August 13, 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)

With less than three months until the deadline for the first greenhouse gas emissions reports under California's Corporate Greenhouse Gas Reporting Program (SB 253), in-scope entities should be preparing for disclosure and monitoring ongoing rulemaking efforts that will affect first year and subsequent year reports.

In a hectic past few weeks, California Air Resources Board ("CARB") staff held the first two of six sector-specific "listening sessions" (on August 12, 2026 and August 5, 2026), published revised regulatory text (on July 27, 2026) amending proposed regulations it had originally adopted at a CARB meeting in February 2026 and published in May 2026, and held its fifth public workshop (on July 21, 2026) at which CARB staff discussed proposed regulatory concepts regarding alignment with the Greenhouse Gas Protocol standards and guidance ("GHG Protocol"), Scope 3 reporting and assurance requirements.

Highlights from these recent efforts include the following, as discussed in more detail below:

- First reports under Senate Bill ("SB") 253 are proposed to be due **November 10, 2026** (deferred from the previously proposed August 10, 2026). This extended SB 253 deadline is included in proposed regulatory materials were open for comment until August 11, 2026.
- CARB staff plan to release SB 253 reporting guidance for 2026 by September 1, 2026, including a voluntary online intake platform for fee contact information and greenhouse gas ("GHG") emissions reporting, an accompanying guidance document and an instructional video for using the intake platform.
- Proposed rulemaking for SB 253 reports due in 2027 will be published in fall 2026 and will be subject to a 45-day comment period. This is currently expected to include draft regulatory language covering the following requirements:
  - Disclosures in alignment with the GHG Protocol including as to quantification and accounting, quantification methodologies, measurement uncertainty, missing data protocols and substitution procedure, biogenic emissions, emissions reductions or removals, data exclusions, methodology changes and previous year data recalculations.
  - As to Scope 2 emissions, reporting emissions expressed in metric tons of CO_2 equivalent by source type, emissions by gas type (carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulfur hexafluoride and nitrogen trifluoride), and emissions calculated and reported using market-based and location-based methods.
  - As to Scope 3 emissions, reporting on the five most commonly-reported categories, starting in 2027 (purchased goods and services, fuel and energy related activities, waste generated during operations, business travel, and employee commuting).
  - Limited assurance of Scope 1 and Scope 2 emissions beginning in 2027, in accordance with one of several standards specified by CARB.
- Six listening sessions are being held via Zoom in August and September 2026. At each session, CARB staff will share the same content, presenting an overview of the proposed regulations and taking public comments. At the

first two listening sessions, CARB staff requested feedback on GHG Protocol-aligned reporting, primary data prioritization, methods prioritization, data exclusion, economic analysis and program implementation.

This updated alert sets forth Questions and Answers on climate-related disclosures required under SB 253 and SB 261. It reflects proposed regulations and prior guidance from CARB staff to the extent relevant, as included in:

- California Greenhouse Gas Reporting and Climate Financial Risk Disclosure Initial Regulation (the "Initial Regulation," to be included in the California Code of Regulations once finalized), as amended on July 27, 2026 and Notice of Public Availability of Modified Text dated July 27, 2026 (replacing the prior version of the Initial Regulation adopted by CARB on February 26, 2026), implementing elements of California's climate reporting and financial risk disclosure programs under 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). Comment period ended on August 11, 2026
- Staff Report: Initial Statement of Reasons that accompanied the Initial Regulation as originally proposed (published December 9, 2025, "Initial Reasons")
- FAQs About Regulatory Development and Initial Reports (in the process of being updated at the time of writing, per CARB staff; most recently updated November 17, 2025) ("CARB FAQs")
- Climate Related Financial Risk Disclosures: Checklist (most recently updated November 17, 2025) ("CARB Checklist")
- Draft Scope 1 and Scope 2 emissions reporting template
- Climate-Related Financial Risk Reporting (SB 261) Enforcement Advisory (dated December 1, 2025) ("Enforcement Advisory")
- The Climate Corporate Data Accountability Act Enforcement Notice (dated December 5, 2024) ("Enforcement Notice")
- Five half-day public workshops hosted by CARB staff on July 21, 2026 ("July Workshop"), March 23, 2026 ("March Workshop"), November 18, 2025 ("November Workshop"), August 21, 2025 and May 29, 2025 (slides and recordings available here; see also recording of CARB's February 26, 2026 meeting available at CAL-SPAN, here, with slides available here and hearing notice here.
- Slides for the listening sessions to be held through August and September 2026.

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 261 and SB 253 violate the First Amendment, and are appealing an August 2025 order from U.S. District Court for the Central District of California 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 (as described in its Enforcement Advisory), 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 November 10, 2026.

At this time and as described in its Enforcement Advisory, 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 entities doing business) 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 Initial 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 (Initial 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 (exempt as to SB 261 and for 2026 reporting required by SB 253). 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 that occur in interstate commerce.
- 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)). Insurance companies are exempt from SB 253 reporting for 2026 per the Initial Regulation (§ 96072(b)(2)) and as discussed by CARB staff at the July Workshop. At the July Workshop, CARB staff proposed requiring insurance companies to comply with SB 253 beginning in 2027, and permitting them to submit the same report that they are required to provide to the California Department of Insurance, supplemented to include additional information required by SB 253 (such as Scope 3 emissions and limited assurance). This change has yet to be included in proposed regulations. 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 Initial Regulation, "revenue" has the same meaning as "gross receipts" under California Revenue and Taxation Code ("RTC") § 25120(f)(2) and is evaluated at the individual business entity level, excluding intercompany transactions between business entities of the same combined reporting group (Initial 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 Initial 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 (Initial Regulation § 96072(a)(5), (11)).

As specified in the Initial Regulation (and discussed at the November Workshop and in the CARB FAQs), revenues are to be evaluated at the individual business entity level (but see below where a parent company and subsidiaries file California taxes on a unitary basis) (Initial Regulation § 96072(a)(13)). The Initial Regulation also specifies that for purposes of the Initial Regulation, intercompany transactions between business entities of the same combined reporting group, as described in section 25106.5-1 of Title 18 of the California Code of Regulations, are not included for the purpose of determining a business entity's revenue under the Initial Regulation (Initial Regulation § 96072(a)(13)).

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 Initial Regulation, "doing business in California" means "doing business" (as defined by RTC § 23101(a)) (Initial Regulation § 96072(a)(7)) *and* meeting either of the criteria set forth in RTC § 23101(b)(1) or (b)(2) (Initial Regulation § 96072(a)(8); requires evaluation at the individual business entity level):

(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 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 (for 2025 tax year) 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 that occur in interstate commerce do not count for purposes of determining an entity's sales in California (Initial 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 (as discussed above).

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)(1)-(3) and (a)(5)). A subsidiary may operate as a separate legal entity but is under the control of the parent entity due to this direct corporate association which can influence the subsidiary's operations, management, or financial decisions (Initial Regulation § 96072(a)(16)).

Filing Deadlines

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

The deadline for the first SB 253 reports (Scope 1 and Scope 2 emissions) has been extended from August 10, 2026 to **November 10, 2026** (Initial 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. CARB staff suggested during the July Workshop that a November 10 deadline may also be used for future years. 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, although CARB staff did not address this in the July Workshop.

Additionally, CARB staff intends to release SB 253 reporting guidance by September 1, 2026.

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 253 reports need to be posted?

At the July Workshop, CARB staff stated that they would share guidance materials for 2026 reports to comply with SB 253, including intake reporting procedures, by September 1, 2026.

15. 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. While voluntary, many companies have posted links to SB 261 reports, available here.

Disclosure Requirements Under SB 253

16. 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 November 10, 2026 (Initial Regulation § 96076). For 2026 reports, companies only need to disclose the data they were collecting as of December 5, 2024, as discussed in more detail below. Scope 3 emissions are required to be disclosed beginning in 2027, with the exact date to be determined by CARB in a subsequent rulemaking.

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 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.

At the July Workshop, CARB staff proposed the following:

- **Scope 2 emissions:** Disclose emissions expressed by source type (including electricity, steam, heating and cooling emissions), emissions by gas type (carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulfur hexafluoride and nitrogen trifluoride), and emissions calculated and reported using market-based and location-based methods.
- **Scope 3 emissions:** Disclose emissions for the five most commonly-reported categories in accordance with the GHG Protocol, starting in 2027 (Category 1 (purchased goods and services), Category 3 (fuel and energy related activities), Category 5 (waste generated during operations), Category 6 (business travel), and Category 7 (employee commuting)). Reporting entities may voluntarily report emissions from the other ten categories. For each Scope 3 emissions category, reporting entities must disclose the name and number of the category, included activities, quantification and accounting methods, data types used, total GHG emissions generated during the reporting period, an explanation for any emissions excluded from the Scope 3 category, and percentage of emissions calculated using primary data obtained from suppliers or other members of the value chain, and the quantification method used for those emissions. Reporting entities may use industry average data or spend-based methods to estimate upstream lifecycle GHG emissions, consistent with the GHG Protocol.

Several commenters at the first two listening sessions asked whether the other Scope 3 categories would be phased in for reporting in years beyond 2027, but CARB staff did not respond publicly. As discussed below, at the July and March Workshops, CARB staff discussed proposed disclosure requirements about organizational boundary selection, emission factors and accounting methods.

17. 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 the California emissions.

18. 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 Initial Regulation defines "applicable preceding fiscal year" and as discussed in the CARB FAQs, for the first SB 253 reports due in 2026 (Initial Regulation § 96076(c)):

- 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. 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.

19. 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 GHG Protocol standards and guidance. At the July Workshop, CARB staff clarified that reports are to be consistent with the GHG Protocol in effect at the time the relevant regulations are adopted and that further regulatory action would be needed if CARB was to require compliance with future versions of the GHG Protocol (in other words, the regulation would not automatically update to require compliance with any future versions of the GHG Protocol). CARB staff emphasized this point during the first two listening sessions.

At the July Workshop, CARB staff proposed the following to better align SB 253 reports with the GHG Protocol:

- **Standards and guidance:** Conduct quantification and accounting in adherence with the principles, requirements and guidance provided by the GHG Protocol Corporate Accounting and Reporting Standard, GHG Protocol Scope 2 Guidance and GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard.
- **Quantification methodologies:** Disclose the GHG quantification methods and measurement approaches used for emissions calculations including consolidation approach for organizational boundaries, Global Warming Potential values and assessment report vintage, emission factor sources with key attributes, and quantification

method (e.g., direct measurement or calculation-based method) including any process-specific tools or models used.

- **Measurement uncertainty:** Assess the uncertainty associated with the quantification methodologies used to calculate emissions, including underlying data sources, assumptions and models, and report confidence intervals with data points, where applicable. Where quantitative estimation of uncertainty is not feasible or would impose unreasonable burden or cost, reporting entities shall provide an explanation and conduct a qualitative assessment of uncertainty.
- **Missing data protocols and substitution procedure:** Identify missing data elements or parameters and document any substitute data sources or estimation methods used to quantify emissions in place of the missing data, including the basis for selecting the approach and any assumptions.
- **Reporting biogenic emissions:** Include in GHG emissions reports (beginning in 2027) biogenic CO_2 emissions from the combustion, consumption, or biodegradation of biomass and biomethane, to be reported separately from Scope 1, Scope 2, and Scope 3 emissions totals.
- **Reporting emissions reductions or removals:** Reporting entities may report voluntary investments (e.g., carbon credits, offsets), management activities (e.g., land management practices resulting in biological GHG sequestration), or other activities that result in fossil or biogenic emissions reductions or removals. These voluntary investments or management activities must be reported separately from Scope 1, Scope 2 and/or Scope 3 emissions.
- **Data exclusions:** Reporting entities may exclude GHG emissions sources, activities, Scope 3 categories, or other information where the omission, misstatement, or obscuring could not be reasonably expected to influence the decisions, assessments, or understanding of users of the disclosure regarding the reporting entity's GHG emissions inventory, climate-related risks, opportunities, or impacts. In determining data exclusions, reporting entities shall consider whether an exclusion would impair the relevance, completeness, consistency, transparency, or accuracy of the reported emissions inventory. Data exclusions shall be assessed using both quantitative and qualitative factors. Reporting entities must explain and disclose the basis for all data exclusions. For each category, source, facility, operation, or disclosure excluded, the reporting entity shall disclose an estimate of the emissions magnitude of exclusions, if quantifiable.
- **Methodology changes:** Include disclosures of changes to GHG quantification or accounting methods made from the previous reporting year or during the current reporting period, and the reasons for those changes.
- **Recalculation of previous year data:** Where structural and methodological changes (such as changes to organizational boundaries, quantification methods, data sources and/or emission factors) would result in a change greater than 5% of total GHG emissions for the base year (i.e., the first reporting year), recalculate emissions for all affected previous reporting years and include in the next annual emissions report.

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, and reiterated this approach during the July Workshop and the second listening session. Specifically, at the March Workshop 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.

20. 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 July Workshop and its first two listening sessions, use of the template is optional for 2026 reports. While the slides for the March Workshop state that templates for Scope 1 and 2 reporting are "to be used in 2027 and beyond," at the second listening session on August 12, 2026, CARB staff indicated that they are not currently proposing to require use of the template in 2027 or beyond. The draft template posted October 10, 2025 is in the process of being revised in response to public comments.

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

The Initial Regulation as amended in July 2026 provides that for the report due on November 10, 2026 only, each reporting entity may submit either of the following in lieu of the Scope 1 and Scope 2 emissions report otherwise required by SB 253 (Initial Regulation § 96076(b)):

- 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 was already collecting on or before December 5, 2024; or
- A statement on the reporting entity's company letterhead indicating that the reporting entity is not submitting a report because the reporting entity did not possess Scope 1 or Scope 2 emissions information and was not collecting information on or before December 5, 2024.

This relief was discussed by CARB staff most recently at the July Workshop and is also discussed in the CARB FAQs and Enforcement Notice. Per the CARB FAQs, 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 deadline would be considered, but this has not yet been addressed at the time of writing.

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

No. At the July Workshop, CARB staff proposed to require independent third-party limited assurance of Scope 1 and Scope 2 reports beginning in 2027.

23. What standards apply to third party assurance?

Most recently at the July Workshop, CARB staff proposed to recognize the following standards for third party assurance required for Scope 1 and Scope 2 emissions (including biogenic CO_2 emissions reported separately) 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	• AA1000 Assurance Standard v3
American Institute of CPAs	• AT-C Section 210, Review Engagements (limited assurance) or AT-C Section 205, Examination Engagements (reasonable)
International Auditing and Assurance Standards Board	• **For engagements commencing prior to December 15, 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 • **For engagements commencing on or after December 15, 2026**: International Standard on Sustainability Assurance (ISSA) 5000, General Requirements for Sustainability Assurance Engagements
International Organization for Standardization	• ISO 14064-3:2019, Part 3, Specification with Guidance for the Verification and Validation of Greenhouse Gas Statements

As described by CARB staff at the July Workshop, the assurance engagement must be conducted in full conformance with one of these standards, including all requirements as to engagement scope, methodology, provider qualifications, evidence gathering, independence, oversight mechanisms and reporting. The assurance provider must issue a written report that states the assurance standard applied, level of assurance provided, emissions covered by the engagement, assurance provider's conclusion, assurance provider name and contact information, and engagement completion date. CARB staff clarified at the July Workshop that the assurance report applies to the full SB 253 report (i.e., quantitative and qualitative information).

CARB staff are seeking feedback as to whether to also require disclosure of other services provided by assurance providers to the reporting entity, and/or whether to require rotation of assurance providers.

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.

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

SB 253 by its terms does not include a materiality qualifier. Scope 1, Scope 2 and Scope 3 emissions are therefore required to be disclosed irrespective of materiality to the reporting entity. However, see CARB proposals discussed above regarding Scope 3 emissions categories that are required to be disclosed in 2027 and excluding data after considering whether an exclusion would impair the relevance, completeness, consistency, transparency, or accuracy of the reported emissions inventory.

Disclosure Requirements Under SB 261

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

SB 261 reports are currently voluntary, pending the court action discussed above. 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.

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

SB 261 reports are currently voluntary, pending the court action discussed above. 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.

27. 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.”

28. 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

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

The Initial 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 (Initial Regulation §§ 96073, 96074, 96075). These will be flat fees per entity based on the number of entities required to report under the applicable program (Initial 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 Initial 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 (Initial 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 **December 10, 2026** and on December 10 each year thereafter. Entities must remit fees to CARB within 60 days of the fee determination notice date. Entities that fail to remit the fee to CARB are subject to late fees and daily penalties, which will be assessed by CARB (Initial Regulation §§ 96074, 96075).

Fees would be due annually under each of SB 253 and SB 261 (even though SB 261 reports are due biennially).

Future CARB Rulemaking

30. What is CARB's rulemaking timeline?

On July 27, 2026, CARB issued a revised version of the Initial Regulation (amending the version approved by CARB on February 26, 2026) which (1) defines certain key terms and exemptions, (2) establishes the reporting deadline for SB 253 reports for the first year only (November 10, 2026) and (3) sets forth the process for calculating and collecting administrative fees payable to CARB. The amended version of the Initial Regulation was open for public comment until August 11, 2026. CARB will then present the regulation to CARB for further consideration if warranted, or take final action to adopt the regulation after addressing all appropriate modifications.

Subsequent rulemaking (including around the SB 253-related requirements discussed most recently at the July 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

31. 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 non-filing 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 Initial Regulation also includes provisions concerning failure to pay annual fees, including late fees for failing to remit fees within 60 days of the fee determination notice date (Initial Regulation §§ 96074, 96075).

32. What does "good faith" compliance mean?

For 2026 reports required by SB 253, reporting entities are permitted to provide Scope 1 and Scope 2 emissions that can be determined from information the entity was already collecting as of December 5, 2024 (Initial Regulation § 96076(b); Enforcement Notice). For reports due in 2026, CARB will not take enforcement action for incomplete reporting against entities, as long as the companies make a good faith effort to retain all data relevant to emissions reporting for the entity's prior fiscal year.

Covered 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). CARB FAQs include the following, in response to the question "HSC 38533 references companies making "good faith efforts" to comply. What does that mean?" "To provide a phase-in period for reporting, climate-related financial risk disclosures made pursuant to the upcoming statutory deadline (January 1, 2026) may be based on the best available information, including information from past fiscal years (such as FY 2023/2024 or 2024/2025 [see above]). CARB also recognizes that data quality and data sources may change over the course of the year, if additional data collection methods were put in place later."

Best available information is described in more detail in the Initial Regulation and Enforcement Notice, as discussed above.

To paraphrase CARB staff, entities should "give CARB what they have" in 2026.

33. Where can I provide feedback to CARB?

Interested persons can submit comments via the docket available here. 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 and listening sessions.

* * *

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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*Not Yet Admitted