

State of California Air Resources Board

Board Item Summary

Item # 26-1-3: Public Hearing to Consider the Proposed California Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure Initial Regulation

Staff Recommendation:

Staff recommends that the California Air Resources Board (CARB or Board) approve for adoption the proposed California Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure Initial Regulation (Proposed Regulation). The Proposed Regulation establishes the framework by which fees will be assessed under Senate Bill (SB) 253 (codified in Health and Safety Code section 38532) and SB 261 (codified in Health and Safety Code section 38533), specifies certain key definitions necessary for fee assessment and program applicability, and establishes a first-year reporting deadline for Health and Safety Code section 38532. Adoption of the Proposed Regulation is necessary to enable CARB to administer and fund the statutory reporting programs enacted by the Legislature.

Discussion:

In 2023, Governor Newsom signed into law the Climate Corporate Data Accountability Act (SB 253, Wiener, Statutes of 2023, Chapter 382) and the Climate-Related Financial Risk Act (SB 261, Stern, Statutes of 2023, Chapter 383), which were amended in 2024 by SB 219 (Wiener, Statutes of 2024, Chapter 766). Health and Safety Code section 38532 requires United States (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. Health and Safety Code section 38533 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 and measures adopted to reduce and adapt to those risks.

The new reporting programs established by Health and Safety Code sections 38532 and 38533 aim to generate information and greater transparency around corporate GHG emissions and climate-related financial risk, information which is not covered by existing climate programs at the state or federal level. These programs help ensure that accurate, comparable, and decision-useful climate information is made available to inform investors, lenders, insurers, consumers, and other stakeholders in the state.

To fund this new program, Health and Safety Code sections 38532 and 38533 mandate that CARB administer a fee program for entities covered under the statutory requirements, which

is a primary focus of the Proposed Regulation. In addition to establishing the fee structure, CARB is also proposing to establish a first-year reporting deadline for implementation of Health and Safety Code section 38532. Health and Safety Code section 38532 requires reporting of Scope 1 and Scope 2 corporate GHG emissions in 2026 and directs CARB to determine the specific deadline by regulation. The Proposed Regulation would specify that entities subject to Health and Safety Code section 38532 shall submit their first Scope 1 and Scope 2 emissions report on or before August 10, 2026, based on best-available data.

Summary and Impacts:

The Proposed Regulation establishes a fee program, clarifies applicability through key definitions, and sets an initial first-year reporting deadline for Health and Safety Code section 38532. The Proposed Regulation does not require changes in emissions of criteria pollutants, toxic air contaminants, or GHGs and is not anticipated to result in direct quantifiable environmental benefits such as emissions reductions. Rather, the Proposed Regulation provides the administrative funding necessary to implement Health and Safety Code sections 38532 and 38533, which are intended by the Legislature to provide accurate, comparable, and decision-useful climate information to investors, lenders, insurers, and the public in California.

The proposed fee structure is set at an amount sufficient to cover the actual and reasonable costs to administer and implement these programs and may be adjusted to reflect changes in the California Consumer Price index. These new reporting programs are estimated to have direct program administration costs of \$90.2 million over a five-year period, including setup costs of \$20.7 million initially funded by a loan from the Greenhouse Gas Reduction Fund (GGRF) and annual implementation costs of \$13.9 million. The estimated compliance costs per regulated entity associated with this regulation are minimal relative to the high revenue thresholds specified in statute and are not expected to result in measurable changes to employment, business formation, or the overall competitiveness of regulated entities.