

CARB Holds Second Public Workshop on Climate Disclosure Laws

August 26, 2025

On August 21, 2025, the California Air Resources Board (“CARB”) hosted a virtual public workshop with stakeholders to discuss California’s climate disclosure mandates—the Climate Corporate Data Accountability Act (SB 253) and the Climate-Related Financial Risk Act (SB 261). These laws will require companies “doing business in California” within certain revenue thresholds to publicly disclose their greenhouse gas (“GHG”) emissions and climate-related financial risks. For additional background on SB 253 and SB 261, please see our [Debevoise Update](#) and [ESG Update](#) on the topic.

In this Debevoise Debrief, we discuss several of the proposals addressed by CARB during the workshop.

Covered Entities. CARB has proposed that certain entities be exempt from reporting under SB 253 and SB 261, including: (i) companies whose only business in California is the presence of teleworking employees, (ii) non-profits, (iii) government entities, (iv) the California Independent System Operator and (v) business entities whose only activity in California consists of wholesale electricity transactions. Insurance companies are also exempt from reporting, as set forth in the enacting legislation.

CARB introduced new proposed definitions for “doing business,” “revenue,” and the process for identifying parent-subsidiary relationships, key elements that determine which entities are covered by the regulations.

Originally, CARB proposed using the California Revenue and Taxation Code (“RTC”) to define “doing business.” After receiving stakeholder feedback that this definition was overly broad, CARB now proposes using the list of “active” entities on the California Secretary of State’s Business Entity database to determine which companies are “doing business in California.” This database is publicly available and lists any entity with a designated agent for service of process in California.

CARB also introduced a revised definition for “revenue.” Rather than adopting the previously proposed RTC definition, “revenue” would now be defined as “the total global amount of money or sales a company receives from its business activities, such as selling

products or providing services.” The definition does not, however, deduct operating costs or other business expenses.

Based on these updated definitions, CARB estimates that approximately 4,160 companies would be covered under SB 261 and 2,596 under SB 253. These figures are significantly lower than the initial estimates provided in the 2023 legislative materials, which estimated over 10,000 companies in scope for SB 261 and 5,300 for SB 253. CARB also announced plans to publish a list of companies it believes fall within scope of the revised definitions.

The current definition for “subsidiary” is based on the existing Cap-and-Trade regulations. CARB proposes identifying subsidiaries through evaluating commercial databases, cross-referenced with the Secretary of State and/or the Franchise Tax Board databases. CARB is also considering a process that would allow parent companies to report on behalf of their subsidiaries.

CARB continues to seek stakeholder feedback on these proposed definitions and processes.

Reporting Process and Deadlines.

- **SB 261.** Covered entities must comply with SB 261 by January 1, 2026. The docket for companies to post the link to their climate-related financial risk report will open on December 1, 2025 and close on July 1, 2026. Notwithstanding that the docket will remain open past the compliance deadline, CARB reiterated that companies must have published their report to their website by the January 1, 2026 deadline. Posting on the public docket will be mandatory.
- **SB 253.** CARB proposed a June 30, 2026 deadline for covered entities to report their Scopes 1 and 2 emissions under SB 253. The compliance deadline for Scope 3 reporting remains under review but is anticipated to be in 2027. CARB announced that it will post draft Scope 1 and 2 reporting templates under SB 253 by the end of September 2025 for public feedback.

Guidance on SB 261 Reporting. Covered entities may use one of several frameworks to meet disclosure requirements under SB 261, including the Final Report of Recommendations of Task Force on Climate-Related Financial Disclosures (“TCFD”), IFRS Disclosure Standards or another report developed in accordance with any regulated exchange, national government, or other governmental entity.

CARB provided guidance on the minimum requirements for the climate-related financial risk report, which largely track the disclosure requirements of the TCFD framework. In addition, each report should include a brief statement describing (1) the reporting framework being applied, (2) which recommendations and disclosures have been complied with and which have not and (3) the rationale behind these choices and any plans for future disclosures.

Consistent with its approach to reporting under SB 253, CARB will accept a good faith effort from companies in the first year of reporting under SB 261. Companies should comply to the best of their ability using the most recent, best available data. CARB acknowledged that in some circumstances such as in scenario-based assessments, quantitative data may not be available for initial reporting. In these cases, reporting may be qualitative rather than quantitative.

Fee Structure Updates. CARB is proposing a “flat” fee per regulated entity calculated as: Annual Program Cost/Number of Covered Entities, adjusted annually for inflation. Companies reporting under both SB 261 and SB 253 will be required to pay fees for each regulation. Because fees are calculated by covered entity rather than filing entity, subsidiaries filing via a parent company will be subject to a separate fee. CARB currently estimates that the annual fee will be approximately \$1,403 for entities subject to SB 261 and about \$3,106 for entities subject to SB 253. Finally, reporting companies should also expect to be subject to a one-time fee to cover the program’s startup costs.

SB 253 Assurance Requirement. SB 253 requires covered entities to have their emissions data verified by an independent third party. For the initial reporting cycle in 2026, CARB will require limited assurance, with a shift to reasonable assurance beginning in 2030. CARB is considering and seeking public feedback on the following potential standards: (i) ISSA 5000 (IAASB), (ii) AA1000, (iii) ISO 14060 family, and (iv) AICPA.

Comment Period. CARB will continue to engage with stakeholders during the development of the regulations. Stakeholders may submit questions or comments through CARB’s public docket, linked below, until September 11, 2025.

Links:

[CARB Workshop Slides](#) (published August 20, 2025)

[CARB FAQs and Fact Sheet](#) (published July 9, 2025)

[CARB Public Docket](#) (open through September 11, 2025)



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