Proskauer

Updated Guidance on Compliance with California's Climate Disclosure Laws

Regulatory & Compliance on **November 25, 2025**

On November 18, 2025, the California Air Resources Board (CARB) held its third virtual public workshop regarding implementation of California's climate disclosure laws: SB 253 (the Climate Corporate Data Accountability Act) and SB 261 (the Climate-Related Financial Risk Act), both as amended by SB 219. For more in depth background on these laws, please see our prior alert. Although the final regulations implementing SB 253 and SB 261 will not be promulgated until some time in the first quarter of 2026, CARB provided updates to compliance deadlines, key definitions and reporting requirements and updated its FAQs concerning the SB 253 and SB 261 regulatory development and initial reports.

Updated Compliance Deadlines

- For SB 253, the compliance deadline to report on Scope 1 and 2 greenhouse gas (GHG) emissions was pushed back from June 30, 2026 to **August 10, 2026**.
- For SB 261, the compliance deadline remains **January 1, 2026** to post the entity's climate-related financial risk report on its website (subject to the federal litigation developments discussed below). Reports must be submitted to the CARB docket by **July 1, 2026**.[1]
- CARB anticipates fees for SB 253 and SB 261 (estimated to be $3,106 per entity for SB 253 and $1,403 per entity for SB 261) to be assessed **September 10, 2026.**

Updated Key Definitions

Though not confirmed as final, updates were provided for the proposed key definitions regarding applicability for both SB 253 and SB 261:

***"Revenue"*:**

- Will be based on the definition of "gross receipts" in the California Revenue and Taxation Code §23120(f)(2)[2] – which are verifiable on the California Franchise Tax

Board (FTB) tax filings.

- CARB referenced the following specific line items on FTB tax filings to determine whether an entity meets the “revenue” threshold for SB 253 and SB 261:

Entity Type	Tax Form	Total Revenue (Gross Receipts)
Corporation	Form 100	Schedule F, Line 1a
S-Corporation	Form 100S	Schedule F, Line 1a
Partnership	Form 565	Line 1a
LLC	Form 568	Schedule B, Line 1a

- For example, as CARB explained its FAQs, if a parent company and its subsidiaries file California taxes as a unitary business, then the revenue of the subsidiaries counts towards the revenue of the parent company as part of its gross receipts.
- To account for annual changes in revenue, whether the entity meets the “revenue” applicability threshold would be determined by the lesser of the entity's two previous fiscal years of revenue.

“*Doing Business in California*”

CARB reverted to a narrower definition[3] based on Cal. Rev. and Tax Code §23101, with the goal of limiting regulated entities to those that have a significant nexus with California. An entity is "doing business in California" if it is actively engaging in any transaction for the purpose of financial or pecuniary gain or profit and meets any one of the following criteria:

- The entity is organized or commercially domiciled in California; or
- Sales in California exceed $735,019 (2024), which include sales by the entity's agent or independent contractor.

CARB noted that an entity can verify whether it meets the "doing business in California" sales criteria based on California FTB tax filings, Schedule R-1, Col(b).

"Parent-Subsidiary" Relationship

- Parent entities may file consolidated reports encompassing their subsidiaries. For purposes of determining whether a parent-subsidiary relationship exists, CARB's definition of "subsidiary" is tied to the "direct corporate association" definition used in California's Cap-and-Invest program.[4], [5]
- CARB reiterated that even where a parent-subsidiary relationship exists, each individual entity should assess whether it qualifies as a covered entity for purposes of SB 253 and SB 261. Just because a parent entity meets the qualifying criteria, does not mean the subsidiary meets the criteria and vice versa.

Exemptions and Proposed Exclusions

- CARB reiterated the statutory exemptions for (i) government entities, and companies that are majority-owned by government entities; and (ii) entities subject to regulation by the Department of Insurance in California or that are in the insurance business in any other state.
- CARB proposed that exemptions from compliance with SB 253 and SB 261 should extend to (i) non-profit or charitable organizations, defined as tax-exempt under the Internal Revenue Code; and (ii) entities whose only business in California is the presence of teleworking employees.

Updated Reporting Requirements

For SB 253:

- CARB clarified that if the reporting entity's fiscal year ends between January 1 and February 1, 2026, the reporting data should be from FY 2026; but if it ends between February 2 and December 31, 2026, the data should be from FY 2025, to give each entity at least 6 months after its fiscal year end to submit the disclosure.
- Of note, entities that did not collect or were not planning to collect reporting data as of December 5, 2024 (the date of CARB's Enforcement Notice) are not expected to submit Scope 1 and 2 reporting data in 2026 and instead must submit a statement to CARB on company letterhead that they did not submit a report because, in accordance with the enforcement notice, they were not collecting or planning to collect data as of CARB's enforcement notice date.
- Limited assurance is no longer required for the initial 2026 reporting cycle for SB 253 (but is expected to be required for subsequent reporting years until 2030, when reasonable assurance is anticipated). However, if an entity already has limited assurance data, that limited assurance should be provided.
- CARB essentially is taking the position of "give us what you have" or "give us what you were collecting when the December 5, 2024 Enforcement Notice was issued."
- CARB updated the Scope 1 and 2 reporting template but reiterated that use of the template is optional for the 2026 reporting.

For SB 261:

- CARB reaffirmed that despite the delay in promulgating final implementing regulations, the deadline to post a climate-related financial risk disclosure on the entity's website remains January 1, 2026 (but see Litigation Update below).
- CARB reiterated in its FAQs that the climate-related financial risk disclosures made by the January 1, 2026 deadline may be based on the best available information, including information from past fiscal years (such as FY 2023/2024 or 2024/2025).
- CARB updated the SB 261 checklist setting forth the minimum requirements for the initial report due January 1, 2026.

Federal Litigation Update

Litigation brought by the Chamber of Commerce of the United States and others challenging the constitutionality of SB 253 and SB 261 remains ongoing.[6] On November 18, 2025, the U.S. Court of Appeals for the Ninth Circuit issued a temporary injunction pending appeal against SB 261, effectively halting enforcement of SB 261 (but denying an injunction pending appeal for SB 253). Oral arguments on the appeal are currently scheduled for January 9, 2026. At this time, it remains unclear whether the injunction applies only to the plaintiffs in the case or to SB 261 more generally.

The order does not impact the current proposed timeline for compliance with SB 253.

CARB's Next Steps

Following its rulemaking in 1Q 2026 for the initial reporting, CARB anticipates establishing other requirements for SB 253, including (i) data assurance requirements; (ii) further enforcement provisions; (iii) recurring reporting deadlines beyond 2026, (iv) reporting templates, and (vi) Scope 3 reporting requirements.

Recommended Next Steps for the Regulated Community

Although still not final, with these additional regulatory details and the deadline for reporting approaching, entities should:

- Assess whether they, or any of their subsidiaries, are likely to be covered under SB 253 and/or SB 261 (understanding that the deadline to comply with SB 261 currently may be on hold);
- Gather relevant GHG emissions data required to be reported based on fiscal year 2025 or 2026, as applicable, for the first report;
- Continue to monitor developments concerning CARB's final rulemaking; and
- Continue to monitor litigation developments and their impact on the enforceability of SB 261 and SB 253.

For more information on this topic, please see the whitepaper we recently published in collaboration with ***KEY ESG***.

We will continue to keep you updated as developments concerning California's climate disclosure laws unfold.

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[1] The CARB docket will open December 1, 2025 and close on July 1, 2026.

[2] Under §25120(f)(2), “gross receipts” means “the 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 the goods sold or the basis of property sold."

[3] CARB rejected an earlier version of the definition which included a property threshold, a compensation threshold, and a sales prong where California sales constituted 25% of the entity’s total sales.

[4] See Title 17, CA Code of Regulations §95833.

[5] A parent corporate entity has an ownership interest or control over a second entity if it owns more than 50% of a subsidiary’s shares (or has a right to acquire more than 50% of the subsidiary’s shares) or voting power, or there is greater than 50% of common owners, directors or officers among the parent and subsidiary.

[6] *U.S. Chamber of Commerce et al.* v. *CARB et al.*, Case No. 2:24-cv-00801 (C.D. Cal.). Exxon also filed a lawsuit seeking to enjoin SB 253 and SB 261 against Exxon, including on the basis that the laws violate the First Amendment as it relates to Exxon. *Exxon Mobil Corporation* v. *Sanchez, et al.*, Case 2:25-at-01462 (E.D. Cal.).

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