those efforts.

Scoping considerations

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 District of Columbia) or under an act of US Congress. Subsidiaries of non-US entities located in the US that meet this definition are also in scope.

The revenue thresholds noted above apply to the entity's total revenue, not only its revenue from California, and are based on revenue from the previous fiscal year.

The revenue thresholds are based on the entity's total revenue, not only revenue from California.

The laws do not define the term “does business” in California. However, the state senate floor analysis⁵ of SB-253 uses the definition of “doing business” from the California tax code. The California Franchise Tax Board considers an entity to be “doing business” if it (1) engages in any transaction for the purpose of financial gain in California, (2) is organized or commercially domiciled in California, or (3) has California sales, property or payroll exceeding specified amounts,⁶ which are adjusted annually.

Assurance requirements for SB-253

SB-253 requires an entity to annually obtain limited assurance on Scope 1 and Scope 2 emissions disclosures, including in the first year of reporting (i.e., in 2026 on 2025 data). 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). However, the 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. The CARB is required to establish regulations regarding the assurance requirement by 1 July 2025.

The 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.

An entity will need to submit a copy of the assurance report and the name of the assurance provider to the CARB (or the designated emissions reporting organization, if applicable). SB-261 does not include any assurance requirements.

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 also 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

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.

Comparison with SEC's climate-related disclosure rules

There is overlap between the SEC rules to require climate-related disclosures and SB-253 and SB-261, but there are some key differences.

SB-253 applies to both public and private entities that conduct business in California and meet certain annual revenue thresholds, while the SEC rules will only apply to SEC registrants.

The SEC rules will allow an entity to apply the GHG Protocol but not require its use, unlike SB-253. For organizational boundaries, SB-253 requires the use of the GHG Protocol to calculate emissions, which allows an entity to select the operational control, financial control or equity share consolidation approaches. The SEC's GHG emissions disclosures will require disclosure of organizational boundaries. If the boundaries materially differ from the entities and operations included in the consolidated financial statements, a brief explanation of the difference will need to be provided.

SB-253 requires an entity to disclose Scope 3 emissions, while the SEC rules will not require such a disclosure.

Both SB-253 and the SEC rules will require entities to disclose and obtain assurance on Scope 1 and Scope 2 emissions disclosures. Limited assurance is required in the first year of reporting under SB-253, and it will be required for both accelerated and large accelerated filers over a phase-in period under the SEC rules. The SEC rules will eventually require reasonable assurance for large accelerated filers. In addition, SB-253 requires limited assurance on Scope 3 emissions disclosures, while the SEC rules will not require such a disclosure. The qualifications of assurance providers would be similar under both SB-253 and the SEC rules.

SB-261 requires an entity to submit a TCFD-compliant report, and the SEC rules are based on the disclosures recommended by the TCFD, with certain differences. For example, the TCFD's recommendations require an entity to use a climate-related scenario analysis to assess the resilience of its business strategy, whereas the SEC rules will not require the use of scenario analysis.

Effective dates

SB-253 requires entities to report Scope 1 and Scope 2 emissions in 2026, based on fiscal year 2025 data, on a date to be determined by the CARB. Entities will have to start reporting on Scope 3 emissions in 2027, on a date to be determined by the CARB, which initially may be later than the reporting deadline for Scope 1 and Scope 2 emissions.

SB-261 requires entities to post a TCFD-compliant report on their websites by 1 January 2026. Entities will have to update that report biennially thereafter.

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 current legislative session, but the amendment did not pass before the legislative session ended.

All impacted entities should continue to monitor the activities of the CARB for the implementing regulations.

Next steps

- ▶ Entities should begin considering how they will gather the information to meet the requirements of the California disclosure laws and whether they will need to set up new processes, systems and controls.
- ▶ Entities should also consider whether the requirements may be met by reports prepared to comply with other climate reporting requirements.

Endnotes:

- ¹ Refer to https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202320240SB253 for SB-253 and https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=202320240SB261 for SB-261.
- ² The definitions of Scope 1, Scope 2 and Scope 3 emissions are based on the GHG Protocol. Scope 1 emissions result directly from sources that are owned or controlled by an entity. Scope 2 emissions result from the generation of electricity, heat or steam purchased by an entity. Scope 3 emissions result from sources not owned or controlled by an entity but that exist in an entity's value chain.
- ³ Refer to https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=202320240AB1305 for AB-1305.
- ⁴ Refer to https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202320240SB219 for SB-219.
- ⁵ Refer to https://leginfo.legislature.ca.gov/faces/billAnalysisClient.xhtml?bill_id=202320240SB253# for analysis of SB-253.
- ⁶ For 2022, sales: \$690,144; property: \$69,015; payroll: \$69,015.

Appendix: Key differences between the climate-related disclosures under the SEC rules, the European Sustainability Reporting Standards (ESRS) of the European Commission (EC) and California climate-disclosure laws SB-253 and SB-261 (as amended by SB-219)

SEC	EC	California
Scope – Entities		
- Will apply to: - SEC registrants, including foreign private issuers, smaller reporting companies (SRCs) and emerging growth companies (EGCs) - Companies entering the US capital markets for the first time by conducting initial public offerings - Will not apply to asset-backed issuers or Canadian registrants that use the multijurisdictional disclosure system (MJDS)	- Applies to: - All entities with securities (equity or certain debt) listed on EU-regulated markets, except for micro companies - A “large undertaking” that is an EU entity, meaning an entity that meets at least two of the following three criteria: (1) more than €50 million in net turnover, (2) more than €25 million in balance sheet total and (3) more than an average of 250 employees during the year - Insurance entities and credit institutions regardless of their legal form, except for micro companies - These criteria need to be applied on both a legal entity basis (i.e., an individual EU subsidiary basis) and a consolidated basis for the EU entity, including any non-EU subsidiaries of the EU entity (i.e., the EU entity needs to evaluate whether it, together with its EU and non-EU subsidiaries, meet the thresholds above on a consolidated basis), regardless of whether the EU entity has financial reporting requirements at that level - A subsidiary of an EU entity is exempt from issuing a standalone report if the EU parent entity includes the subsidiary in its consolidated report that fully complies with the ESRS - A subsidiary located in the EU that does not have an EU parent and that meets the thresholds in the bullets above is required to comply with either the ESRS, unless it is included in the non-EU parent’s sustainability report that fully complies with the ESRS or standards the EC deems equivalent to those of the EU (until 2030, a non-EU parent can select an EU subsidiary to consolidate all of its EU subsidiaries, including those that are not consolidated by the subsidiary for accounting purposes, for sustainability reporting purposes, but the subsidiary selected must be one of the EU subsidiaries that generated the greatest turnover in the EU in at least one of the preceding five financial years, on a consolidated basis where applicable) - Any large and listed subsidiaries (i.e., those that meet the criteria in the first two bullet points above) must report on their own and cannot apply the subsidiary exemption	- SB -253 applies to public and private US entities (including subsidiaries of non-US entities) with more than \$1 billion in annual revenue that do business in California - SB-261 applies to public and private US entities (including subsidiaries of non-US entities) with more than \$500 million in annual revenue that do business in California - Under both laws, “doing business” means an entity (1) engages in any transaction for the purpose of financial gain in California, (2) is organized or commercially domiciled in California or (3) has California sales, property or payroll exceeding specified amounts, which are adjusted annually

SEC	EC	California
	Separately, a non-EU company that generates €150 million in net turnover in the EU and has at least one subsidiary in the scope of the CSRD (as defined in the bullets above) or, if the non-EU company has no EU subsidiary, a branch with net turnover of more than €40 million in the EU is required (starting in 2028) to apply at the consolidated level either separate EU sustainability reporting standards that the European Financial Reporting Advisory Group will develop, the ESRS or standards that are deemed equivalent to those of the EU	
Scope – Type of disclosures		
Includes disclosure only for climate-related matters	Includes disclosures for climate-related and other ESG matters, including other environmental matters, social matters and governance matters	Includes disclosure only for climate-related matters
Disclosure thresholds and materiality		
- Primarily applies a disclosure threshold based on the US Supreme Court's definition of materiality - Materiality definition primarily considers users of the financial reporting information (e.g., investors, creditors) - The disclosures of the aggregate amounts of capitalized costs and charges on the balance sheet and incurred expenses and losses on the income statement (excluding recoveries) resulting from severe weather events or other natural conditions will apply a threshold of the following: 1% of the absolute value of stockholders' equity or deficit (unless it is less than \$500,000) 1% of the absolute value of pre-tax income or loss (unless it is less than \$100,000) - Certain disclosures, such as those related to the board's oversight of climate-related risks, will be required regardless of materiality	- Uses the concept of "double materiality," which means a disclosure is material if it is material from what is called an "impact" perspective, a financial perspective or a combination of both - Materiality definition considers both affected stakeholders (e.g., employees, customers, vendors, the community) and other users of the sustainability reporting information (e.g., investors, creditors) - Materiality is the threshold for all disclosure requirements, except for disclosure requirements and data points in ESRS 2 - If an entity concludes that climate change is not material, it must disclose a detailed explanation of its conclusion - Certain data points in the ESRS that are required by other EU law are also required	SB-253: - Does not include a materiality threshold SB-261: - Does not include a materiality threshold, but the TCFD recommendations include the concept of materiality and define it consistent with an entity's determination of materiality of other information included in annual financial filings
Scope 1 and Scope 2 GHG emissions – Disclosure threshold		
Will require disclosure only for large accelerated and accelerated filers, subject to the general materiality threshold described above	Requires disclosure if the general materiality threshold described above is met	SB-253: - Does not include a materiality threshold SB-261: - The TCFD recommendations require disclosure of Scope 1 and 2 emissions regardless of materiality

SEC	EC	California
Scope 1 and Scope 2 GHG emissions – Use of GHG Protocol		
Will not require the use of the GHG Protocol to calculate emissions	- Includes specific guidance for calculating GHG emissions but also requires an entity to consider the principles, requirements and guidance provided by the GHG Protocol when preparing the information for reporting GHG emissions - Allows an entity to also consider the requirements in ISO 14064-1:2018	SB-253: - Requires use of the GHG Protocol to calculate emissions SB-261 - The TFCF recommendations require the use of the GHG Protocol
Scope 1 and Scope 2 GHG emissions – Disaggregation		
Will require disclosure of material Scope 1 and Scope 2 emissions in metric tons of CO₂e, both in the aggregate for each scope and for each of the seven constituent GHGs that are individually material	- Requires separate disclosure of aggregate Scope 1 and Scope 2 emissions in metric tons of CO₂e - Permits disaggregation of emissions, including by the seven GHGs or by country, but disaggregation is not required - Requires disclosure of the percentage of Scope 1 GHG emissions under regulated emissions trading schemes	SB-253: - The GHG Protocol requires disclosure of Scope 1 and Scope 2 emissions in metric tons of CO₂e, both in the aggregate for each scope and for each of the seven GHGs for each scope, as well as in metric tons of GHG for each of the seven GHGs SB-261: - The GHG Protocol requires disclosure of Scope 1 and Scope 2 emissions in metric tons of CO₂e, both in the aggregate for each scope and for each of the seven GHGs for each scope, as well as in metric tons of GHG for each of the seven GHGs
Scope 1 and Scope 2 GHG emissions – Offsets		
- The impact of purchased or generated offsets is excluded from the calculation - If offsets are a material component of a company's plan to achieve their disclosed targets and goals, disclosure will be required even if the company was not required to disclose GHG emissions	The impact of purchased or generated offsets is excluded from the calculation and separately disclosed	SB-253: - The GHG Protocol requires entities to exclude the impact of purchased or generated offsets from the calculation and disclose it separately SB-261 - The GHG Protocol requires entities to exclude the impact of purchased or generated offsets from the calculation and disclose it separately
Scope 1 and Scope 2 GHG emissions – Intensity metrics		
Does not require disclosure of intensity metrics	Requires disclosure of intensity metrics for total emissions (inclusive of Scope 1, Scope 2 and Scope 3) using both a location-based and market-based method per monetary unit of net revenue	SB-253: - The GHG Protocol does not require disclosure of intensity metrics SB-261: - The TCFD recommendations and the GHG Protocol do not require disclosure of intensity metrics
Scope 1 and Scope 2 GHG emissions – Scope 2 method		
Will allow companies to calculate their Scope 2 GHG emissions using any method (including location-based and market-based) that is consistent with the chosen framework as long as the required methodology disclosures are provided	Requires disclosure of Scope 2 emissions using both location-based and market-based methods	SB-253: - The GHG Protocol requires disclosure of Scope 2 emissions using both location-based and market-based methods SB-261: - The GHG Protocol requires disclosure of Scope 2 emissions using both location-based and market-based methods

SEC	EC	California
Scope 1 and Scope 2 GHG emissions – Organizational boundaries		
- Will require disclosure of the organizational boundaries used - If the boundaries used to calculate emissions materially differ from the scope of entities and operations included in the consolidated financial statements, a brief explanation of the difference, in sufficient detail for a reasonable investor to understand, is also required	- Requires an entity to disclose the emissions of the consolidated group (i.e., apply the financial control approach to consolidated entities) - Requires Scope 1 and Scope 2 emissions of equity method investments and joint ventures that an entity has operational control over to be reported in its Scope 1 and Scope 2 emissions (i.e., apply the operational control approach to unconsolidated entities) - Requires separate disclosure of Scope 1 and Scope 2 emissions for (1) consolidated entities and (2) equity method investments, joint ventures and other unconsolidated subsidiaries for which it has operational control	SB-253: - The GHG Protocol allows an entity to select the operational control, financial control or equity share consolidation approaches for setting organizational boundaries SB-261: - The GHG Protocol allows an entity to select the operational control, financial control or equity share consolidation approaches for setting organizational boundaries
Scope 3 GHG emissions – Disclosure threshold		
Will not require disclosure of Scope 3 emissions	Requires disclosure of Scope 3 emissions from each significant Scope 3 category if the general materiality threshold described above is met	SB-253: - Requires disclosure of Scope 3 emissions SB-261: - The TCFD recommendations do not require disclosure of Scope 3 emissions
Scope 3 GHG emissions – Disaggregation		
Will not require disclosure of Scope 3 emissions	- Requires disclosure of Scope 3 emissions in metric tons of CO_{2e} in total - Requires disaggregation by each significant Scope 3 category	SB-253: - The GHG Protocol requires disclosure of Scope 3 emissions in metric tons of CO_{2e} in total - The GHG Protocol requires disaggregation by each Scope 3 category SB-261: - The TCFD recommendations do not require disclosure of Scope 3 emissions
Scope 3 GHG emissions – Intensity metrics		
Will not require disclosure of Scope 3 emissions or intensity metrics	Requires an entity to only disclose an intensity metric for its total emissions of all three scopes	SB-253: - The GHG Protocol does not require disclosure of intensity metrics SB-261: - The TCFD recommendations do not require disclosure of Scope 3 emissions
Scope 3 GHG emissions – Liability		
Will not require disclosure of Scope 3 emissions	Does not provide any safe harbors	SB-253: - Provides a safe harbor from penalties if the disclosures are made with a reasonable basis and disclosed in good faith SB-261: - The TCFD recommendations do not require disclosure of Scope 3 emissions

SEC	EC	California
Scenario analysis		
- Will not require a registrant to use a scenario analysis to assess the impact of climate-related risks - Will require a registrant that (1) uses a scenario analysis to assess the impact of climate-related risks on its business, results of operations or financial condition and (2) determines, based on the results of the analysis, that a climate-related risk is reasonably likely to have a material impact to disclose information about each scenario used and the expected material impacts on the registrant under each scenario	- Does not require an entity to use a climate-related scenario analysis but requires an entity to disclose how it uses scenario analysis - Requires an entity to disclose whether and how it uses at least one scenario in line with the Paris Agreement to assess transition risks and opportunities - Requires disclosure of quantitative and qualitative information about the results of the analysis and how it was conducted	SB-253: - Does not require a scenario analysis SB-261: - The TCFD recommendations require an entity to use a climate-related scenario analysis to assess the resilience of its business strategy - The TCFD recommendations require disclosure of scenarios and the associated time horizons considered
Climate-related impact on financial statements		
- Will require registrants to disclose, in an audited note to the financial statements, capitalized costs and charges on the balance sheet and incurred expenses and losses on the income statement resulting from severe weather events or other natural conditions if the respective criterion is met: - The aggregate amount of capitalized costs and charges, excluding any recoveries, equals or exceeds 1% of the absolute value of stockholders' equity or deficit (unless it is less than \$500,000) - The aggregate amount of incurred expenses and losses, excluding any recoveries, equals or exceeds 1% of the absolute value of pre-tax income or loss (unless it is less than \$100,000) - If the above disclosure is required, any recoveries recognized as a result of severe weather events and other natural conditions - If carbon offsets or RECs are deemed a material component of the registrant's plans to achieve its disclosed climate-related targets, will require a registrant to disclose: - The aggregate amounts of (1) carbon offsets and RECs expensed, (2) carbon offsets and RECs capitalized and (3) losses incurred on the capitalized carbon offsets and RECs during the fiscal year - The beginning and ending balances of the capitalized carbon offsets and RECs for the fiscal year - The registrant's accounting policy for carbon offsets and RECs	- Requires an entity to disclose in its management report how material climate-related risks and opportunities affected its current financial performance, financial position and cash flows and the material risks and opportunities for which there is a significant risk of a material adjustment to the carrying amounts of assets and liabilities within the next annual reporting period - Requires an entity to disclose how it anticipates financial performance, financial position and cash flows will change over the short, medium and long terms (which are defined as the period adopted as the reporting period (generally one year), from the end of the period adopted as the reporting period to five years and more than five years, respectively) under the effects of material climate-related risks and opportunities	SB-253: - Does not require disclosures of climate-related impact on financial statements SB-261: - The TCFD recommendations require an entity to disclose the current and potential impact of climate-related issues on financial performance and financial position

SEC	EC	California
▶ Will require registrants to disclose whether and how severe weather events or other natural conditions and disclosed climate-related targets or transition plans materially impacted the estimates and assumptions used in preparing the financial statements ▶ Will require registrants to disclose outside the audited financial statements whether and how any climate-related risks or targets or goals have had or are reasonably likely to have a material impact on their business, results of operations or financial condition ▶ In describing a material risk, will require explanation from registrants as to whether the risk is reasonably likely to manifest in the short term (i.e., the next 12 months) and separately in the long term (i.e., beyond the next 12 months)		
Location of disclosures		
▶ Will require disclosures in annual reports and registration statements ▶ Will leave the placement of the disclosures, other than the financial statement disclosures, largely up to each registrant ▶ Disclosures outside the audited financial statements will be subject to disclosure controls and procedures, while the financial statement impacts will be disclosed in a note to the audited financial statements and subject to internal control over financial reporting	▶ Requires presentation of the required sustainability information in the management report for an EU entity ▶ However, if an EU subsidiary in the scope of the CSRD fulfills its reporting requirement by being included in a sustainability report of a non-EU parent, the EU subsidiary may include the required disclosures in a consolidated sustainability report (rather than a consolidated management report) of the non-EU parent (e.g., an entity registered with the SEC would not be required to include that information in Form 10-K), with a link to that report in the management report of the EU subsidiary ▶ Requires an entity to mark up its sustainability report using an electronic reporting format ▶ Does not require information in the audited financial statements	SB-253: ▶ Requires annual submission to the CARB or a designated emissions reporting organization that will post the submission on a publicly accessible digital platform SB-261: ▶ Requires biennial disclosure on an entity's website
Assurance requirements		
▶ Will require limited assurance and later reasonable assurance for Scope 1 and Scope 2 emissions for large accelerated filers with phased-in effective dates ▶ Will require limited assurance for material Scope 1 and Scope 2 emissions for accelerated filers with phased-in effective dates ▶ Will not require emissions disclosures or assurance for non-accelerated filers, SRCs or EGCs	▶ Requires limited assurance, with a planned transition to reasonable assurance in the future after the EC conducts a feasibility analysis, over the following: ▶ Compliance with the CSRD, including the ESRS ▶ The process carried out by the entity to identify the information reported in accordance with the ESRS ▶ Compliance with the requirement to mark up the sustainability report using an electronic reporting format	SB-253: ▶ Requires limited assurance starting in 2026 (the first year of disclosures) and reasonable assurance starting in 2030 for Scope 1 and Scope 2 emissions ▶ Requires limited assurance on Scope 3 emissions starting in 2030, but the CARB can modify the date ▶ Requires assurance providers to be independent and have significant experience in measuring, analyzing, reporting or attesting to GHG emissions

SEC	EC	California
- Disclosures in the financial statements will need to be audited for all registrants and controls related to such disclosures will also be in the scope of an audit of internal control over financial reporting - Will require assurance providers to be independent and have significant experience in measuring, analyzing, reporting or attesting to GHG emissions - Will require a registrant to disclose information about current and certain former assurance provider(s)	- Compliance with the reporting requirements of Article 8 of the EU Taxonomy Regulation, which applies to all entities in the scope of the CSRD (excluding non-EU entities that are required to report at the consolidated level in fiscal year 2028) - Assurance providers need to be the financial statement auditor, or if an EU Member State chooses when incorporating the CSRD into its local law, another professional services firm or independent assurance service provider accredited by an EU Member State - Auditors and other assurance service providers, if applicable, will be required to apply assurance standards for sustainability reporting that will be issued by the EC through a delegated act before 1 October 2026	- Requires an entity to submit a copy of the assurance report and the name of the assurance provider to the CARB (or the designated emissions reporting organization, if applicable) SB-261: - Does not include assurance requirements
Industry-specific requirements		
Does not include industry-specific requirements	A second set of ESRS will eventually include sector-specific requirements, but these requirements have not yet been proposed	SB-253: - Does not require industry-specific disclosures SB-261: - Does not require industry-specific disclosures
Other reporting requirements		
- Will require registrants to disclose material climate-related risks - Does not address disclosure of climate-related opportunities, but does not preclude it	Requires entities to disclose both climate-related risks and opportunities	SB-253: - Does not require disclosure of climate-related risks or opportunities SB-261: - The TCFD recommendations require entities to disclose both climate-related risks and opportunities
Will not require entities to disclose qualitative and quantitative information about executive compensation that is linked to climate-related considerations because the SEC believes that its existing rules already provide a framework for disclosure of any connection between executive remuneration and achieving progress in addressing climate-related risks	Requires entities to disclose qualitative and quantitative information about executive compensation that is linked to climate-related considerations	SB-253: - Does not require entities to disclose information about executive compensation SB-261: - Does not require entities to disclose information about executive compensation
Will require disclosure of information necessary to understand the nature of material climate-related transition and physical risks (e.g., whether a transition risk relates to regulatory, technological, market or other transition-related factors; the geographic location and nature of the properties, processes or operations subject to a physical risk)	Requires disclosure of the amount and percentage of assets or business activities that are (1) vulnerable to climate-related transition risks and (2) vulnerable to climate-related physical risks	SB-253: - Does not require disclosure of business activities or assets in areas vulnerable to climate-related risks SB-261: - Does not require disclosure of business activities or assets in areas vulnerable to climate-related risks
Does not require disclosure of energy consumption	Requires detailed quantitative information about energy consumption by source, including further disaggregation for entities with operations in high-climate-impact sectors and intensity metrics for activities in high-climate-impact sectors	SB-253: - Does not require disclosure of energy consumption SB-261: - Does not require disclosure of energy consumption

SEC	EC	California
Effective dates		
▶ The compliance dates for the SEC rules are based on the registrant's filing status (i.e., large accelerated, accelerated (other than SRC and EGC), non-accelerated, SRC and EGC) and the type of disclosure ▶ Large accelerated filers will need to make the first required disclosures in fiscal years beginning (FYB) in 2025, and they will then be required to disclose material Scope 1 and Scope 2 emissions in FYB 2026; limited assurance will be required in FYB 2029, and reasonable assurance will be required in FYB 2033 ▶ Accelerated filers (other than SRCs and EGCs) will need to make the first required disclosures one year after large accelerated filers (i.e., FYB 2026), and will not be required to disclose material Scope 1 and Scope 2 emissions until FYB 2028; limited assurance will be required in FYB 2031 ▶ SRCs, EGCs and non-accelerated filers will need to make the required disclosures in FYB 2027; SRCs, EGCs and non-accelerated filers are exempt from providing GHG emissions disclosures	▶ The CSRD and the ESRS are effective for the following periods, with reporting in the following year, based on an entity's size: ▶ Fiscal year 2024 for entities currently subject to the Non-Financial Reporting Directive (NFRD) (i.e., large entities that are public-interest companies with more than an average of 500 employees during the year) and other listed entities (e.g., a non-EU entity that has equity or certain debt securities listed on an EU-regulated market) that meet the NFRD thresholds ▶ Fiscal year 2025 for large entities that are not subject to reporting in fiscal year 2024 ▶ Fiscal year 2026 for listed small- and medium-sized entities, unless they opt out for two additional years and disclose why they haven't provided the sustainability information, and small and noncomplex credit institutions and captive insurance companies ▶ Fiscal year 2028 for non-EU companies that are subject to the CSRD (e.g., a non-EU parent with an EU subsidiary or branch that meets the thresholds described in the scope section above) ▶ Disclosures are required for comparative periods, but an entity can defer the presentation of comparative information by one year (i.e., not provide the comparative information in the year of adoption) ▶ To ease transition to reporting under the CSRD, certain disclosure requirements in the ESRSs (e.g., Scope 3 emissions, certain value chain metrics, quantitative and anticipated financial effects) are phased in, with some phase-ins dependent on an entity's size	SB-253: ▶ Requires entities to report Scope 1 and Scope 2 emissions in 2026 on 2025 data, and updated annually thereafter ▶ Requires entities to report Scope 3 emissions in 2027 on 2026 data, and updated annually thereafter SB-261: ▶ Requires entities to post a TCFD-compliant report on their websites by 1 January 2026, with biennial updates thereafter