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California's Climate Disclosure Rulemaking Enters a New Phase

California's requirements for climate-related corporate disclosures are evolving as the California Air Resources Board (CARB) continues to implement Senate Bill (SB) 253 and SB 261. Although these statutes were enacted in 2023 and amended by SB 219 in 2024, CARB's regulatory process remains ongoing and behind schedule. This update summarizes the current status of rulemaking, highlights recent developments, and provides practical guidance for businesses preparing for compliance.

Where the Rulemaking Process and Regulatory Timetable Stand

As of June 2025, CARB has not finalized the implementing regulations for SB 253 or SB 261. The agency held its initial workshop on May 29, 2025, commencing a critical phase of public engagement. During the workshop, CARB announced that it will not meet the statutory July 1, 2025 deadline for adopting SB 253 regulations and now anticipates adopting final rules in 2026. Reporting pursuant to these statutes is required by January 1, 2026, although CARB could extend that deadline through its rulemaking process.

Key regulatory details are still under development. These include the process for report submission, the definition of "doing business in California," and how California's standards will align with federal and international disclosure requirements. Businesses should expect that compliance obligations may change as rulemaking continues.

SB 253 and SB 261: Revisiting the Core Requirements

SB 253, known as the Climate Corporate Data Accountability Act, requires companies with more than \$1 billion in total annual revenue to report their greenhouse gas (GHG) emissions if they are "doing

business in California.” CARB will clarify the meaning of “doing business in California” through its rulemaking, but under both SB 253 and SB 261, the revenue threshold is based on a company’s global operations, not just those within California or the United States. This global standard also applies to emissions reporting and, for SB 261, to climate-related financial risk disclosures. This approach is not expected to change in the final regulations.

Under SB 253, companies must report Scope 1 (direct), Scope 2 (energy-related indirect), and Scope 3 (other indirect, including supply chain) GHG emissions via a digital platform to be identified by CARB. These disclosures must follow the Greenhouse Gas Protocol—the internationally recognized standard for GHG accounting—and must reflect the company’s entire global footprint. The law does not permit reporting on a California-only basis.

SB 261, the Climate-Related Financial Risk Act, applies to entities “doing business in California” with over \$500 million in total annual revenue. These companies must submit biennial reports to CARB that assess their climate-related financial risks and explain their mitigation strategies, using frameworks such as the International Sustainability Standards Board (ISSB) or the Task Force on Climate-related Financial Disclosures (TCFD) standards.

Together, SB 253 and SB 261 require greater accountability and transparency in corporate climate governance by making disclosure the primary compliance mechanism.

SB 219: Amending, Not Expanding, the Regulatory Landscape

SB 219 was adopted alongside SB 253 and SB 261 but does not impose independent reporting requirements. Instead, SB 219 amends the original statutes—most notably by extending CARB’s regulatory deadline to July 1, 2025. Compliance requirements for businesses are determined solely by SB 253 and SB 261.

What Businesses Should Do Now: Compliance Strategies Amid Uncertainty

With the final regulations pending, businesses should take the following actions now to minimize their compliance risks going forward:

- **Assess applicability:** Review whether your organization's revenue and operations meet the thresholds for mandatory disclosures and reporting pursuant to SB 253 and SB 261. Make preliminary determinations based on your current activities and monitor CARB's rulemaking for updated definitions.
- **Upgrade data collection and reporting systems:** Evaluate and strengthen your processes for collecting Scope 1, 2, and 3 GHG data. Accurate Scope 3 reporting may require increased collaboration with your supply chain. For SB 261, integrate climate risk into your enterprise risk management practices.
- **Leverage existing reports:** Determine if your international disclosures, such as Universal Registration Documents or TCFD/ISSB-based reports, meet California's requirements. Update them as needed for compliance.
- **Monitor rulemaking and engage:** Stay informed about CARB's ongoing process. Consider submitting comments or participating in workshops to address your industry's specific concerns.

CARB may exercise enforcement discretion during the transition, particularly for businesses making good-faith compliance efforts. However, proactive preparation is essential. Noncompliance can result in penalties of up to \$500,000 per year under SB 253 and \$50,000 per year under SB 261.

Proactive compliance is strongly recommended. Early preparation will ensure your organization is ready to meet new regulatory requirements and respond effectively to future changes. For tailored guidance on California's climate disclosure requirements, please contact the author or any member of Frost Brown Todd's [Environmental Practice Group](#).

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