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California Climate Legislation Update — Status of CARB Rulemaking and Next Steps

On December 9, 2025, CARB released proposed regulatory text and rulemaking materials related to SB 253 and SB 261. The proposed regulatory text, which is consistent with previous guidance from the November workshop and FAQs, includes sections on applicability, definitions, implementation fees, and an initial deadline for reporting greenhouse gas emissions under SB 253.

This *Sustainability Spotlight* summarizes the main aspects of California's climate legislation in light of the approaching reporting deadlines provided in the legislation.¹ The purpose of this publication is to keep organizations apprised of evolving regulatory expectations and help them prepare for the potential effects of the legislation, including the compliance requirements, the California Air Resources Board's (CARB's) rulemaking progress, the latest legal developments, and recently released guidance. Although the regulations are not yet final, CARB has issued provisional guidance (outlined below) and is expected to issue initial proposed regulations in early 2026 on annual fees, definitions affecting the applicability of the regulations, and initial-year reporting deadlines for the submission of greenhouse gas (GHG) emissions under Senate Bill (SB) 253.²

¹ Also see Deloitte's October 10, 2023 (updated December 19, 2023), [Heads Up](#) on the sweeping impacts of California's climate legislation.

² California Senate Bill 253, "Climate Corporate Data Accountability Act."

On November 18, 2025, the U.S. Court of Appeals for the Ninth Circuit granted a temporary injunction of [SB 261](#),³ which required first reporting of an entity's climate-related financial risk report by January 1, 2026, but refused to grant a similar temporary injunction for [SB 253](#), which requires first reporting by August 10, 2026. The temporary injunction is in effect until the court hears arguments (currently scheduled for January 9, 2026). The plaintiffs are seeking a preliminary injunction of SB 261 until a lower court rules on lawsuits challenging the reporting requirements of SB 253 and SB 261. On December 1, 2025, CARB issued an enforcement advisory stating that it will not enforce the January 1, 2026, due date to post and submit reports for SB 261 while the appellate proceedings are in progress. The guidance below discusses how to comply with SB 253 and SB 261 if the bills are upheld as a result of the court proceedings.

Background

In 2023, California Governor Gavin Newsom signed into law two state bills — SB 253 and SB 261 — which were amended in 2024 by [SB 219](#)⁴ and are collectively known as the “California climate legislation.”⁵ The two bills require certain public and private U.S. companies that perform certain business activities in California to provide public disclosures about their GHG emissions and climate-related financial risks. Specifically, SB 253 establishes requirements for certain entities to produce a GHG emission report in accordance with the [GHG Protocol](#), and SB 261 establishes requirements for certain entities to provide a climate-related financial risk report by using the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).

The two bills direct CARB to specifically develop and adopt regulations related to GHG emission reporting (applicable to SB 253) in addition to granting CARB the ability to enforce compliance with the California climate legislation. SB 261 does not direct CARB to develop any other specific reporting regulations related to SB 261; however, CARB has released guidance to assist entities with the reporting requirements for SB 261.

Although the regulations have not been finalized, CARB has reiterated that compliance deadlines for SB 253 remain in force, underscoring the need for action and planning despite the ongoing rulemaking process. Entities should continue to monitor the legal proceedings, including their effect on the compliance deadlines for SB 261, as well as any further developments associated with SB 253.

Overview of the California Climate Legislation

The table below summarizes the requirements and applicability of SB 253 and SB 261, as amended by SB 219.

	SB 253	SB 261
Overview of reporting requirements	Scope 1, Scope 2, and Scope 3 GHG emissions.	Report on climate-related financial risks, including measures a company has adopted to reduce and adapt to such risks.

³ California Senate Bill 261, “Greenhouse Gases: Climate-Related Financial Risk.”

⁴ California Senate Bill 219, “Greenhouse Gases: Climate Corporate Accountability: Climate-Related Financial Risk.”

⁵ SB 253 and SB 261 have been formally codified in Sections 38532 and 38533, respectively, of the California Health and Safety Code, although the bills continue to be referred to as SB 253 and SB 261 in practice.

(Table continued)

	SB 253	SB 261
Companies affected ⁶	Public and private U.S. businesses with total annual revenues exceeding \$1 billion and that do business in California. CARB's current proposal is to determine applicability on the basis of the lesser of the entity's previous two fiscal years of revenue.	Public and private U.S. businesses with total annual revenues exceeding \$500 million and that do business in California. CARB's current proposal is to determine applicability on the basis of the lesser of the entity's previous two fiscal years of revenue.
Standards and frameworks leveraged	GHG Protocol. ⁷	TCFD or equivalent (e.g., the International Sustainability Standards Board's [ISSB's] IFRS S2 ⁸).
First-year reporting deadline	Proposed to be August 10, 2026. ⁹	January 1, 2026. ¹⁰
Time frame to be reported	Prior fiscal year; CARB's current proposed prior fiscal year reporting period is fiscal years ending between February 2, 2025, and February 1, 2026, for the first year of reporting. CARB's proposal allows entities with fiscal years ending after February 1, 2026, to report emissions data for either fiscal year 2025 or fiscal year 2026 in the initial year of reporting, depending on data availability. This option is included in the proposed regulatory text and was noted during the November workshop Q&A. Entities with fiscal years ending after February 1, 2026, that choose to submit 2026 fiscal year information (e.g., March 31, 2026) will still have a submission deadline of August 10, 2026.	Prior fiscal year (required by both the TCFD framework and ISSB standards); SB 261 does not specify the calendar or fiscal year, and CARB encourages entities to "use the most recent/best available data for the first report" (see FAQ 25 of CARB's November 2025 FAQ document).

⁶ An in-scope business entity is "a partnership, corporation, limited liability company, or other business entity formed under the laws of this state, the laws of any other state of the United States or the District of Columbia, or under an act of the Congress of the United States."

⁷ The GHG Protocol consists of the following standards and guidance that apply to the California climate legislation: *The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard, Revised Edition*; *GHG Protocol Scope 2 Guidance: An Amendment to the GHG Protocol Corporate Standard*; and *Corporate Value Chain (Scope 3) Accounting and Reporting Standard: Supplement to the GHG Protocol Corporate Accounting and Reporting Standard*.

⁸ IFRS S2, *Climate-Related Disclosures*.

⁹ See [Reporting Timelines](#) for details on this proposed reporting deadline.

¹⁰ An injunction was granted on November 18, 2025, which pauses the enforcement of the first-year reporting deadline for SB 261.

(Table continued)

	SB 253	SB 261
Compliance timeline and attestation	<ul style="list-style-type: none">• <i>Starting in 2026</i> — Disclose and obtain limited assurance for Scope 1 and Scope 2 GHG emissions for the prior fiscal year.¹¹• <i>Starting in 2027</i> — Disclose Scope 3 GHG emissions for the prior fiscal year on a timeline to be determined by CARB (no assurance required for Scope 3 emissions).¹²• <i>Starting in 2030</i> — Disclose and obtain reasonable assurance for Scope 1 and Scope 2 GHG emissions for the prior fiscal year; possible limited assurance for Scope 3 emissions.^{13,14}	<i>On or before January 1, 2026</i> — Publicly report disclosure in accordance with the climate risk disclosure requirements; no attestation requirement.
Subsidiary considerations	A subsidiary of a parent company that qualifies as a reporting/covered entity is not required to prepare separate disclosures if they are included in the parent-company report.	
Reporting frequency	Annual.	Biennial.
Reporting location	Public disclosure on a digital platform (details to be confirmed by CARB).	Public report on company's Web site to be linked within a public docket created and hosted by CARB. The docket was opened by CARB on December 1, 2025.
Fee associated with reporting	Yes — CARB flat fee per reporting entity to be determined (parent entities with multiple in-scope subsidiaries would need to pay separate fee for each of these subsidiaries).	Yes — CARB flat fee per covered entity to be determined (parent entities with multiple in-scope subsidiaries would need to pay separate fee for each of these subsidiaries).
Monetary penalty for noncompliance	Failure to comply will result in a fine of up to \$500,000 in a reporting year.	Failure to comply will result in a fine of \$2,500 per day for each violation, not to exceed \$50,000.

Applicability Criteria: Identifying Entities Subject to California Climate Laws

SB 253 and SB 261 apply to U.S. public and private businesses that do business in California and have annual revenues exceeding \$1 billion or \$500 million, respectively. The legal text of SB 253 and SB 261 does not clarify key terms such as “do business in California” or “revenue,” which makes it challenging for entities to determine whether they are within the scope of the California climate legislation. Accordingly, CARB has proposed definitions for these terms. CARB’s current proposed definition of “revenue” is based on gross receipts, as defined by the California Revenue Tax Code (RTC), while the current proposed definition of “do[ing] business in California” is based on a subset of criteria from RTC 23101. See [Key Guidance Affecting SB 253 and SB 261](#) for additional information.

¹¹ CARB’s current proposal states that it will exercise enforcement discretion by accepting the SB 253 GHG emissions data on the basis of what companies already have collected or were collecting when the enforcement notice was issued, regardless of whether the data received limited assurance. See the [Enforcement Information](#) section for further details.

¹² Scope 3 assurance requirements to be determined by CARB by 2027.

¹³ See footnote 12.

¹⁴ Starting in 2030, entities may need to disclose Scope 3 GHG emissions “as close as possible” to their disclosure timing for Scope 1 and Scope 2 GHG emissions; however, CARB will evaluate this in 2029 on the basis of current trends in Scope 3 GHG emissions reporting.

To help entities determine whether they are within the scope of the California climate legislation, CARB released a [preliminary list](#) of companies that could be affected by SB 253 and SB 261 and requested feedback on the accuracy of the list as well as the sources used to develop it. Since then, CARB has indicated that the list is incomplete and potentially inaccurate but that it is only a starting point; all companies are still responsible for determining whether the rules apply to them even if they are not on CARB's preliminary list.

CARB's Rulemaking Process and Timeline

CARB Rulemaking Process

CARB is responsible for developing the regulations to support SB 253's GHG emission reporting requirements. As part of its [rulemaking process](#), CARB is required to follow specific steps. The process, which began in May 2025, starts with an informal pre-rulemaking phase and ultimately results in the development of final, approved regulations.

As of the date of this publication, CARB is in the pre-rulemaking stage and has been actively engaging with stakeholders. In addition to holding [public workshops](#) and releasing proposed guidance, CARB has requested public feedback on topics that it should address before submitting its official proposed rule for public comment.

The following table summarizes CARB's rulemaking process:

Stage	Stakeholder Input?	Typical Duration	Key Activities
Pre-rulemaking	Yes	Months	Public workshops, listening sessions, stakeholder outreach
Formal rulemaking	Yes	1 year or less	Notice of proposed rule through issuance of formal rule, kicking off one-year period for approval
Public comment period	Yes	45 days, may be extended	Public comment period for the notice of proposed rule
Public hearing	Yes	1 day (often), may be extended	Stakeholder testimony, board discussion on notice of proposed rule
Revision and finalization	Yes (if revised)	15 days (if needed)	Revised rule, response to comments, possible additional comment period for revised rule
Approval and implementation	No	~ 30 days (then ongoing)	Office of Administrative Law review for clarity and legality, guidance, enforcement begins

Latest Rulemaking Timeline

As originally passed, SB 253 tasked CARB with issuing proposed regulations by January 1, 2025. This timeline was delayed to July 1, 2025, by SB 219. However, CARB was not ready to publish proposed regulations by that deadline and set a new deadline for issuing draft fee regulations in October 2025 and the remaining proposed regulations by the end of 2025. Then, on the basis of stakeholder feedback, CARB delayed the release of its October draft regulations and is continuing its pre-rulemaking process.

CARB has indicated that it expects to issue proposed regulations in early 2026 on annual fees, definitions affecting applicability of the regulations, and initial-year reporting deadlines for the submission of GHG emissions under SB 253.

The delay in the rulemaking timeline and release of the regulations does not change the compliance dates for first-year reporting under SB 253 (due sometime in 2026, with a

proposed due date of August 10, 2026) and SB 261 (due no later than January 1, 2026). However, the temporary injunction granted on November 18, 2025, temporarily paused the reporting regulations for SB 261 as the lawsuits related to the California climate legislation proceed. For more information, see [Compliance Considerations and Legal Challenges](#).

Key Guidance Affecting SB 253 and SB 261

Available Resources

CARB has released various resources and informational materials to help companies navigate and plan for reporting under the regulations. These resources include:

- An [enforcement notice](#) (issued on December 5, 2024), which describes the enforcement discretion CARB would exercise in the first year of reporting for entities that demonstrate good-faith efforts.
- [Three virtual workshops](#) (held on May 29, 2025; August 21, 2025; and November 18, 2025).
- An [FAQ document](#) (issued on July 9, 2025; [updated](#) on November 17, 2025).
- A climate-related financial risk report [compliance checklist](#) (issued on September 2, 2025; updated on November 17, 2025).
- A [preliminary list](#) of reporting/covered entities (issued on September 24, 2025).¹⁵
- A draft Scope 1 and Scope 2 GHG [reporting template](#) (issued on October 10, 2025).
- An [enforcement advisory](#) (issued on December 1, 2025), which states that CARB will not enforce the January 1, 2026, due date for the first year of reporting under SB 261 while the litigation in the Ninth Circuit Court of Appeals remains in progress. CARB will provide further information after the appeal is resolved.

Note that these materials represent supplemental guidance that does not modify, replace, or supersede the statutes and does not impose additional requirements beyond what is included in the two bills.

The paragraphs below give an overview of the main supplemental guidance that CARB has published.

Definitions Related to Determining Applicability

Although the California climate legislation defines which entities are subject to the regulations, the definitions are broad. Specifically, SB 253 defines a “reporting entity” as follows:

[A] partnership, corporation, limited liability company, or other business entity formed under the laws of this state, the laws of any other state of the United States or the District of Columbia, or under an act of the Congress of the United States with total annual **revenues** in excess of one billion dollars (\$1,000,000,000) and that **does business in California**. Applicability shall be determined based on the reporting entity's revenue for the prior fiscal year. [Emphasis added]

Further, SB 261 defines a “covered entity” as follows:

[A] corporation, partnership, limited liability company, or other business entity formed under the laws of the state, the laws of any other state of the United States or the District of Columbia, or under an act of the Congress of the United States with total annual **revenues** in excess of five hundred million United States dollars (\$500,000,000) and that **does business in California**. Applicability shall be determined based on the business entity's revenue for the prior fiscal year. “Covered entity” does not include a business entity that is subject to regulation by the Department of Insurance in this state, or that is in the business of insurance in any other state. [Emphasis added]

¹⁵ CARB clarified that the preliminary list is intended to be used as a fee calculation tool for estimating the number of entities within the scope of SB 253 and SB 261 but is not intended to be a compliance tool. In addition, CARB has indicated that, while it continues to refine the list's completeness and accuracy, companies are responsible for determining whether the rules apply to them regardless of whether they are on the list.

The applicability criteria below are intended to be assessed on an individual legal entity basis. In a parent-subsidary relationship, the parent and its subsidiaries assess their own compliance obligations individually on the basis of (1) the criteria outlined in the statutes above and (2) the proposed definitions below. In assessing the applicability of the two bills, entities may refer to the flowcharts posted by CARB in the [November 2025 workshop slides](#).

Throughout the pre-rulemaking stage, the CARB staff has presented proposed definitions for terms that affect which entities are within the scope of the California climate legislation, and stakeholders have provided feedback on the proposed definitions. In its November 2025 public workshop and updated FAQ document, CARB communicated the definitions that it plans to propose as part of its initial rulemaking in early 2026, which are summarized below.

- *Revenue* — Affects which entities meet the revenue thresholds. Under the current proposal, CARB is looking to leverage the existing California RTC in view of the initial proposal at May's workshop, which defines revenue as gross receipts in a manner consistent with [Section 25120\(f\)\(2\)](#) of the California RTC as follows:

[T]he 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.

In its updated FAQ 15, CARB adds that the determination of revenue by using gross receipts for a parent company would include subsidiary revenues if the parent company and its subsidiaries file California taxes as a unitary business. CARB's proposal is to determine applicability on the basis of the **lesser of** an entity's two previous fiscal years of revenue, which differs from the language in the statute in which applicability was based on an entity's revenue for the prior fiscal year. In the Q&A portion of its workshop, CARB clarified that for the 2026 reporting period, entities would consider revenue from fiscal years 2024 and 2025 in determining applicability and that the information could be derived from tax filings (e.g., Schedule F, Line 1a of CA Form 100 for a corporation).

- *Doing business in California* — Affects which entities are considered as engaging in business in California. CARB's current proposal defines this term on the basis of a subset of criteria from [RTC Section 23101](#), which are subject to thresholds that are adjusted annually. If an entity "is actively engaging in any transaction for the purpose of financial or pecuniary gain or profit" and exceeds the sales threshold or is organized or has its main commercial office in California, it meets the definition of "doing business in California." As of 2024, the sales threshold was sales in the state exceeding the lesser of \$735,019 or 25 percent of total sales. The RTC Section 23101 criteria for real and tangible personal property and compensation are not applicable in CARB's proposed definition.
- *Parent/subsidiary relationships* — Affects whether subsidiaries are eligible for an exemption if they are included in a parent-company report. CARB plans to use existing [cap-and-invest regulations](#)¹⁶ that define a subsidiary as an entity in which another entity has more than a 50 percent ownership or control. The cap-and-invest regulations provide the following criteria to consider in determining ownership or control:
 - A. Percent of ownership of any class of listed shares, the right to acquire such shares, or any option to purchase such shares of the other entity;
 - B. Percent of common owners, directors, or officers of the other entity;

¹⁶ Title 17, California Code of Regulations, Section 95833, "Disclosure of Corporate Associations."

- C. Percent of the voting power of the other entity;
- D. In the case of a partnership other than a limited partnership, percent of the interests of the partnership;
- E. In the case of a limited partnership, the percent of control over the general partner or the percent of the voting rights to select the general partner; and
- F. In the case of a limited liability corporation, percent of ownership in the other entity regardless of how the interest is held.

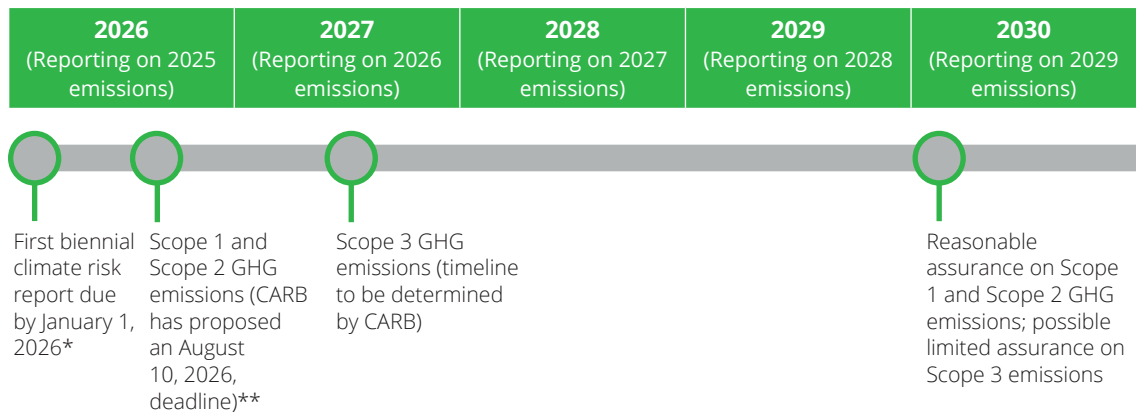
Entities should evaluate whether the existing cap-and-invest regulations are aligned with U.S. GAAP consolidation models, including whether this evaluation affects their assessment of the applicability of the California climate legislation.

- *Exempt entities* — Affects which entities are outside the scope of the California climate legislation. CARB proposed that the scope of the regulations would exclude:
 - Not-for-profit or charitable organizations defined as tax-exempt under the Internal Revenue Code, which includes California independent system operators or business entities whose only activity in California consists of wholesale electricity transactions that occur as part of interstate commerce.
 - Companies with a presence in California solely because of teleworking employees.
 - Federal, state, and local government entities, including companies that are more than 50 percent owned by governmental entities.
 - Business entities that are subject to regulation by the Department of Insurance in California or that are in the business of insurance in any other state.

The exemption for insurance business entities was previously limited to SB 261, which statutorily grants the exemption; however, under CARB’s proposal, such entities would be exempt from both SB 253 and SB 261.

Reporting Timelines

The following timeline illustrates the initial reporting period and deadline for each of the reporting requirements in SB 253 and SB 261, respectively:



* The injunction granted on SB 261 pauses the requirement for entities to comply with SB 261 as of January 1, 2026.

** See [Assurance Considerations](#) for further details on limited assurance requirements for the first year of reporting under SB 253.

- *SB 253* — Entities must report Scope 1 and Scope 2 GHG emissions in 2026, on a date to be set by CARB, covering the prior fiscal year. Scope 3 emissions reporting begins in 2027, also covering the prior fiscal year. Although CARB has not yet finalized the 2026 reporting date, during the November 2025 public workshop, **CARB proposed a single due date for the first SB 253 reporting cycle of August 10, 2026.**

- *SB 261* — Before the temporary injunction, entities within the scope of SB 261 would have been required to submit their **first report by January 1, 2026**. CARB's FAQ document clarifies that when complying with SB 261, entities should provide the most recent or best available data for the first report, which could be based on the calendar year or the fiscal year. However, in determining which period to report, entities should consider that certain frameworks, including TCFD, require reports to cover the fiscal year rather than the calendar year.

Despite the temporary injunction granted regarding SB 261, CARB opened a public docket on December 1, 2025, for companies to post the link to their SB 261 reports, promoting transparency and enabling public access to disclosures. The public docket will remain open until July 1, 2026. Companies should anticipate potential public attention to or scrutiny of their submissions.

Enforcement Information

On December 5, 2024, CARB issued an [enforcement notice](#) stating that it will not take enforcement action (i.e., impose penalties) for incomplete reporting for the first year under SB 253 provided that entities make a good-faith effort “to comply with the requirements of the law” and “retain all data relevant to emissions reporting” for the relevant fiscal years. The statutory language in SB 261 also refers to making a good-faith effort. CARB clarified the meaning of good-faith effort in its July 2025 FAQ document (applicable to both SB 253 and SB 261), which states that such reporting would be based on the best available information. The sections below provide further details.

In addition, on December 1, 2025, CARB issued an [enforcement advisory](#) stating that it will not enforce SB 261 against entities that fail to comply with the January 1, 2026, deadline. CARB noted that further information, including an alternate SB 261 reporting date, if appropriate, will be provided after the appeal is resolved.

Supplemental Proposed Guidance for GHG Emissions Reporting — SB 253

SB 253 requires reporting entities to measure and report GHG emissions in conformance with the GHG Protocol standards and guidance. Specifically, SB 253 states:

A reporting entity shall, beginning in 2026, measure and report its emissions of greenhouse gases in conformance with the Greenhouse Gas Protocol standards and guidance, including the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard and the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard developed by the World Resources Institute and the World Business Council for Sustainable Development, including guidance for scope 3 emissions calculations that detail acceptable use of both primary and secondary data sources, including the use of industry average data, proxy data, and other generic data in its scope 3 emissions calculations.

In addition, under SB 219, a reporting entity can satisfy its GHG emission reporting requirements if the subsidiary (reporting entity) is included in a consolidated report of the parent entity. CARB clarified this concept in FAQ 14 of its [updated FAQ document](#), which states that a “foreign parent company that is not based in the U.S. . . . may submit a consolidated report which provides the required reporting on behalf of its U.S.-based subsidiaries to satisfy reporting requirements for the in-scope subsidiaries.”

The GHG Protocol provides specific guidance on how an entity should determine:

- *Reporting boundaries* — What entities or operations are included for emission recognition and measurement purposes.
- *Classification of emissions* — Scope 1, Scope 2, and Scope 3.
- *Measurement guidance* — How an entity should measure emissions, including CO₂ equivalents.

- *Disclosure guidance* — Information that will allow users to understand reported emissions, such as judgments and estimation methods.

Many entities may be reporting GHG emissions for the first time. Such entities may find it helpful to consult CARB's FAQ document, which addresses the assurance requirements and reporting timeline, as well as its [guidance memo](#) and [draft reporting template](#), which includes links to useful reporting materials, such as GHG Protocol's standards.

FAQ 19 of CARB's November 2025 FAQ document clarifies how CARB will exercise enforcement discretion for first-year reporting under SB 253. Specifically, in the FAQ, CARB states that "[e]ntities that were not collecting data or were not planning to collect data, at the time the Enforcement Notice was issued, are not expected to submit Scope 1 and 2 reporting data for this first reporting cycle." This is part of CARB's effort to support the transition to compliance with the reporting requirements. If an entity concludes that it meets these criteria, it is required to provide to CARB, through a public docket, a statement on company letterhead indicating that the company (1) did not submit a report under SB 253 and (2) was not collecting data or planning to collect data at the time the enforcement notice was issued. The due date for this statement would be the same as that for reports under SB 253 (currently proposed to be August 10, 2026).

Further, FAQ 19 lists the following scenarios in which an entity within the scope of SB 253 can comply with the first-year SB 253 reporting requirements:

- "If a company develops its own annual report that includes information on Scope 1 and Scope 2 emissions, that company may submit that report to CARB."
- "If a company already submits annual Scope 1 and Scope 2 emissions through a voluntary program or to another regulatory program, that company may submit that same information to CARB."
- "A company may choose to submit data using CARB's *Scope 1 and 2 GHG Reporting Template*."
- "If a company does not collect Scope 1 and Scope 2 greenhouse gas emissions data, pursuant to the Enforcement Notice that company does not need to submit data for the first year's report. Any companies not submitting Scope 1 and Scope 2 greenhouse gas emissions data in 2026 pursuant to HSC § 38532 should submit a statement on company letterhead to CARB, stating that they did not submit a report, and indicating that in accordance with the Enforcement Notice, the company was not collecting data or planning to collect data at the time the [Enforcement] Notice was issued. CARB will open a public docket near the first year 2026 reporting deadline, to which these statements will be uploaded."

An entity that intends to submit to CARB the aforementioned statement that it was not collecting or planning to collect data may wish to consult legal counsel in reaching this conclusion.

Assurance Considerations

Beginning in 2026, SB 253 statutorily requires limited assurance for Scope 1 and Scope 2 emissions, which will scale up to reasonable assurance over Scope 1 and Scope 2 emissions starting in 2030. Currently, there is no assurance requirement for Scope 3 emissions (which must be reported starting in 2027), but there could be in the future. The bill does not specify which assurance standards would be acceptable. To exercise enforcement discretion for the first report due in 2026, CARB will accept Scope 1 and Scope 2 emissions data for the prior fiscal year that are based on the data companies already have or were collecting when the enforcement notice was issued, regardless of whether the data received limited assurance. However, during the Q&A portion of the November 2025 workshop, CARB clarified that if an entity had GHG emissions data that were subject to limited assurance, the entity should

submit that assurance report as part of its submission under SB 253. Also, during the workshop, CARB emphasized that this relief is only applicable in the first year of reporting.

At its August 2025 workshop, CARB discussed proposed key attributes of an assurance provider, which are based on the existing CARB-accredited verification requirements. The workshop [slide deck](#) states that these attributes include:

- Do not advise and then review your own work
- Maintain independence and objectivity
- Act with integrity and honesty
- Review emissions data reports on behalf of CARB
- Focus on rigor and efficiency as required for the level of assurance

In addition, CARB has requested stakeholder feedback on four potential assurance standards as options for fulfilling the assurance requirements of SB 253: AICPA attestation standards, ISSA 5000,¹⁷ AA1000,¹⁸ and ISO 14060.¹⁹ CARB has not yet confirmed which assurance standards will be accepted but has indicated that it intends to leverage existing assurance standards to meet the requirements and that it currently does not plan to use only one of these standards.

CARB has indicated that, after the initial rulemaking expected in the first quarter of 2026, it will perform additional rulemaking and develop more guidance on the reporting and assurance requirements for SB 253 in 2027 and beyond.

Supplemental Guidance on GHG Reporting Considerations

In an effort to streamline reporting, especially for entities that are reporting for the first time, CARB has released a proposed reporting template for Scope 1 and Scope 2 GHG emissions.

The draft template includes both required fields and optional fields. CARB has indicated that some optional fields may become mandatory in future reporting years. The template includes a mix of dropdown and text response fields, organized into the following sections:

- Organization information.
- Third-party verification (assurance provider).
- Inventory boundary.
- Disclosure of Scope 1 and Scope 2 emissions.
- Methods.
- Minuscule/de minimis sources.
- Mandatory reporting regulation fields.
- Emission reductions.
- Disclosure of base-year emissions.

Use of the template is voluntary for the 2026 reporting cycle and does not change legal requirements under the statute. The comment period for the draft template ended on October 27, 2025, and CARB is evaluating the feedback received from stakeholders. CARB stated that the draft template will not be revised for the 2026 reporting period but that stakeholder feedback will be considered when the draft template is revisited for subsequent reporting periods as part of its subsequent rulemaking.

¹⁷ International Standard on Sustainability Assurance (ISSA) 5000, *General Requirements for Sustainability Assurance Engagements*.

¹⁸ AA1000, *Assurance Standard*.

¹⁹ International Organization for Standardization (ISO) 14060, *Net Zero Aligned Organizations*.

The template includes a mixture of reporting information that is both required and not required by the GHG Protocol. It does not include all quantitative and qualitative information that must be reported in a GHG Protocol report.

Climate-Related Risk Reporting — SB 261 (Currently Subject to Injunction From Ninth Circuit of Appeals)

Although CARB is not required to issue reporting regulations related to implementing SB 261, its responses to feedback and questions from stakeholders constitute supplemental information on reporting requirements. In addition, CARB has issued a draft checklist outlining the minimum reporting requirements under SB 261 for the first year of reporting.

Climate-Related Risks and Opportunities

Many stakeholders have raised questions about the scope of the reporting requirements and whether only climate-related financial risks must be reported or whether an entity is required to disclose climate-related financial opportunities in a manner consistent with the TCFD guidance. CARB's FAQ document defines "climate-related financial risk" and states that SB 261 "allows but does not mandate the disclosure of information that falls outside of this definition." However, supplemental disclosure guidance provided after the issuance of the initial FAQs refers to TCFD requirements to disclose information about opportunities.

Entities that do not include opportunities in their report should consider disclosing the omission of opportunities, as required by many reporting frameworks (e.g., TCFD and IFRS® Accounting Standards) but not addressed in SB 261.

In its November 2025 updated climate-related financial risk report checklist, CARB clarified that entities in the early stages of evaluating climate-related risks may begin by disclosing how these risks may be relevant, even if no material risks have yet been identified or actions taken. In addition, entities should include in their disclosures a description of gaps, limitations, and assumptions made as part of their assessment of climate-related issues.

Guidance on Minimum Reporting Requirements

CARB clarified that SB 261 reporting should take into account the four overriding principles of TCFD — governance, strategy, risk management, and metrics and targets. This is reflected in the draft checklist for climate-related financial risk disclosures that CARB issued on September 2, 2025 (and retained in its updated November 18, 2025, checklist), which is intended to be used by reporting entities as a starting point since it specifies the minimum disclosure requirements for the initial year of SB 261 reporting.

The main elements of the checklist include:

- *Reporting frameworks* — Companies must select a reporting framework such as the TCFD, IFRS S2, or other reporting frameworks developed in accordance with regulated exchanges, governmental entities, or both. Each report should clearly state the chosen framework and specify which recommendations and disclosures have been included or omitted, along with a short summary of reasons and future plans for disclosure of omitted information.
- *Parent-entity reporting* — A parent entity may submit a report on behalf of a subsidiary, and the parent entity need not break out separate disclosures for the subsidiary. Specifically, the checklist states that "[i]f a subsidiary of a parent company qualifies as a covered entity under HSC § 38533, the subsidiary is not required to prepare a separate climate-related financial risk report (if the parent company is reporting on its behalf)."

- *Governance* — At a minimum, organizations are required to describe their governance structure for climate-related financial risks, including management oversight and, if applicable, board oversight of climate-related risks and opportunities.
- *Strategy* — Entities must disclose the actual and potential impacts of climate-related risks and opportunities on their operations, strategy, and financial planning. Such disclosures would include identifying short-, medium-, and long-term risks and opportunities; their impact; and the resilience of the company's strategy in various climate scenarios.

CARB indicated that climate-related scenario analysis is not required; however, if the information is available (either quantitative or qualitative), entities should include it.

- *Risk management* — An entity must describe its processes for identifying, assessing, and managing climate-related risks, including how these processes are integrated into the organization's overall risk management framework.
- *Metrics and targets* — Companies should disclose the metrics and targets used to assess and manage climate-related risks and opportunities, including any material information relevant to their operations and financial outlook.

CARB indicated that disclosure of Scope 1, Scope 2, or Scope 3 GHG emissions is not required in the first year of reporting; however, if the information is available and the GHG emissions are related to an entity's metric or target, it should be included.

The checklist encourages companies to tailor their reports to their specific circumstances while adhering to statutory requirements.

Fee Regulations

Although draft regulations on implementation fees for the California climate legislation have been postponed to the first quarter of 2026, during its August 2025 workshop, CARB introduced a concept of using a flat fee per in-scope entity (i.e., a stand-alone entity that meets the applicability definition) on the basis of the total annual program cost allocated to each regulation (i.e., SB 253 and SB 261) divided by the number of entities within the scope of the regulation. In other words, if an entity is within the scope of SB 261, it would pay one flat fee, and if an entity is within the scope of both SB 261 and SB 253, it would pay two flat fees (one for each regulation). This was reiterated at the November 2025 workshop. The flat fee would be payable by each entity within the scope of each respective regulation even if the entity is covered by a parent-company report. However, a parent entity may pay its subsidiary's fees on their behalf in a single combined payment. This concept has not been finalized and could differ from CARB's initial and final rulemaking. The fee regulation is meant to cover CARB's costs associated with developing and monitoring these regulations.

CARB plans to issue invoices for both regulations one month after the proposed SB 253 reporting deadline of August 10, 2026.

Compliance Considerations and Legal Challenges

Status of Legal Challenges

On January 31, 2024, the U.S. Chamber of Commerce and California Chamber of Commerce (the "plaintiffs") filed a lawsuit with the U.S. District Court for the Central District of California ("Central District Court") challenging California's climate legislation. On August 13, 2025, the Central District Court denied a request by the plaintiffs for a preliminary injunction to pause enforcement of SB 253 and SB 261 while the Central District Court heard the case. Shortly

thereafter, the plaintiffs appealed the denial of the injunction (“the appeal”) to the Ninth Circuit Court of Appeals (“Ninth Circuit”).

On November 18, 2025, the Ninth Circuit granted the motion for a temporary injunction regarding enforcement of SB 261, which requires first reporting by January 1, 2026, but denied the motion for an injunction regarding enforcement of SB 253, which requires first reporting by August 10, 2026. The Ninth Circuit scheduled oral arguments related to the appeal for both SB 261 and SB 253 for January 9, 2026.

Entities and their legal counsel should evaluate the impact of the injunction granted for SB 261 on their compliance timelines. Companies should continue to evaluate their timeline for complying with SB 253 in accordance with the CARB guidance discussed in this publication while also monitoring any future court action.

Monetary Penalties

Noncompliance with the California climate legislation will result in the following monetary penalties per reporting year per reporting/covered entity: up to \$500,000 for SB 253 and up to \$50,000 for SB 261.

In addition to monetary penalties, entities should evaluate other business consequences and legal risks for not reporting information in a timely manner or in accordance with the California climate legislation.

Implications and Considerations for Companies

Despite the lack of final regulations, companies should consider preparing for reporting under the California climate legislation.

Assessing Applicability

Entities should be actively working to determine whether they are within the scope of the California climate legislation. Entities should use the existing understanding of the key definitions (e.g., revenue, “doing business in California,” and exempt entities as defined in the [Key Guidance Affecting SB 253 and SB 261](#) section) to assess the applicability of the California climate legislation. CARB’s proposal determines applicability on the basis of the lesser of an entity’s previous two fiscal years of revenue.

Entities with complex legal structures should work closely with legal counsel to determine applicability.

Gap Analysis

To the extent that an entity already prepares GHG emissions disclosures, a climate-related financial risk report, or both, the entity should review current disclosure practices against the supplemental guidance provided by CARB. While a voluntary GHG emissions report or a voluntary TCFD report may contain the majority of the disclosures required by the legislation, organizations should consider whether current voluntary reporting sufficiently addresses the requirements of the California climate legislation and related supplemental guidance released by CARB. Further, entities that voluntarily report GHG emissions but do not receive limited assurance should prepare and engage a third-party assurance provider for limited assurance (see section below). Entities that voluntarily publish a TCFD report may want to consider whether the voluntary disclosures include information beyond that in the SB 261 requirements and what, if any, related risks could arise.

Assurance Preparation (SB 253 Only)

It is important for entities within the scope of SB 253 to start preparing for obtaining limited assurance over Scope 1 and Scope 2 emissions. Entities should begin with understanding the GHG Protocol to determine appropriate reporting boundaries; collecting relevant activity data (Scope 1 activities would include fuel usage, refrigerant data, and other direct emission sources, and Scope 2 activities would include purchased electricity, steam, heating, and cooling usage data); selecting emission factors to calculate emissions; and refining reporting processes. For entities that have not previously prepared a GHG emissions inventory, it is important to start engaging relevant stakeholders within the company (typically stakeholders within financial reporting, legal, facilities, operations, supply chain management, and those charged with governance). Entities that have previously prepared a GHG emissions inventory but have not obtained limited assurance may consider engaging with a third-party assurance provider during CARB's enforcement discretion period to prepare to comply with limited assurance requirements for future SB 253 reporting.

As summarized in the [Key Guidance Affecting SB 253 and SB 261](#) section, CARB has not yet finalized the assurance or independence and ethics standards to be adopted for the performance of an assurance engagement to meet the assurance requirement of SB 253. In its updated FAQ 20, CARB stated that it "will exercise enforcement discretion for the first report due in 2026, allowing reporting entities to submit Scope 1 and Scope 2 emissions for their prior fiscal year based on information they already have or were collecting when this Notice was issued, whether or not the data received limited assurance." During the November 2025 workshop, CARB emphasized that this discretionary relief is only applicable in the first year of reporting. Subsequent rulemaking will clarify the requirements related to reporting and assurance for SB 253 in 2027 and beyond.

Entities that do not plan to obtain assurance over their Scope 1 and Scope 2 emission submission on the basis of CARB's updated clarification on how it plans to exercise enforcement discretion may consider consulting legal counsel regarding their decision.

Next Steps and Outlook

The California climate legislation continues to evolve, and stakeholders should remain informed of the latest developments in the coming months. While legal proceedings continue to advance, companies should evaluate their timeline for complying with the statutes and monitor any impact of the future court proceedings on regulations and timeline.

CARB plans to propose its initial rulemaking in the first quarter of 2026. However, in its November workshop slide deck, CARB stated that subsequent rulemaking related to SB 253 will also be performed in 2026 to establish program requirements for 2027 and beyond. Such requirements will include, but will not be limited to, data assurance requirements, further enforcement provisions, recurring reporting deadlines beyond 2026, and reporting templates.

See [CARB's Web site](#) for the latest developments and events.

Other Deloitte Resources

- [Heads Up — The Sweeping Impacts of California's Climate Legislation](#)
- [Heads Up — California Climate Legislation Update — Reporting Deadlines Remain Unchanged Under SB-219](#)
- [Roadmap — Greenhouse Gas Protocol Reporting Considerations](#)

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