G&A GOVERNANCE & ACCOUNTABILITY INSTITUTE, INC.™

Resource Paper

Preparing for California's Climate Disclosure Laws

Overview and Latest Developments

July 2025

July 2025 Update

In October 2023, two mandates on corporate climate data and climate risk were signed into law in California. G&A's January 2024 resource paper provided an initial overview of those laws (beginning on page 4 below). Since that time, significant developments have occurred leading up to both laws taking effect in 2026. Staying informed about these changes is crucial.

Update #1

In September 2024, California Governor Gavin Newsom signed an additional bill into law, which amends the two previous bills. Key changes include:

- Establishing a deadline of July 1, 2025, for the California Air Resources Board (CARB) to develop and adopt regulations for reporting Greenhouse Gas (GHG) emissions.
- Requiring entities to disclose their Scope 3 emissions according to a schedule determined by CARB.
- Confirming that reports for SB 253 can be consolidated at the parent level, exempting subsidiaries from separate reporting.

Despite these amendments outlined in SB 219, the core aspects of SB 253 and SB 261 remain unchanged.

Update

Update #2

In May 2025, CARB conducted a [four-hour public workshop] to provide clarity and address stakeholder questions. Key take-aways include:

1. **CARB Regulations Delayed Until end of 2025:** CARB implied it would not meet the July 1, 2025 deadline for publishing regulations expected to further clarify how companies should report under SB 253 and SB 261, as well as clarify how CARB will enforce compliance with the laws. The public process and stakeholder engagement will continue through the rest of the year, with regulations now expected by the end of 2025.

2. **Reporting Will Start in 2026 – No Delay:** CARB affirmed that timelines for SB 253 and 261 will not be delayed, and that reporting for both laws will begin in 2026. CARB reiterated that there will be no penalties in 2026 as along as companies show **"good faith effort"** in reporting Scope 1-2 emissions under SB 253. CARB further explicitly confirmed in their July 2025 FAQ that reporting deadlines remain unchanged, and that they will not pursue penalties against reports made in good faith.

3. **Defining "Doing Business in California":** CARB signaled a preference for using definitions for "doing business" already established in California law and proposed adopting the California Revenue and Taxation Code (RTC) to determine if a company does business in California. The important RTC sections that apply to companies that:
   + are organized or domiciled in California
   + have sales in California exceeding $735,019
   + have real or tangible personal property in the state exceeding $73,502 or 25% of the entity's total, or
   + pay compensation in that state above $73,502 or 25% of the total compensation paid.

4. **CARB Favoring Interoperability:** CARB emphasized that it supports the interoperability of international reporting standards and is considering aligning the reporting requirements with widely used standards, such as the GHG Protocol, ISSB, and TCFD.

5. **Defining Revenue:** For the revenue thresholds established in both SB 253 and SB 261, CARB is considering adopting the Revenue and Taxation Code's (RTC) definition of 'gross receipts' as found in section 25120(f)(2) and applying it to its 'total annual revenue' definition. This definition is not yet finalized, and CARB asked the public for feedback on how revenue should be defined.

Next Steps

While the public consultation with CARB provided some clarity around the State of CA's climate disclosure laws, there are still many unanswered questions around how exactly companies should report to the laws, what CARB will accept, and what will be considered best practice. However, it is essential that companies do not delay preparations if your organization is in scope of these laws.

+ For SB 253, it is important that your organization is prepared to conduct a greenhouse gas inventory for 2025 in accordance with the GHG Protocol.
+ For SB 261, your organization should follow TCFD or ISSB frameworks to develop your climate-related risks & opportunities assessment and engage immediately on this project, as the reporting deadline is January 1, 2026.

If your organization is in scope for either of these regulations and needs assistance with reporting, please contact G&A **here**.

Want to learn more? Book time to talk to our experts

What you need to know and how to prepare for compliance

In October 2023, California Governor Gavin Newsom officially signed into law the *Climate Corporate Data Accountability Act* (SB 253) and the *Climate-Related Financial Risk Act* (SB 261). The following pages provide a summary of the key requirements for SB 253 and SB 261 and steps on how to prepare for these new disclosures.

SB 253: Climate Corporate Data Accountability Act

SB 253 requires **entities**[1] with total annual revenues greater than $1 billion and that **do business in California**[2] to report annually on their emissions from **all GHG scopes.**[3]

Key Definitions

1. An **"entity"** refers to a corporation, partnership, limited liability company (LLC), or other business entity formed under the laws of any state of the United States or the District of Columbia.

2. **"Doing business in California"** is defined in the California tax code as any of the following:
   - Engaging in any transaction for the purpose of financial gain within California
   - Being organized or commercially domiciled in California
   - Having California sales, property, or payroll exceeding $735,019, $73,502, and $73,502, respectively, for the year 2024.

3. **All scopes to be reported include:**
   - Scope 1 emissions – direct emissions
   - Scope 2 emissions – indirect emissions from the purchase of electricity, steam, heat, or cooling
   - Scope 3 emissions – indirect emissions resulting from upstream and downstream activities from sources that the organization does not directly own or control

Note: While CARB has pointed to the California tax code as a potential working definition, CARB has not formally confirmed what critertia will be used to determine "doing business" in California as of July 2025.

info@ga-institute.com ga-institute.com

Other Important Details

+ **Disclosures** – Required for Scope 1 and 2 emissions beginning in year 2026 and Scope 3 emissions beginning in 2027. This means that reporting entities need to start collecting emissions data during the previous fiscal years – 2025 and 2026, respectively

+ **Reporting Standard** – Measurements and reporting must follow the **Greenhouse Gas Protocol Standards**.

+ **Assurance** – Reporting requires third-party assurance starting with a **limited level of assurance** for Scope 1 and 2 emissions in 2026 and progressing to a **reasonable level of assurance** for Scope 1 and 2 emissions in 2030. Beginning in 2030, Scope 3 emissions will also require a **limited level of assurance**.

+ **Cadence** – Reporting entities must report on a yearly basis.

+ **Platform** – Submissions will be done through a platform created by a nonprofit emissions reporting organization or by CARB itself. The digital platform will require reporting entities to pay an administrative fee to the California Air Resources Board (CARB), and it will make disclosures publicly available so that consumers, investors, and other stakeholders can view reported data.*

  ***The reporting organization will be determined by CARB, and more details about the organization and reporting platform will be forthcoming.**

+ **Penalties** – Reporting entities that fail to file, file late, or fail to meet requirements may face penalties of up to $500,000 per year. Misstatement of Scope 1 or Scope 2 emissions may result in non-compliance.

  For Scope 3, SB 253 includes a safe harbor provision. Entities will not be subject to administrative penalty for misstatements of Scope 3 emissions if the disclosure is made with a reasonable basis and is disclosed in good faith. Only non-filling penalties will be assessed for Scope 3 disclosures from 2027 to 2030.

+ **Consolidation** – Reports may be consolidated at the parent company level. If a subsidiary qualifies as a covered entity, it is not required to prepare a separate report.

How can G&A Institute help your organization?

G&A's expert team of GHG accounting professionals can help you develop your Scope 1-3 GHG inventory using our market leading carbon accounting software, CLEAR.

Interested? Learn more about our plaform.

SB 261: Climate-Related Financial Risk Act

SB 261 requires **entities**[1] with annual revenues greater than $500 million and that do business in California to report biannually on their **climate-related financial risk**[2], as well as the measures adopted to reduce and adapt to that risk.

Key Definitions

1 As mentioned above, an entity refers to a corporation, partnership, limited liability company, or other business entity formed under the laws of any state of the United States or the District of Columbia.

However, SB 261 specifically provides an exemption for insurance companies.

2 The bill defines climate-related financial risk as: "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, the financial standing of loan recipients and borrowers, shareholder value, consumer demand, and financial markets and economic health."

Other Important Details

+ **Cadence** – Reporting is required by January 1, 2026, and entities will need to report on a biannual basis.
+ **Format** – Reports must be made publicly available on the company website. CARB clarified in their July 2025 FAQ that companies must additionally submit the location of their public link to their climate-related financial risk report in a public docket. CARB will open the public docket on December 1, 2025 and close the docket on July 1, 2026. Reports are still due January 1, 2026.
+ **Reporting Standard** – The climate-related financial risk report must be prepared in accordance with the recommendations of the **Task Force on Climate-related Financial Disclosures** (TCFD). Covered entities will satisfy the bill's disclosure requirements if they prepare a report that includes risk disclosure information in compliance with "a law, regulation, or listing requirement issued by a regulated exchange, national government, or other governmental entity" whose disclosure requirements are consistent with SB 261 – for example, the IFRS Sustainability Disclosure Standards issued by the International Sustainability Standards Board.
+ **Consolidation** – Reports may be consolidated at the parent company level. If a subsidiary qualifies as a covered entity, it is not required to prepare a separate climate-related financial risk report.
+ **Penalties** – Reporting entities that fail to file, fail to make the report publicly available on their website, or publish an inadequate report could face penalties of up to $50,000 per year. Penalties may not be issued if the covered entity took good faith measures to comply including disclosing "to the best of its ability" and providing a detailed explanation of reporting gaps and remedial steps.

info@ga-institute.com ga-institute.com

General Timeline for Compliance*

2026

SB 253 disclosure starts
Required annual reporting of Scope 1 and Scope 2 emissions with a **limited** level of assurance

SB 261 disclosure starts
Required reporting every two years on climate-related financial risk

2027

Required reporting of Scope 3 emissions

From 2027-2030, only non-filing penalties are considered for Scope 3 emissions

2028

2029

2030

Reporting of Scope 1 and Scope 2 emissions is required at a **reasonable** assurance level

Scope 3 emissions reporting is required at limited assurance level

How to Prepare for Compliance

- **Stay informed and monitor the process.** CARB is regularly holding public consultations and workshops as they work through the rulemaking process.
- **Know your timeline and upcoming deadlines.** Reporting entities should begin institutionalizing data collection procedures now to be ready to collect activity data and calculate emissions for 2025 and meet reporting requirements in 2026.
- **Conduct a gap analysis to identify the key disclosure gaps for your organization.** This can help create a plan on how to prioritize gaps, approach data collection and reporting.
- **Prepare your disclosures for external assurance auditing.** In order to comply with comply with SB 253, it is important to engage with a qualified assurance provider.
- **Lean on voluntary disclosures.** If you report to CDP or publish sustainability reports in line with TCFD, SASB, IFRS Sustainability Standards, or GRI you likely have some data and/or processes in place that prepare you for CA climate disclosure in 2026.

How can G&A Institute help your organization?

Gap Analyses

Our team has extensive experience conducting in-depth analyses to identify companies' gaps in ESG reporting requirements such as SB 253 and SB 261.

GHG Emissions Calculations

Our team of climate professionals conduct complete Scope 1, Scope 2, and Scope 3 emissions inventories in alignment with the GHG Protocol.

Climate Risk Assessments

Our risk assessment methodology incorporates TCFD guidance and in-depth scenario analyses to identify your company's climate-related physical and transition risks.

Assurance Support

We have many years of experience working with both publicly-traded and privately-held companies to prepare for assurance and navigate the assurance process.

ESG Software

At G&A, we combine our in-house expertise with leading carbon accounting and ESG reporting software solutions from EcoOnline and DFIN, allowing us to offer a fully integrated climate disclosure support pathway that merges our high-touch advisory services with cutting-edge technology.

Sources for your reference

1. **Senate Bill 261 Signing:** https://www.gov.ca.gov/wp-content/uploads/2023/10/SB-261-Signing.pdf
2. **Senate Bill 253 Signing:** https://www.gov.ca.gov/wp-content/uploads/2023/10/SB-253-Signing.pdf
3. **SB-261 Greenhouse gases: climate-related financial risk:** https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202320240SB261
4. **SB-253 Climate Corporate Data Accountability Act:** https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202320240SB253

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