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New Updates to California's Climate Disclosure Laws

December 29, 2025

On December 9, 2025, the California Air Resources Board (CARB) issued draft regulations for implementing California's climate disclosure laws, SB 253 (the Climate Corporate Data Accountability Act) and SB 261 (the Climate-Related Financial Risk Act). On December 23, 2025, CARB made some minor updates to the proposed regulation text.

The proposed regulation is limited to establishing a fee structure for SB 253 and SB 261 and the first year reporting deadline of August 10, 2026 for SB 253, but also defines key terms necessary for both SB 253 and SB 261, such as "doing business in California" and "revenue," to clearly determine which entities will be covered by these programs. For a more in depth review of California's climate disclosure laws and their compliance requirements, please refer to our prior alerts.

Key definitions under the proposed regulations are largely consistent with the definitions proposed at CARB's November 2025 workshop, with some modifications:

"***Doing business in California***" means actively engaging in any transaction for the purpose of financial or pecuniary gain or profit and meeting either of the following criteria:[1]

- The entity is organized or commercially domiciled in California; or
- The entity has sales in California that exceed (i) $735,019 (2024), which includes sales by the entity's agent or independent contractor, *or (ii) 25% of the entity's total sales*.[2]

"***Revenue***"

- Has the same meaning as "gross receipts" under section 25120(f)(2) of the California Revenue and Taxation Code.[3]
- Revenue is determined by the lesser of the entity's two previous fiscal years of revenue.

"Parent-Subsidiary" Relationship

- "**Parent**" means a business entity that has ownership interest in or control of another business entity by direct corporate association.[4]
- "**Subsidiary**" means a business entity that another business entity has ownership interest in or control of by direct corporate association.[5],[6]

Additional proposed provisions:

- **Fees and Fee Enforcement**
- Beginning in 2026 and every year thereafter, each covered entity will receive a written fee determination by September 10, and the covered entity will be required to pay that fee within 60 days of the fee determination notice date.
- If the fees are not paid within the 60-day timeframe, entities will be subject to a late fee to be set by CARB, in addition to any penalty that may be assessed. Each day the full amount of the fee is not paid will be considered a separate violation.
- CARB can seek an injunction for any fee-related violation.
- **Recordkeeping**
- Entities are required to maintain records demonstrating that they meet the "doing business in California" and "revenue" thresholds for five years and provide those records to CARB if requested.

CARB's Next Steps:

In addition to a staff report on the rationale for the proposed regulation, CARB posted a notice of public hearing to be held on February 26, 2026 to consider adoption of the initial proposed regulation. The public comment period for the proposed regulation began on December 26, 2025, and the 45-day public comment period will end on February 9, 2026 for written comments not submitted during the hearing. Following the public hearing, CARB may take action to approve the proposed regulation for adoption as is or with non-substantial modifications. If there are more substantive modifications made, the revised proposed regulation will be published for public written comment for at least 15 days before final adoption.

SB 261 Compliance Timing:

In light of the injunction issued by the Ninth Circuit Court of Appeals against SB 261, CARB issued an enforcement advisory confirming that it will not enforce SB 261 against covered entities for failing to post and submit reports by the January 1, 2026 statutory deadline. CARB will provide an alternate deadline for SB 261 reporting after the appeal in the Ninth Circuit case is resolved, which is anticipated after January 9, 2026, the date set for oral argument on the appeal. In the meantime, CARB opened a public docket for entities to voluntarily submit SB 261 reports if they so choose.

Stakeholders should:

- 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.

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

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[1] As set forth in §23101(b)(1) or §23101(b)(2) of the California Revenue and Taxation Code.

[2] Wholesale sales of electricity do not count for purposes of determining an entity's sales in California.

[3] 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."

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

[5] Id.

[6] 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.

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