



Feb 04, 2025

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CARB's December 2024 Actions on SB 253 and SB 261 Implementation

The California Air Resources Board (CARB) has taken new regulatory actions in December 2024 to advance the implementation of Senate Bills 253 and 261, which establish mandatory corporate disclosure requirements. These updates represent California's continued expansion of regulatory oversight for businesses operating within the state. This update outlines CARB's December initiatives, summarizes SB 253 and SB 261, and highlights key compliance considerations for affected businesses.

CARB's December 2024 Updates

Information Solicitation Process

On December 16, 2024, CARB launched an information solicitation process to inform its implementation of SB 253 and SB 261. CARB is soliciting stakeholder input on critical regulatory issues, including defining "doing business in California," determining which entities meet the revenue thresholds, and aligning state requirements with existing federal and international reporting frameworks.

Enforcement Notice

On December 5, 2024, CARB issued an enforcement notice addressing compliance flexibility for businesses during the transition period. The notice allows entities to submit Scope 1 and Scope 2 greenhouse gas (GHG) emissions data based on currently available information for the first reporting cycle in 2026, provided they show good faith efforts to meet full reporting requirements.

Background on California's Corporate Disclosure and Risk Accountability Legislation

Senate Bills 253 and 261, enacted in 2023 and amended by SB 219 in 2024, form the basis of California's expanded corporate disclosure requirements. SB 253 mandates that businesses with annual

revenues exceeding \$1 billion disclose Scope 1 (direct), Scope 2 (energy-related indirect), and Scope 3 (all other indirect) GHG emissions annually, with enforcement beginning in 2026. SB 261 requires companies with over \$500 million in annual revenues to report biennially on climate-related financial risks and mitigation strategies, aligning with Task Force on Climate-Related Financial Disclosures (TCFD) guidelines.

SB 219, enacted in 2024, introduced key amendments, including an extension of the regulatory deadline for CARB to adopt implementation measures from January 1, 2025, to July 1, 2025. However, businesses are still required to submit their first reports on January 1, 2026, under both laws.

Key Takeaways

Businesses subject to these regulations should take proactive steps to determine their compliance obligations. Companies must assess whether they meet the revenue thresholds and review their internal data collection processes to ensure they are prepared to report Scope 1, 2, and 3 emissions data. Scope 3 reporting may require additional coordination with supply chain partners to gather accurate data. For SB 261, businesses should integrate risk assessment protocols into their financial reporting frameworks to align with TCFD standards and avoid penalties.

CARB's enforcement discretion during the transition period provides an opportunity for businesses to refine compliance processes. However, the agency's emphasis on good faith efforts underscores the importance of early preparation, including developing robust data collection and validation mechanisms. Participation in CARB's information solicitation process may also allow businesses to contribute to regulatory development efforts and address industry-specific concerns.

Failure to comply with SB 253 and SB 261 could result in substantial financial penalties, including up to \$500,000 annually under SB 253 and \$50,000 under SB 261. Companies operating in California must also navigate the intersection of state, federal, and international reporting requirements, making regulatory harmonization essential

to avoid conflicts and ensure efficient compliance.

These laws signal increased regulatory scrutiny and require businesses to make strategic adjustments in governance, including an enhanced oversight of corporate goals and risk management. By aligning disclosure efforts with regulatory mandates, businesses can mitigate compliance risks and meet evolving expectations from regulators and stakeholders.

To learn more about the topics discussed here, contact the author or any member of Frost Brown Todd's [Environmental Practice Group](#)

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