

California Advances Climate Disclosure Regulations

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At a public hearing held February 26, 2026, the California Air Resources Board (CARB) [approved](#) a resolution to adopt initial [regulations](#) implementing California's [landmark climate reporting and disclosure laws](#), the Climate Corporate Data Accountability Act (SB 253) and the Climate-Related Financial Risk Act (SB 261), which will require private and public companies whose revenues exceed certain thresholds to report greenhouse gas (GHG) emissions and disclose climate-related financial risks, respectively. In its resolution, CARB largely adopted the regulations [proposed](#) by staff in December 2025.

The approved "initial" regulations establish a fee collection framework for SB 253 and SB 261, define key terms under both laws, provide for enforcement of failure to pay fees, and set the first GHG emissions reporting deadline of August 10, 2026. CARB announced at the hearing that it will begin another rulemaking to implement SB 253 that will apply to GHG emissions reporting in 2027 and beyond and will address requirements that are statutorily mandated, but unaddressed in the initial regulations, such as potential assurance standards.

The Adopted Regulations

CARB's action concludes a [somewhat chaotic initial rulemaking process](#) that took place in a highly compressed time frame (compared to CARB's average rulemaking timelines). While the initial regulations clarify some key elements of California's climate disclosure laws, they leave several critical details unknown, despite a GHG emissions reporting deadline that is a little over five months away.

For SB 253, the regulations require reporting entities to report Scope 1 and Scope 2 GHG emissions for the "applicable preceding fiscal year" by August 10, 2026. For entities whose fiscal year ends after February 1, the preceding fiscal year is defined as the fiscal year ending in the prior calendar year, and for entities with a fiscal year ending after February 1, it is the current calendar year. Thus, companies with fiscal years ending on December 31 will have significantly less time than other entities to collect and report GHG emission data.

The initial regulations define "doing business in California" and "revenues," key terms for determining applicability of SB 253 and SB 261, which apply to U.S. entities "doing business in California" with more than \$1 billion (SB 253) or \$500 million in revenues (SB 261). Both terms are defined by reference to the California Revenue and Taxation Code. "Doing business in California" is defined by reference to Sec. [23101](#)(a) and (b) to mean actively engaging in any transaction for the purpose of financial or pecuniary gain or profit and either organized in or commercially domiciled in California or having sales in excess of \$757,070 (adjusted for 2026). "Revenue" is given the same meaning as "gross receipts" in Sec. [25120](#)(f)(2).

The regulations also establish how the state will assess fees to cover implementation of SB 253 and SB 261, as required by the statutes. Under the initial regulations, the fee for each law will be calculated by taking CARB's total expected program costs and dividing it by the number of entities the state estimates must comply with the law. CARB will send the first fee invoices to each entity it believes is subject to the laws by September 10, 2026.

Despite providing clarity on critical elements of the new climate disclosure regime, the initial regulations do not directly address how revenues and sales should be determined for parents and subsidiaries with unified tax filings. Nor do the rules indicate how CARB intends to identify the entities that will receive fee invoices or how companies can dispute invoices if they believe they are not subject to disclosure requirements. This is especially problematic because the initial regulations provide for penalties for failure to pay fees, even though fee-related enforcement does not appear to be contemplated under either SB 253 or SB 261.

CARB must now prepare the final regulatory package, including its responses to the public comments on the rulemaking proposal and its final statement of reasons, for submission to the California Office of Administrative Law (OAL). OAL then has 30 days to review the regulation for compliance with the Administrative Procedure Act. If approved, OAL will file the regulation with the secretary of state for formal adoption. The regulation will go into effect on July 1, presuming CARB sends the regulatory package to OAL between March 1 and May 31.

SB 253 Exemption for Insurance Companies Uncertain; Other Proposed Exemptions Adopted

CARB's December 2025 proposed regulation contained an exemption from SB 253 for entities regulated by the California Department of Insurance (DOI) or in the business of insurance in another state, mirroring the statutory exemption for insurers contained in SB 261. However, at the public meeting, several commenters, including both of the state legislators who sponsored the laws, raised concerns about the proposed exemption, given that SB 253 did not direct CARB to exempt insurers. These comments prompted CARB to revise its resolution adopting the proposed rule at the last minute. While the final resolution has not been released as of the time of this publication, based on the dialogue at the meeting, the resolution directed CARB staff to work with the DOI to evaluate whether insurers are already obligated to disclose their GHG emissions under current DOI requirements.

Neither the CARB Board nor the legislative sponsors raised concerns during the hearing regarding the other exemptions in the proposed rule for nonprofits and charitable organizations that are federally tax-exempt, business entities whose only activity in California consists of wholesale electricity transactions, and business entities whose only business in California is employee compensation or payroll expenses, including teleworking employees.

CARB Emphasizes Enforcement Discretion

At the hearing, CARB staff reiterated that it will not penalize entities that do not submit SB 253 disclosures in reliance on CARB's December 5, 2024 [enforcement notice](#) for entities that were not collecting GHG data, or planning to collect GHG data as of the date of the notice. CARB also indicated it will exercise enforcement discretion for entities who do not provide assurance for their 2026 GHG emissions reports. (Under SB 253, GHG reporting in 2026 must be made with limited assurance, but it has been widely recognized throughout the rulemaking process that companies have faced challenges in finding providers willing to provide the limited assurance required by the statute). Finally, CARB reminded stakeholders that, consistent with its December 1, 2025, enforcement advisory, it [will not enforce SB 261](#) until a currently pending appeal in the U.S. Court of

Appeals for the Ninth Circuit is resolved. The Ninth Circuit issued a preliminary injunction against SB 261 in November 2025 and heard oral argument in January 2026, but has not yet issued an opinion resolving the appeal.

Copycat Laws Continue to Be Introduced

While SB 253 and SB 261 may be the nation's first broadly applicable climate-related disclosure laws for private and public companies, [similar laws could follow](#) in other states. While the federal government has backed away from climate reporting, other states have followed California's lead by introducing climate-related disclosure bills. Though none have yet become law, the New York Senate passed a [copycat GHG reporting bill](#) on February 10, 2026, that is currently pending in the New York Assembly.

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