

March 26, 2026

UPDATED – Climate Disclosure Whiplash: 30+ Questions on the California Corporate Greenhouse Gas Reporting Program (SB 253) and Climate-Related Financial Risk Disclosure Program (SB 261)

On March 23, 2026, California Air Resources Board (“CARB”) staff held a public workshop at which they discussed preliminary CARB staff concepts around setting organizational boundaries, accounting methods and emissions factors for emissions reporting, Scope 3 emissions reporting requirements and limited assurance standards, among other topics. This follows CARB’s adoption on February 26, 2026 of the [California Greenhouse Gas Reporting and Climate Financial Risk Disclosure Initial Regulation](#) (the “Regulation,” to be included in the California Code of Regulations once finalized) implementing elements of California’s climate reporting and financial risk disclosure programs under Senate Bill (“SB”) 253 and SB 261 (each as amended in September 2024 by [California SB 219](#), and codified in California Health & Safety Code (“HSC”) [§ 38532](#) and [§ 38533](#), respectively).

This updated alert sets forth Questions and Answers on climate-related disclosures required under SB 253 and SB 261, and the Regulation. It reflects prior guidance from CARB staff to the extent relevant, including in the [Staff Report: Initial Statement of Reasons](#) that accompanied the Regulation as proposed (published December 9, 2025, “Initial Reasons”), CARB’s [FAQs About Regulatory Development and Initial Reports](#) (“CARB FAQs”), [SB 261 disclosure checklist](#) (“CARB Checklist”), [draft Scope 1 and Scope 2 emissions reporting template](#) and [enforcement notice](#), and as discussed in four half-day public workshops hosted by CARB staff on March 23, 2026 (“March Workshop”), November 18, 2025 (“November Workshop”), August 21, 2025 and May 29, 2025 (slides and recordings available [here](#)). A recording of CARB’s February 26, 2026 meeting is available at CAL-SPAN, [here](#), with slides available [here](#) and hearing notice [here](#).

Status of Court Challenges

1. What is the status of the constitutional challenges to SB 253 and SB 261?

On November 18, 2025, in a proceeding challenging SB 261 and SB 253, the U.S. Court of Appeals for the Ninth Circuit issued an [order](#) temporarily enjoining CARB enforcement of SB 261 (U.S. Chamber of Commerce et al. v. Randolph et al., Case No. 25-5327 (9th Cir.)). This order grants in part a motion filed by the U.S. Chamber of Commerce and other business groups seeking an injunction pending appeal as to enforcement of SB 261 and SB 253. The U.S. Court of Appeals for the Ninth Circuit also denied the business groups’ request to enjoin enforcement of SB 253. Oral argument took place on January 9, 2026. In this proceeding, the business groups argue that SB 253 and SB 261 violate the First Amendment, and are appealing an August 2025 U.S. District Court for the Central District of California order that denied a request for a preliminary injunction to enjoin SB 261 and SB 253 (U.S. Chamber of Commerce et al. v. Randolph et al., Case No. 2:24-cv-00801-ODW-PVC (C.D. Cal.)). The appellants in the Ninth Circuit case are led by the U.S. Chamber of Commerce, who had also filed – and [withdrew](#) on November 18, 2025 – an emergency application to the U.S. Supreme Court requesting an injunction against both laws pending appeal to the Ninth Circuit. Other challenges on First Amendment grounds, [including](#) in the U.S. District

Court for the Eastern District of California, are also continuing. While the preliminary injunction is in effect, CARB is not enforcing SB 261, and reporting is voluntary.

2. Should entities continue to prepare for compliance with SB 253 and/or SB 261?

Entities should continue to prepare for compliance with SB 253 and SB 261. The proceedings challenging SB 261 and SB 253 are unlikely to conclude prior to the SB 253 compliance deadline of August 10, 2026, which was adopted in the Regulation.

At this time, CARB is not enforcing SB 261, and reporting is voluntary. Entities that are well-advanced in their preparations for compliance with SB 261—including entities that have previously made disclosures aligned with the [Final Report of the Task Force on Climate-related Financial Disclosures](#) (“TCFD”) or [standards issued by the International Sustainability Standards Board](#) (“ISSB”) (or other acceptable framework under SB 261)—may wish to consider continuing with those efforts as the litigation proceeds. Compliance processes that are well-underway, such as the scenario analysis and risk identification and assessment, could also be completed. For entities that are still trying to determine if they are in scope, it is reasonable to proceed with that analysis including determining if exemptions apply and/or the entity is in or out of scope. Entities that are in scope but are in preliminary stages of preparing a SB 261 report, do not have processes well-underway and/or do not otherwise report in alignment with the TCFD or ISSB standards should be prepared to work quickly on these if required.

Reporting Entities and Exemptions

3. Which companies are required to comply with SB 253 and SB 261?

SB 253 and SB 261 apply to entities (corporations, partnerships, limited liability companies and other business entities) formed in the U.S. that do business in California and that have “total annual revenues” exceeding \$1 billion (SB 253) or exceeding \$500 million (SB 261); see also Regulation § 96072(a)(5), (11). See below for definitions of “revenue” and “doing business in California.”

Under both SB 253 and SB 261, disclosure will be required by public and private entities. Entities formed outside the U.S. are out of scope. CARB [slides](#) for the November Workshop included flowcharts for determining which entities are in or out of scope of SB 253 and SB 261.

4. Which entities will be exempt from compliance with SB 253 and/or SB 261?

The following entities will be exempt from compliance with SB 253 and SB 261 (Regulation § 96071(b)):

- Non-profit or charitable organizations that are tax-exempt under the Internal Revenue Code.
- A business entity that is subject to regulation by the Department of Insurance in California, or that is in the business of insurance in any other state. See discussion below.
- Federal, State, and local government entities (which, as discussed by CARB staff, would be excluded in any case because they are not formed under business entity laws), as well as companies that are majority-owned by government entities (more than 50%).
- A business entity whose only activity within California consists of wholesale electricity transactions.
- A business entity whose only business in California is employee compensation or payroll expenses, including teleworking employees.

Insurance companies are exempt under SB 261 by its terms (HSC § 38533(a)(4)). Pursuant to the Regulation as adopted by CARB, insurance companies are also exempt from SB 253 (Regulation § 96072(b)(2)), although this exemption is subject to further consideration. At CARB's February 2026 meeting to adopt the Regulation, in response to questions from California state senators Scott Wiener and Henry Stern, among others, CARB passed a resolution directing CARB staff to coordinate with the California Department of Insurance to further assess the appropriateness of the Regulation's exemption of insurance entities under SB 253, bearing in mind that CARB will strive to minimize any duplicative reporting to the extent feasible. At the time of writing, no additional information as to this consultation process is publicly available. Insurance companies should continue to monitor for any developments.

5. What does “revenue” mean for purposes of SB 253 and SB 261?

SB 253 and SB 261 do not define what is meant by “total annual revenues,” which is included in the definition of “reporting entity” (for SB 253) and “covered entity” (for SB 261). Under the Regulation, “revenue” has the same meaning as “gross receipts” under California Revenue and Taxation Code (“RTC”) § 25120(f)(2) (Regulation § 96072(a)(13)).

“Gross receipts” is defined in RTC [§ 25120\(f\)\(2\)](#) to mean “the gross amounts realized (the sum of money and the fair market value of other property or services received) on the sale or exchange of property, the performance of services, or the use of property or capital (including rents, royalties, interest, and dividends) in a transaction that produces business income, in which the income, gain, or loss is recognized (or would be recognized if the transaction were in the United States) under the Internal Revenue Code, as applicable for purposes of this part. Amounts realized on the sale or exchange of property shall not be reduced by the cost of goods sold or the basis of property sold.” RTC § 25120(f)(2) also includes a list of items excluded from the definition of “gross receipts;” note that the Initial Reasons and the CARB FAQ discussion of the definition of “revenue” do not refer to these exclusions.

Gross receipts can be verified using an entity's filings with the California Franchise Tax Board. As described in the CARB FAQs, total annual revenues includes all of an entity's revenues regardless of whether the revenues were generated in California.

The CARB FAQs note that several organizations may not have a reporting obligation under SB 253 and SB 261 based on the definitions of revenue and doing business in California (described below). For example, holding companies and mutual funds do not report gross receipts in their California corporate tax filings, and would not meet the revenue thresholds as a result.

As set forth in the Regulation, applicability would be determined by the **lesser of the entity's two previous fiscal years of revenue**, such that companies only need to report if their revenues exceed the statutory threshold for two consecutive fiscal years (Regulation § 96072(a)(5), (11)).

At the November Workshop and in the CARB FAQs, CARB staff clarified that revenues are to be calculated on an entity-by-entity basis, and not on a consolidated basis (but see below where a parent company and subsidiaries file California taxes on a unitary basis).

6. What does “doing business in California” mean for purposes of SB 253 and SB 261?

SB 253 and SB 261 do not define what is meant by “does business in California,” which is included in the definition of “reporting entity” (for SB 253) and “covered entity” (for SB 261). Under the Regulation, “doing business in California” means “doing business” (as defined by [RTC § 23101\(a\)](#)) (Regulation § 96072(a)(7)) *and* meeting either of the criteria set forth in [RTC § 23101\(b\)\(1\) or \(b\)\(2\)](#) (Regulation § 96072(a)(8)):

(a) “Doing business” means actively engaging in any transaction for the purpose of financial or pecuniary gain or profit.

(b) An entity is doing business in California if the entity is doing business (as defined in (a) above), and any of the following conditions is met during any part of a reporting year:

(1) The entity is organized or commercially domiciled in California.

(2) Sales, as defined in RTC § 25120(e) or (f) as applicable for the reporting year, of the entity in California exceed the inflation adjusted threshold of \$757,070 (2025) or 25% of the entity's total sales. For purposes of this paragraph, sales of the entity include sales by an agent or independent contractor of the entity. For purposes of this paragraph, sales in California shall be determined using the rules for assigning sales under RTC § 25135 and RTC § 25136 and the regulations thereunder, as modified by regulations under RTC § 25137.

Wholesale sales of electricity do not count for purposes of determining an entity's sales in California (Regulation § 96072(a)(8)). See also the exemptions relating to employee compensation or payroll expenses.

CARB staff stated in the Initial Reasons that California sales can be verified using an entity's filings with the California Franchise Tax Board. If an entity does not file with the California Franchise Tax Board, it will not be in scope of SB 253 or SB 261.

As noted in the CARB FAQs, the sales, property, and payroll of the taxpayer include the taxpayer's pro rata or distributive share of pass-through entities. For purposes of this subdivision, "pass-through entities" means a partnership or an "S" corporation.

7. My entity was not included in the [preliminary list](#) of SB 253 and SB 261 reporting entities published by CARB on September 24, 2025, but our revenues exceed the thresholds and we do business in California. Does this mean we don't have to report?

No, the preliminary list is not a definitive list of reporting entities and is not a compliance tool. It is up to each entity to determine for itself whether it is in scope of SB 253 and/or SB 261. If the entity is formed in the U.S., does business in California and meets the revenue thresholds, it will be a reporting entity under SB 253 and/or SB 261 as applicable.

As described in the CARB FAQs and discussed in the November Workshop, the preliminary list of reporting entities was prepared by CARB staff for purposes of calculating the potential fees (discussed below), and was developed using third party proprietary data and the California Secretary of State database.

Parent and Subsidiary Issues

8. Will a parent holding company automatically be in-scope of SB 253 and/or SB 261 if it has one or more in-scope subsidiaries?

No. Applicability under SB 253 and SB 261 is determined separately for each entity. As discussed in the CARB FAQs and by CARB staff during the November Workshop, having an in-scope subsidiary by itself will not automatically bring a parent holding company in scope as applicability to each entity is required to be considered separately and revenues are not consolidated for purposes of applying the revenue tests.

The parent holding company will only be in scope of SB 253 and/or SB 261 if the parent is formed in the U.S., the parent does business in California and the parent meets the applicable revenue threshold(s).

However, as discussed in the CARB FAQs (and at the March Workshop), if a parent company and its subsidiaries file California taxes as a unitary business, then the revenue of the subsidiaries counts

towards the revenue of the parent company as part of its gross receipts. To determine the gross receipts, entities should reference their corporate tax filings.

9. Can an in-scope parent and subsidiary entity prepare consolidated reports for SB 253 and SB 261?

Yes. Consolidated reporting is permitted under each of SB 253 and SB 261 pursuant to the terms of those statutes.

10. Can a consolidated report under SB 253 and/or SB 261 include information for entities that are not in scope?

Yes. As discussed in the CARB FAQs and by CARB staff during the March Workshop and the November Workshop, a consolidated report can include information for entities that are not in scope (e.g., a consolidated group's entire worldwide Scope 1 and Scope 2 emissions including for out-of-scope subsidiaries). This includes where the parent entity is not in scope (e.g., because it is foreign). The report should specify which entities are covered by the report.

11. How is "subsidiary" defined for purposes of SB 253 and SB 261?

As defined in the Regulation and discussed in the CARB FAQs, an entity will be a "subsidiary" if another business entity has ownership interest in or control of the first entity by "direct corporate association" (as defined in [Title 17, California Code of Regulations, § 95833](#)). A "corporate association" exists when one entity has an ownership interest in or control over a second entity. The Regulation lists indicia of control that determine ownership or control, including more than 50% ownership of shares or voting power, or more than 50% of common owners, directors or officers of the other entity, as well as tests relevant to partnerships and LLCs (Regulation § 96072(a)(16)).

Filing Deadlines

12. When are the first and subsequent SB 253 reports due?

The first SB 253 reports (Scope 1 and Scope 2 emissions) will be due **August 10, 2026** for all entities (Regulation § 96076). CARB staff will issue additional regulations that set forth the deadline for subsequent Scope 1 and Scope 2 reports, as well as Scope 3 reports that reporting entities will need to file beginning in 2027. At the March Workshop, CARB staff noted that they plan to issue guidance that discusses "limited circumstances" under which an extension request would be considered, for entities that cannot submit by the deadline.

13. When are the first and subsequent SB 261 reports due?

The first SB 261 reports are due January 1, 2026 (as set forth in HSC § 38533), but enforcement of that deadline has been stayed pending an appeal to the preliminary injunction (discussed above). Subsequent reports will be due biennially thereafter (i.e., January 1, 2028, January 1, 2030, etc.).

14. Where do SB 261 reports need to be posted?

SB 261 reports need to be posted on the reporting entity's own website. A link to that report must be submitted to the CARB docket using the link available [here](#), which will be open until July 1, 2026. While voluntary, many companies have posted links to SB 261 reports, available [here](#).

Disclosure Requirements Under SB 253

15. Which emissions of a reporting entity must be disclosed?

Scope 1 and Scope 2 emissions are required to be disclosed annually, with first reports due August 10, 2026 (Regulation § 96076). Scope 3 emissions are required to be disclosed beginning in 2027, with the exact date to be determined by CARB in a subsequent rulemaking. CARB staff has not yet provided initial staff concepts or other guidance as to potential deadlines for Scope 1 and Scope 2 disclosures in 2027 and beyond, or Scope 3 disclosures.

Limited assurance by an independent third-party assurance provider is required for Scope 1 and Scope 2 emissions disclosures beginning in 2027 (with reasonable assurance beginning in 2030) and for Scope 3 emissions disclosures beginning in 2030. See discussion below regarding assurance standards.

Emissions are defined as follows in SB 253 (HSC § 38532(b)):

- **Scope 1 emissions:** All direct greenhouse gas (“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.
- **Scope 2 emissions:** Indirect GHG emissions from consumed electricity, steam, heating, or cooling purchased or acquired by a reporting entity, regardless of location.
- **Scope 3 emissions:** 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. See discussion below regarding proposed phase-in of Scope 3 reporting requirements.

As discussed below, at the March Workshop, CARB staff discussed proposed disclosure requirements about organizational boundary selection, emission factors and accounting methods.

16. Is it just the entity’s emissions in California or all of the entity’s emissions that must be disclosed?

At the November Workshop, CARB staff clarified a reporting entity is required to disclose **all** of that entity’s emissions, not just California emissions.

17. Which fiscal year’s data is required to be included in the first SB 253 report?

By its terms, SB 253 requires reporting entities to disclose in 2026 Scope 1 and Scope 2 emissions for the reporting entity’s “prior fiscal year.” The Regulation defines “applicable preceding fiscal year” and as discussed in the CARB FAQs, for the first SB 253 reports due in 2026 (Regulation § 96076(b)):

- If a reporting entity’s fiscal year ends on or before February 1 in a calendar year, the “applicable preceding fiscal year” shall be the fiscal year ending in the current calendar year.
 - If an entity’s fiscal year ends between January 1, 2026 and February 1, 2026 (inclusive), the entity will report data from the **fiscal year ending in 2026**.
- If a reporting entity’s fiscal year ends after February 1 in a calendar year, the “applicable preceding fiscal year” shall be the fiscal year ending in the previous calendar year. The reporting entity may choose to report their Scope 1 and Scope 2 from their most recent preceding fiscal year notwithstanding their fiscal year ending after February 1, where that data is available.

- If an entity's fiscal year ends between February 2 and December 31, 2026 (inclusive), the entity will report data from the **fiscal year ending in 2025**.

In the first SB 253 report, calendar year companies will therefore disclose Scope 1 and Scope 2 emissions for the fiscal year ending December 31, 2025. Each entity will have at least six months after the end of their fiscal year to submit their report. CARB staff will issue subsequent regulations that explain which fiscal year to cover in reports beyond 2026, including disclosures of Scope 3 emissions for the "prior fiscal year" beginning in 2027.

18. What standards should entities use to report Scope 1, Scope 2 and Scope 3 emissions?

By its terms, SB 253 requires entities to disclose emissions in a manner consistent with the Greenhouse Gas Protocol ("GHG Protocol") standards and guidance.

At the March Workshop, CARB staff proposed requiring disclosures about organizational boundary selection (which boundary is used and why was it selected), emission factors and accounting methods. Specifically, CARB staff proposed allowing reporting entities to choose one of two approaches for setting organizational boundaries, which entities use in turn to assign emissions to the appropriate scope, and requested feedback on whether there are other approaches to organizational boundary setting that CARB should consider:

- **Equity share approach:** Account for emissions based on an entity's percentage ownership of an operation (e.g., if the entity owns 10% of an entity, it would account for 10% of that other entity's emissions).
- **Control approach:** Account for 100% of emissions from operations over which the entity has financial or operational control. An entity has "financial control" when it can direct the financial and operating policies of an operation to gain economic benefits, and "operational control" when it has the authority to introduce and implement operating policies for the operation.

At the March Workshop, CARB staff proposed permitting flexibility when applying GHG emissions accounting methods. Specifically, CARB staff proposed allowing reporting entities to choose any of the following accounting methods, and requested feedback on whether CARB should consider allowing other accounting methods:

- **Spend-based:** Based on monetary values of goods and services.
- **Activity-based:** Based on physical measures of activity (such as kilograms of materials purchased, kilometers traveled, units produced, etc.).
- **Supplier-specific:** Based on primary emissions or activity data collected directly from suppliers, typically at a product or process level.
- **Hybrid:** Combination of the above approaches.

Also at the March Workshop, CARB staff discussed potential emission factor sources that entities may use to calculate emissions, namely the Environmental Protection Agency ("EPA") Emissions & Generation Resource Integrated Database (which CARB staff explained is now being worked on by staff at the Cornerstone Sustainability Data Initiative at Stanford University), Intergovernmental Panel on Climate Change Emission Factor Database, the EPA's GHG Emission Factors Hub and the U.S. Environmentally-Extended Input-Output. At the March Workshop, CARB staff also provided examples of how emissions factors are used to calculate Scope 3 emissions when applying spend-based, activity-based and supplier-specific accounting.

See also the discussion below regarding proposed rulemaking options regarding Scope 3 emissions reporting requirements. At the March Workshop, CARB staff noted that they are monitoring proposed changes to the GHG Protocol standards relating to Scope 2 and Scope 3 emissions.

19. Do entities have to use CARB's Scope 1 and Scope 2 emissions template for reporting?

Not for the first year of reporting in 2026. As discussed by CARB staff most recently at the March Workshop, use of the template is optional for 2026 reports. The slides for the March Workshop state that templates for Scope 1 and 2 reporting are "to be used in 2027 and beyond." The draft template posted October 10, 2025 is in the process of being revised in response to public comments. At the March Workshop, CARB staff sought additional comments to assist in finalizing the template.

20. Is any relief available for SB 253 reports in 2026?

As discussed by CARB staff at the March Workshop and the November Workshop, and as set forth in the CARB FAQs, reporting entities that were not collecting emissions data or planning to collect such data as of December 5, 2024 (the date of CARB's enforcement notice) are not required to submit emissions data for SB 253 reports in 2026. Such entities are required to submit a statement on company letterhead to CARB, stating that they did not submit a report, and indicating that in accordance with the enforcement notice, the company was not collecting data or planning to collect data at the time that notice was issued. CARB will open a public docket near the first year 2026 reporting deadline, to which these statements will be uploaded.

Pursuant to the enforcement notice, CARB will exercise its enforcement discretion for the first reporting cycle and will not take enforcement action for incomplete reporting against entities, so long as reporting entities demonstrate good faith efforts to comply with the requirements of the law. CARB has also encouraged reporting entities to continue to engage with CARB in order to ensure the successful implementation of the reporting requirements. See below for more information on "good faith" efforts.

At the March Workshop, CARB staff noted that they plan to issue guidance that discusses "limited circumstances" under which an extension request for filing past the August 10, 2026 deadline would be considered.

21. Is independent third party assurance required for SB 253 reporting in 2026?

While SB 253 by its terms requires independent third-party limited assurance of Scope 1 and Scope 2 reports beginning in 2026 (and reasonable assurance beginning in 2030), CARB staff stated at the November Workshop that such assurance is only required for SB 253 reporting in 2026 if the company has already obtained such assurance. As noted in the CARB FAQs, "[f]or 2026 reporting under HSC § 38532, CARB will exercise enforcement discretion for the first report due in 2026, allowing reporting entities to submit Scope 1 and Scope 2 emissions for their prior fiscal year based on information they already have or were collecting when this Notice was issued, whether or not the data received limited assurance." CARB has clarified in its Initial Reasons that assurance requirements will be developed and adopted through a subsequent rulemaking.

22. What standards apply to third party assurance?

At the March Workshop, CARB staff proposed to recognize the following standards for third party assurance required for Scope 1 and Scope 2 emissions reporting beginning in 2027 under SB 253, and invited public feedback. SB 253 assurance requirements slated for 2030 (i.e., relating to reasonable assurance) are not part of this rulemaking.

Standard Setting Body	Standard
AccountAbility	<ul style="list-style-type: none"> AA1000 Assurance Standard v3
American Institute of CPAs	<ul style="list-style-type: none"> AT-C Section 210, Review Engagements (limited assurance) or AT-C Section 205, Examination Engagements (reasonable)
International Auditing and Assurance Standards Board	<ul style="list-style-type: none"> Until December 2026: International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information and ISAE 3410, Assurance Engagements on Greenhouse Gas Statements Effective December 2026: International Standard on Sustainability Assurance (ISSA) 5000, General Requirements for Sustainability Assurance Engagements
International Organization for Standardization	<ul style="list-style-type: none"> ISO 14064-3:2019, Part 3, Specification with Guidance for the Verification and Validation of Greenhouse Gas Statements ISO 14065:2020, General Principles and Requirements for Bodies Validating and Verifying Environmental Information ISO 14066: 2023, Environmental Information – Competence Requirements for Teams Validating and Verifying Environmental Information

The slides for the March Workshop clarify that including the AICPA standards would ensure that domestic CPA firms already providing financial audit services to California reporting entities can perform GHG assurance engagements without requiring entities to engage a separate provider solely for SB 253 compliance.

23. Do entities only need to disclose emissions where material?

SB 253 by its terms does not include a materiality qualifier. Scope 1 and Scope 2 emissions are therefore required to be disclosed irrespective of materiality to the reporting entity.

Materiality concepts may influence the Scope 3-related rulemaking. At the March Workshop, CARB staff presented three proposed options for phasing in Scope 3 reporting, and invited feedback:

- Option 1 – Broad Applicability:** Starting in 2027, all reporting entities would report on all Scope 3 categories, with flexibility to not report categories that the reporting entity determines to be de minimis, with appropriate explanation. CARB staff discussed relevant considerations in assessing materiality for the purpose of determining de minimis categories, including as to volume/size, business risk and whether the entity can control the emissions.
- Option 2 – Sectoral Phase-in:** Starting in 2027, only entities in the transportation and industrial sectors would be required to report Scope 3 emissions. The initial focus would cover transportation, technology and energy, cement production, and other manufacturing activities, which CARB staff have identified as being most significant to California’s climate goals.
- Option 3 – Category Phase-in:** Starting in 2027, all reporting entities would be required to report Scope 3 emissions falling into the five most reported categories, namely, business travel (category 6), purchased goods and services (category 1), fuel and energy-related activities (category 3), employee commuting (category 7) and waste generated during operations (category 5). Entities could voluntarily report on the other ten categories.

Disclosure Requirements Under SB 261

24. Should entities use fiscal year or calendar year data for the SB 261 report?

SB 261 by its terms does not specify calendar year or fiscal year data. As discussed in the CARB FAQs and CARB Checklist, covered entities should use the most recent/best available data for the first report under SB 261.

25. What needs to be included in the first reports under SB 261?

The CARB Checklist sets forth the minimum CARB requirements for disclosure for the first reports; this is mandatory notwithstanding the “recommendation” terminology used in the TCFD disclosure framework. The minimum requirements for the **first year of disclosure** are:

- Framework:
 - Which reporting framework is being applied.
 - Which recommendations and disclosures have been compiled and which have not, together with a summary of the reasons why recommendations/disclosures have not been included and any plans for future disclosures.
- Governance:
 - Description of the entity’s governance structure, if any, for identifying, assessing, and managing climate-related financial risks, including any management and Board oversight of climate-related risks.
- Strategy:
 - Where such information is **material**, description of actual and potential climate-related risks on the entity’s operations, strategy and financial planning, including risks identified over the short, medium and long-term, impact of climate-related risks on the entity’s operations, strategy and financial planning, and the resilience of the entity’s strategy, if any, taking into consideration the future impacts of climate change under various climate scenarios.
 - Where a qualitative scenario-based assessment is feasible and relevant for a particular company, CARB encourages its inclusion.
- Risk Management:
 - Description of how the entity identifies, assesses, and manages climate-related risks including the process the entity uses for identifying, managing and assessing climate-related risks, and how those considerations and processes are integrated into the entity’s overall risk management.
- Metrics and Targets:
 - Where such information is **material**, the metrics and targets used to assess and manage relevant climate-related risks adopted to reduce and adapt to climate-related risk.

CARB FAQs and the CARB Checklist clarify that reporting entities in the early stages of evaluating climate-related risks may begin by disclosing how these risks relate or may be relevant, even if no material risks have yet been identified or actions taken. CARB encourages reporting entities to include in their disclosures a description of gaps, limitations, and assumptions made as part of their assessment of climate-related issues. Entities in early stages or with less experience in evaluating climate-related risks can therefore still disclose relevant and best available data.

Additional disclosures will be required under the applicable framework in future reports, for example, Scope 1, 2 and 3 emissions where material.

The CARB Checklist notes that if industry-specific guidance exists under the chosen framework (e.g., ISSB), covered entities should follow the guidance, as applicable, to ensure that the disclosed information is relevant.

CARB staff stated during the November Workshop that CARB rulemaking relating to SB 261 reports is not required by the terms of SB 261 and is not expected.

26. Do entities only need to disclose climate-related risk information where material?

The concept of materiality is incorporated into SB 261 through the definition of “climate-related financial risk” and in various line item requirements of TCFD (see above, under the Strategy and Metrics and Targets pillars) and ISSB standards.

“Climate-related financial risk” is defined in HSC § 38533(a)(2) to mean “material risk of harm to immediate and long-term financial outcomes due to physical and transition risks, including, but not limited to, risks to corporate operations, provision of goods and services, supply chains, employee health and safety, capital and financial investments, institutional investments, financial standing of loan recipients and borrowers, shareholder value, consumer demand, and financial markets and economic health.”

27. Do SB 261 reports need to cover climate-related opportunities?

No. SB 261 requires disclosure of climate-related financial risks (as defined), but not climate-related opportunities. While the CARB Checklist includes climate-related opportunities in the minimum CARB requirements for disclosure, CARB staff clarified at the November Workshop (in response to a question from us) that climate-related opportunities disclosure is **optional**.

Fees

28. What fees will be payable to CARB, who will have to pay fees and when will they be payable?

The Regulation includes provisions that detail how the annual implementation fees under each of SB 253 and SB 261 are calculated and collected, and related enforcement (Regulation §§ 96073, 96074, 96075). These will be flat fees per entity based on the number of entities required to report under the applicable program (Regulation § 96073).

For each program, the flat fee will be calculated based on the expected cost of administering and implementing the program (based on the number of personnel positions (including salaries and benefits), contracting costs and all other costs including legal defense costs to support California’s ability to defend the Regulation in court) as approved by the California Budget Act for the relevant fiscal year, divided by the expected number of in-scope entities for that program (Regulation § 96073 and relevant definitions in § 96072(a)). Each in-scope entity would be required to pay the fee, irrespective of whether that entity’s report is consolidated with that of another entity’s. Parent entities can pay the fees of all in-scope subsidiaries in a single combined payment.

Annual fees will be assessed on or by **September 10, 2026** and on September 10 each year thereafter. Entities must remit fees to CARB within 60 days of receipt of the fee determination notice. Entities that fail to remit the fee to CARB are subject to late fees and daily penalties, which will be assessed by CARB (Regulation §§ 96074, 96075).

Fees would be due annually under each of SB 253 and SB 261 (even though SB 261 reports are due biennially). CARB estimated in its February 2026 meeting that fees will range from \$2,000 to \$7,000 per entity.

Future CARB Rulemaking

29. What is CARB's rulemaking timeline?

On February 26, 2026, CARB approved the Regulation which (1) defines certain key terms and exemptions, (2) establishes the reporting deadline for SB 253 reports for the first year only (August 10, 2026) and (3) sets forth the process for calculating and collecting administrative fees payable to CARB.

As described in the March Workshop, the next step in the rulemaking for the Regulation is for CARB staff to publish its Final Statement of Reasons, which will include responses to public comments received at the February 26, 2026 CARB hearing and during the public comment period. If CARB wishes to amend the Regulation, it must publish a notice of the changes and provide additional time for public comment. The Regulation is then reviewed by the Office of Administrative Law ("OAL") to ensure compliance with the California Administrative Procedure Act. Generally, OAL has 30 working days to approve or disapprove a regulation after it has been submitted to OAL for review (see OAL FAQs [here](#)).

Subsequent rulemaking (including around the SB 253-related requirements discussed at the March Workshop) would follow a similar process to the Regulation rulemaking, including gathering feedback on key topics before preparing draft regulatory text and initial reasons ahead of a CARB vote.

Enforcement and Penalties

30. What are the penalties for non-compliance with SB 253 and SB 261?

Administrative penalties shall not exceed \$500,000 in a reporting year (SB 253) or \$50,000 in a reporting year (SB 261). Under both SB 253 and SB 261, in imposing penalties, CARB must consider all relevant circumstances including the violator's past and present compliance with the relevant requirement and whether the violator took "good faith measures to comply" and when those measures were taken. As discussed above, CARB will exercise its enforcement discretion for the first reporting cycle and will not take enforcement action for incomplete reporting against entities, so long as reporting entities demonstrate good faith efforts to comply with the requirements of the law.

SB 253 and SB 261 require CARB to adopt regulations that authorize it to seek administrative penalties for nonfiling and late filing (under SB 253) and other failures to provide sufficient required disclosures (under SB 253 and/or SB 261).

Under SB 253, a reporting entity shall not be subject to an administrative penalty for any misstatements with regard to Scope 3 emissions disclosures made with a reasonable basis and disclosed in good faith. SB 253 also provides that between 2027 and 2030, penalties assessed on Scope 3 reporting shall only occur for nonfiling.

SB 261 includes a provision that contemplates incomplete reporting with a detailed explanation for any reporting gaps and steps the entity will take to prepare complete disclosures.

As discussed above, the Regulation also includes provisions concerning failure to pay annual fees, including late fees for failing to remit fees within 60 days of receipt of the fee determination notice (Regulation §§ 96074, 96075).

31. What does “good faith” compliance mean?

CARB’s enforcement notice issued in December 2024 relates to SB 253 reporting in 2026 only and does not cover SB 261. Reporting entities should refer to the CARB Checklist and the TCFD report, ISSB standards or other chosen framework when determining what CARB expects in the first year of SB 261 reports (which are currently voluntary).

As discussed in the enforcement notice (and the Initial Reasons) and most recently during the March Workshop, CARB will exercise its enforcement discretion such that, for the first SB 253 reports due in 2026, reporting entities may submit Scope 1 and Scope 2 emissions from the reporting entity’s prior fiscal year “that can be determined from information the reporting entity already possesses or is already collecting” as of December 5, 2024. This means that entities that were not collecting emissions data or were not planning to collect data as of December 5, 2024 are not expected to disclose Scope 1 and Scope 2 emissions data in 2026. Such entities should submit a statement on entity letterhead stating that they did not submit a report and that the entity was not collecting data or planning to collect data as of December 5, 2024. Similarly, assurance of emissions data is not required for the first year unless the entity already has such assurance (discussed above). To paraphrase CARB staff, entities should “give CARB what they have” in 2026. In response to public comments at the March Workshop expressing concern at the need to comply with contractual and other provisions that require regulatory compliance, CARB staff indicated that they may provide guidance to supplement the enforcement notice.

32. Where can I provide feedback to CARB?

Interested persons can submit comments relating to the matters raised in the March Workshop, via the docket available [here](#), until April 13, 2026. CARB is also maintaining a public email inbox (ClimateDisclosure@arb.ca.gov) for questions about SB 253 and SB 261, and allows time for public comments and questions during its public workshops.

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If you have questions concerning the contents of this alert, or would like more information about Weil's Sustainability & ESG Group, please speak to your regular contact at Weil, or to the authors listed below:

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