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CARB Workshop Provides Additional California Climate Law Disclosure Guidance

August 25, 2025

The California Air Resources Board (CARB) held a virtual public workshop on **August 21** to refine implementation of the state's corporate climate-disclosure laws – Senate Bills 253 and 261 (amended by SB 219). In advance of formal regulations now expected in December, guidance in this most recent webinar included technical topics, such as reporting formats and applicability tests, as well as the content of required disclosures, including minimum disclosure requirements for climate risk reporting under SB 261.

Overview of the legislative framework

- **SB 253** (Climate Corporate Data Accountability Act) mandates, for US-based entities doing business in California with total annual revenues exceeding $1 billion, annual disclosure of Scopes 1 and 2 greenhouse gas (GHG) emissions in 2026 (tentatively June 30), with Scope 3 reporting commencing in 2027. Assurance requirements will escalate over time, although initially they will be subject only to a limited assurance standard.
- **SB 261** (Climate Related Financial Risk Disclosure Act) requires biennial climate risk reporting. Disclosures are required, for US-based entities doing business in California with total annual revenues exceeding $500 million, by January 1, 2026.

Where things stand

Despite SB 219's extension passed last September, granting CARB until July 1, 2025, to adopt necessary regulations under SB 253, that deadline has now passed without regulations being finalized. Instead, CARB has proceeded using a gradual feedback and guidance process. It issued an **enforcement notice** on December 5, 2024, granting reporting entities good-faith flexibility for the initial Scopes 1 and 2 disclosures due in 2026; launched an information solicitation from December 16, 2024, through March 21, 2025, to gather stakeholder input; and held its **first public workshop** on May 29 that outlined foundational staff concepts. Following that, it released a **set of FAQs** on July 9, 2025, and convened a **second, more substantive workshop** on August 21, 2025, focused on rulemaking direction and guidance. Looking ahead, CARB announced plans for soliciting another public comment period through September 11, 2025, posting a disclosure template for SB 253 for public comment in September 2025, and publishing its notice of proposed rulemaking on October 14, 2025. On October 17, CARB will begin the formal public comment period under California's Administrative Procedure Act and guide issuance of final regulations, tentatively scheduled for December 11 – 12, 2025.

Workshop highlights

In addition to addressing numerous technical topics discussed below, CARB also provided greater substance on reporting requirements under both SB 253 and 261 in advance of December regulations.

SB 261 reporting guidance

- **Minimum disclosure requirements:** Although SB 261 allows companies to align their climate risk reporting with third-party frameworks, such as the Task Force on Climate-related Financial Disclosures (TCFD), many commentators have complained that this does not provide sufficient clarity on what disclosure is required for SB 261 compliance, particularly as such frameworks generally consist of broad principles and recommendations, and market practice for voluntary reporting under such frameworks is extremely varied. In the August 21 webinar, CARB indicated that its future regulations would include clarity on minimum disclosure requirements and provided a preview of what such requirements would cover, including:
  - **Format:** Disclosures for SB 261 must be posted to company websites by January 1, 2026, and biennially afterwards, with links to the company's public website posted to a CARB portal that will be open between December 1, 2025, and July 1, 2026.
  - **Framework flexibility:** Entities may report under TCFD, International Financial Reporting Standards (IFRS) S2 or other regulated disclosure frameworks, but must explicitly identify the framework selected and explain its application. Although the IFRS S2 framework has formally succeeded the TCFD, CARB repeatedly indicated that TCFD-aligned disclosures would be permitted.
  - **Disclose or explain:** The statutory text of SB 261 provides that companies can identify and explain gaps in their reporting, rather than provide disclosure aligning with all elements of disclosure frameworks. Consistent with this, CARB reiterated that companies may take a disclose or explain approach, but that will require that companies provide clear identification and explanation of reporting gaps. In addition, companies should indicate any future plans to include missing disclosures. As discussed below, CARB also indicated that emissions reporting and scenario analysis would not be required in 2026 reports.

While the substance of required SB 261 disclosures remains a point of confusion for many companies, CARB's guidance in this most recent webinar was consistent with its recent FAQs and December SB 253 enforcement notice, with a heavy emphasis on both flexibility and phased expectations for the first reporting cycle. Despite CARB's repeated statements that it is focused on good-faith disclosure efforts for the first reporting cycle, it remains unclear what defines the boundaries of "good faith," including whether there are any core disclosure topics where CARB expects substantive disclosures, rather than an explanation of reporting gaps.

Given the TCFD's materiality focus, there often is not a clear distinction between compliant disclosure and a gap, as complete responses may often involve describing minimal processes or negative conclusions regarding risks. There are limited areas where the TCFD recommends taking certain activities, rather than merely asking for descriptions of current actions and conclusions. This includes measuring and reporting GHG emissions and using climate scenario analysis to describe the resilience of a company's strategy to a range of climate scenarios. CARB staff indicated, however, that companies that have not otherwise completed emissions accounting or quantitative scenario analyses would not be expected to include such disclosures in their 2026 SB 261 submissions. While CARB expects not to include scenario analysis in its minimum disclosure requirements, it remains unclear what, if any, formal climate risk assessment process will be required, or which would require a "gap" explanation if excluded. Given CARB's repeat emphasis that the "onus" is on companies to evaluate their alignment with third-party frameworks, it is not certain that future CARB regulations will include answers to such questions.

SB 253 reporting guidance

As indicated in prior guidance, CARB staff repeated that first reporting cycle SB 252 disclosures should focus on good-faith efforts, so long as disclosures reflect the best available data. Entities should clearly identify the methodologies, data sources and emissions factors relied upon, and explain any omissions or limitations in the data, along with a plan for improvement in future years. CARB expects to publish a standardized reporting template in September, which will include data fields for Scopes 1 and 2 GHG emissions, as well as other potential voluntary datapoints. Key points emphasized in the webinar include:

- **Framework alignment:** Companies are expected to calculate and disclose emissions consistent with the GHG protocol (Scopes 1, 2 and eventually 3), but CARB signaled flexibility in the first cycle to accommodate data gaps and methodological constraints – recognizing that companies may rely on estimates, third-party data or phased methodologies at the outset.
- **Scopes 1 and 2 emissions:** Entities must report direct and indirect emissions from owned or controlled operations, using

recognized protocols and emissions factors.

- **Scope 3 emissions:** Although disclosure of value-chain emissions is required by the 2027 reporting cycle, CARB acknowledged that these estimates may be incomplete at the outset. Companies should disclose the methodologies used, highlight data limitations and provide a plan for improving accuracy over time.
- **Third-party assurance:** 2026 disclosures must include limited assurance for Scopes 1 and 2 emissions. While CARB indicated that it would not provide a list of accredited assurance providers, it cited four potential audit standards for limited assurance – International Standard on Sustainability Assurance (ISSA), International Organization for Standardization (ISO), AccountAbility 1000 (AA1000) or American Institute of CPAs (AICPA). CARB indicated that it may audit assurance provider activities, in addition to company reports.
- **Disclosure deadline:** Although initial SB 261 disclosures are statutorily due by January 1, 2026, CARB regulations are required to set reporting deadlines under SB 253. CARB now expects to propose a June 30, 2026, deadline for initial SB 253 disclosures, which would be formalized in the December regulations. CARB continues to solicit feedback on the feasibility of this deadline, including for non-calendar-year reporting companies.

Fee regulation

- In addition to disclosure obligations, both SB 253 and SB 261 authorize CARB to recover program implementation costs through annual fees assessed on covered entities. CARB presented a framework for fee regulation that would implement a flat fee structure based on startup and annual program costs divided by the number of entities covered. An initial assumption was fees of approximately $3,106 for reporting under SB 253 and approximately $1,403 for reporting under SB 261. Details remain in development but final fee amounts should be finalized in CARB’s December rulemaking. Companies should anticipate adjustments for increased administrative costs and inflation.

Covered entities

CARB provided initial definitions for key terms like “doing business in California,” parent-subsidiary relationships and revenue thresholds – critical for identifying who is in scope of SB 253 and SB 261.

- **Revenue definition:** CARB’s May webinar introduced the possibility that revenue tests would be based on the California tax code-based definitions of “gross receipts.” However, following feedback indicating that such a test may pose verification difficulties, CARB is now considering alternative approaches, including defining revenue in terms of total global amount of funds received from selling products or providing services. CARB explained that it also had evaluated alternative approaches, including limiting revenue to California sales or using US-only revenue.
- **Doing business in California refined:** Previous CARB guidance indicated that the “doing business” test will rely on the existing California Franchise Tax Board standard, which applies an extremely broad test to pick up companies engaged in any transaction for the purpose of financial gain in California or meeting minimal financial activity or presence thresholds. To provide additional clarity, CARB indicated that it may publish a list of companies presumptively subject to the climate-reporting statutes based on the California secretary of state’s business registry, or Franchise Tax Board filings, to identify entities “doing business” in California. This approach would allow CARB to cross-reference registration and tax data to ensure comprehensive coverage, even for companies headquartered outside the state but meeting the statutory revenue thresholds; however, any such list will not be exhaustive, and nonlisted entities will still be required to report under the statutes if they meet the relevant thresholds.
- **Parent-subsidiary clarified:** Numerous ambiguities remain regarding the application of the climate-reporting statutes to parent and subsidiary companies, such as US subsidiaries of non-US parents. In May, CARB indicated that it is considering applying the California Cap-and-Trade approach definition of “corporate relationships” (50%+ control) as a basis for evaluating parent-subsidiary relationships. The August 21 webinar did not substantively elaborate on the implications of such an approach for parent reporting requirements.
- **Exemptions:** CARB indicated that it plans to exempt certain entity types from reporting requirements under both SB 253 and

SB 261, including nonprofits and government entities, as well as utility companies whose presence in the state only relates to wholesale electricity transactions and companies that would otherwise only meet the “doing business” test due to the presence of teleworking employees.

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