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California's Climate Disclosure Laws – Initial Implementing Regulations Approved

March 11, 2026

On February 26, 2026, the California Air Resources Board (CARB) voted to approve adoption of the initial regulations CARB proposed in December 2025 to implement California's climate disclosure laws under SB 253 (requires U.S.-based entities with more than $1 billion in annual revenue that do business in California to annually report Scope 1 and Scope 2 greenhouse gas (GHG) emissions beginning in 2026, and Scope 3 GHG emissions beginning in 2027) and SB 261 (requires U.S.-based entities with more than $500 million in annual revenue that do business in California, to biennially report their climate-related financial risk). The Office of Administrative Law must approve the proposed regulations for them to become effective.

As we previously reported in December 2025, the initial regulations:

- Establish the first-year reporting deadline of August 10, 2026 for SB 253 (for Scope 1 and Scope 2 emissions)
- Establish a flat-rate fee structure for SB 253 and SB 261, and
- Define key terms necessary to determine which entities will be covered by SB 253 and SB 261, including:
  - "*Doing business in California*" which means actively engaging in any transaction for the purpose of financial or pecuniary gain or profit and the entity is organized or commercially domiciled in California or has sales in California that exceed $757,070 (2025) or 25% of the taxpayer's total sales; [1]
  - "*Revenue*" which means "gross receipts" under section 25120(f)(2) of the California Revenue and Taxation Code; determined by the lesser of the entity's two previous fiscal years of revenue; and
  - "*Parent*" and "*Subsidiary*" which have the meanings under Title 17, California Code of Regulations § 95833 (CARB's Cap-and-Invest Program).

For a more in depth review of California's climate disclosure laws and their compliance requirements, please refer to our December 2025 alert and our other prior alerts.

Future Rulemaking

CARB is still working to establish future reporting requirements for SB 253, including the date for Scope 1, 2, and 3 GHG emissions reporting in 2027 and beyond, and data assurance requirements.

Litigation Implications

Both SB 253 and SB 261 are the subject of ongoing litigation. The U.S. Chamber of Commerce and other business groups had sued CARB in January 2024,[2] alleging that California's climate disclosure laws violate the First Amendment, among other things. In August 2025, the court denied the plaintiffs' motion for a preliminary injunction, and in November 2025, the U.S. Court of Appeals for the Ninth Circuit granted an injunction against SB 261, but not against SB 253.[3]

Current Status:

SB 253 remains enforceable - Scope 1 and Scope 2 GHG emissions will need to be reported **by the August 10, 2026 deadline**. As we previously reported, CARB will take a more lenient approach with respect to the first reporting cycle.

SB 261 is subject to the Ninth Circuit's injunction and, as a result, 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 [4]

Climate Disclosure in Other States

As we have previously reported, other states continue to advance climate disclosure legislation. Most recently, on February 10, 2026, the New York State Senate passed the Climate Corporate Data Accountability Act (Senate Bill S9072A), modeled on California's SB 253, which would require disclosure by certain U.S. business entities of their Scope 1, Scope 2 and Scope GHG emissions on an annual basis. The bill must still pass in the New York State Assembly before becoming law.

What U.S. Companies Should Do Now

Although California's SB 253 and SB 261 remain subject to legal challenges, CARB's approval of the initial proposed implementing regulations indicates the agency is moving forward with aspects of implementation while those challenges are pending. U.S. companies and other business entities that have not already begun preparing should take steps to:

- **Assess applicability and exposure**: Determine whether the entity falls within the scope of SB 253 and SB 261 and evaluate overall compliance readiness;
- **Conduct a gap analysis:** Map existing GHG emissions and climate-risk reporting processes against the proposed requirements and identify data gaps, particularly for Scope 3 emissions and portfolio-level risk.
- **Evaluate adviser- and fund-level impact:** For investment advisers and fund managers, assess how the rules may apply at both the management entity and portfolio company levels.
- **Integrate into diligence and monitoring:** Incorporate climate disclosure considerations into investment due diligence, ongoing monitoring, and governance practices.
- **Engage portfolio companies early:** Work with portfolio companies to enhance data collection, controls, and oversight frameworks.
- **Coordinate internally:** Align legal, compliance, finance, and sustainability teams to mitigate risk and position the entity for timely compliance.

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[1] At the hearing, there was discussion regarding CARB's exemption of insurance companies from complying with SB 253 (SB 261 expressly exempts insurance companies from compliance).

[2] Chamber of Commerce v. California Air Resources Board (Case No. 2:24-cv-00801). Complete case history linked here.

[3] Oral argument was held on January 9, 2026, but the court has not yet issued a decision.

[4] In the meantime, CARB opened a public docket for voluntary reporting and over 120 entities have voluntarily submitted climate-related financial risk disclosures.

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