

# Proposed California Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure Initial Regulation

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FEBRUARY 26, 2026



# Decades of Climate Data Reporting

## Climate Legislation

- Landmark climate legislation: Assembly Bill (AB) 32, 1990 levels by 2020
- 2030 target: 40% Greenhouse Gas (GHG) reduction below 1990 levels (Senate Bill (SB) 32)
- 2045 target: Carbon neutrality, 85% GHG reduction below 1990 levels (AB 1279)

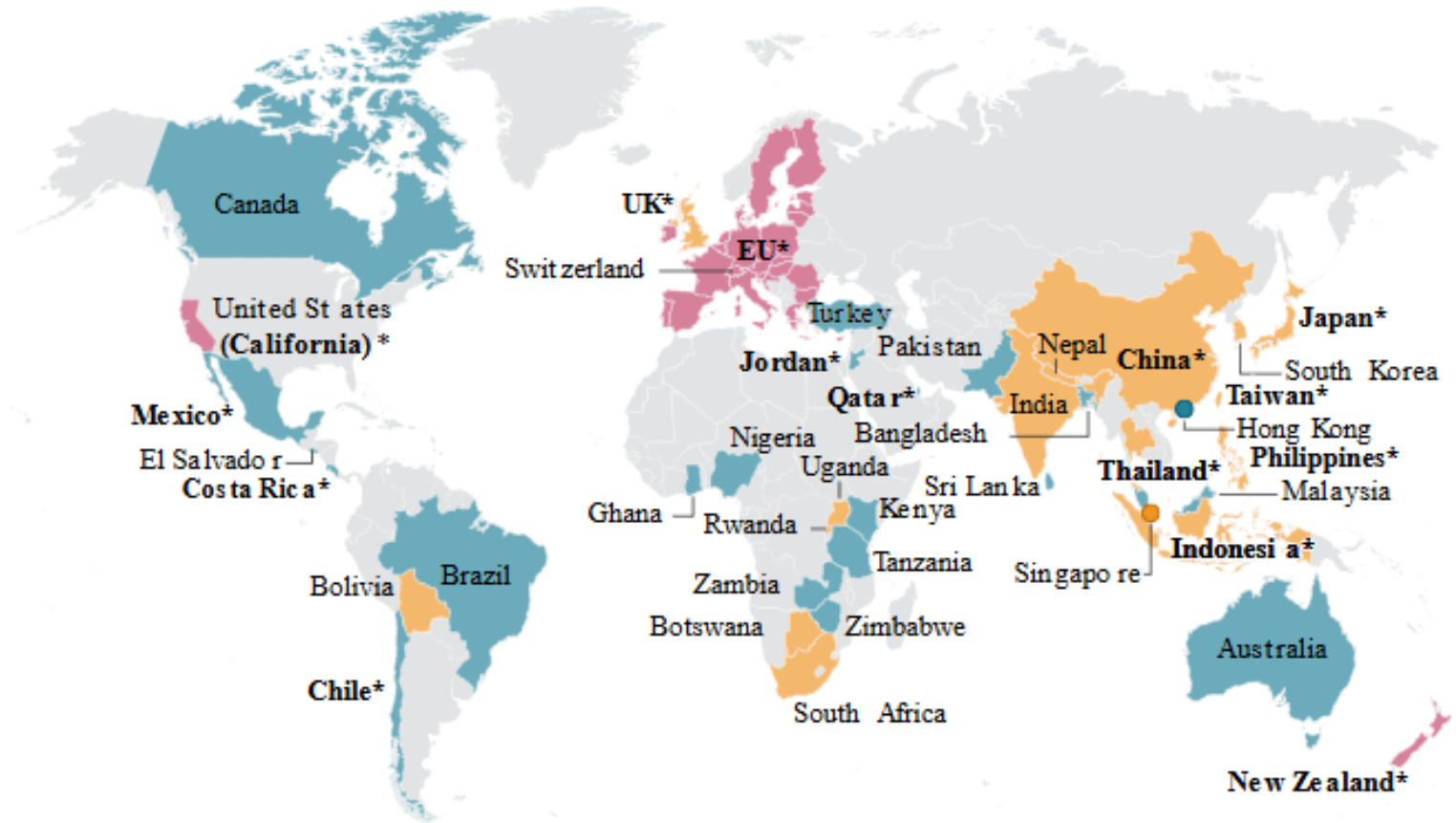
## Existing CARB GHG reporting

- Mandatory Greenhouse Gas Reporting Regulation
- Low Carbon Fuel Standard

# Comparison of SB 253 and SB 261

	<b>SB 253 (HSC § 38532)</b>	<b>SB 261 (HSC § 38533)</b>
<b>Purpose</b>	Corporate greenhouse gas (GHG) emissions disclosure	Climate-related financial risk reporting
<b>Applies To</b>	U.S. entities >\$1 billion revenue, Doing business in California	U.S. entities >\$500 million revenue, Doing business in California
<b>First Due Date</b>	2026, date determined by CARB	January 1, 2026*
<b>Fund for Deposit and Expenditure of Fees</b>	Climate Accountability and Emissions Disclosure Fund	Climate-Related Financial Risk Disclosure Fund

■ Adopted ■ Plans to adopt ■ Other jurisdictions with related disclosure standards



# Existing Climate Disclosure Standards

Source: S&P Global Energy, S&P Global Sustainable1 • Data as of Jan. 23, 2026

"Adopted" and "Plans to adopt" includes jurisdictions that have applied or have a timeline to apply IFRS S1 and/or IFRS S2, as well as those that have modified the standards to fit the local market.

# Public Process



**Stakeholder meetings**

**Diverse sectors**



**Guidance documents**

**> 70,000 subscribers**



**Three Public workshops**

**> 4,000 registrants each**



**Climate Disclosure email inbox**

**> 1,000**



**Public feedback letters**

**> 500**



**Draft Proposed Rulemaking Notice Package**

**Early release before formal comment period**

# Scope of Initial Regulation

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- Establish fee structure
- Define key terms
- SB 253 first-year reporting deadline
  - Covers available data

# Scope 1 and Scope 2 Emissions

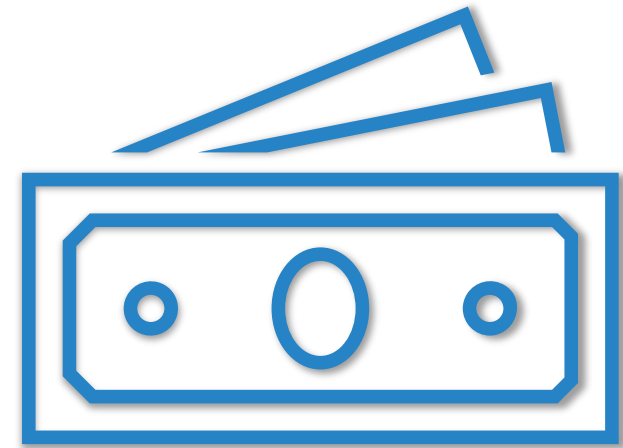
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- SB 253 requires first-year reporting that includes only Scope 1 and Scope 2 emissions
  - Scope 1 emissions are **direct** greenhouse gas (GHG) emissions that occur from sources that are controlled or owned by an organization
  - Scope 2 emissions are **indirect** GHG emissions associated with the purchase of electricity, steam, heat, or cooling
- Example: take energy bill (natural gas, electricity consumption), multiply by existing emission factors

# Defining Revenue

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- Proposal aligns definition of “Revenue” with existing definition of “Gross Receipts” as defined by California Revenue and Taxation Code § 25120(f)(2)
- Standardized and verifiable through Franchise Tax Board tax filings
- Alternatives have inconsistent adoption among entities and present verification difficulties



# Defining Doing Business in California

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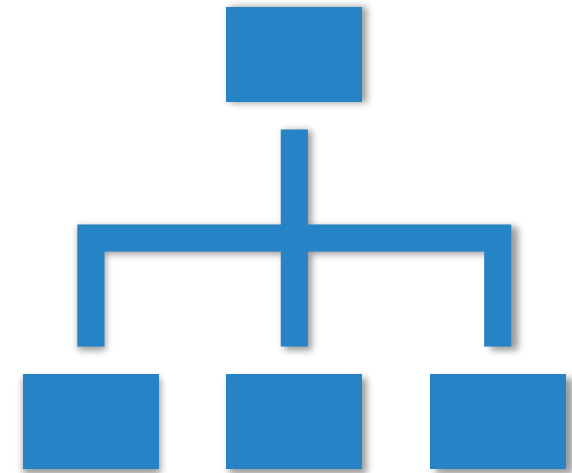
- Proposal aligns definition with certain components of definition in California Revenue and Taxation Code § 23101
- **Doing business in California** if:
  - Organized or commercially domiciled in California; or
  - Sales exceeds amount set by Franchise Tax Board (\$735,019 in 2024)
    - Wholesale sales of electricity do not count for purposes of determining an entity's sales in California



# Defining Parent-Subsidiary Relationships

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- Parents **may** submit consolidated reports and fees on behalf of in-scope subsidiaries
- Leverage existing precedent at CARB
- Use existing definitions of parent and subsidiary at Title 17, California Code of Regulations § 95833 (more commonly known as CARB's Cap-and-Invest Program)



# Exemptions

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- Non-profit or charitable organizations that are tax-exempt under the Internal Revenue Code
  - Excluding such entities is consistent with statutory intent to cover business entities
- Federal, State, and local government entities, and companies that are majority-owned by government entities (>50%)
  - Excluding such entities is consistent with statutory intent to cover business entities
- A business entity that is subject to regulation by the Department of Insurance in this state, or that is in the business of insurance in any other state
  - Expressly excluded under the terms of SB 261
  - Proposing to extend exemption to SB 253 to avoid duplication with existing reporting requirements to California Department of Insurance

# Exemptions (II)

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- A business entity whose only activity within California consists of wholesale electricity transactions
  - Consistent with the letter of legislative intent submitted by Senator Wiener and Senator Stern
- A business entity whose only business in California is employee compensation or payroll expenses, including teleworking employees
  - Avoid capturing entities with limited economic nexus to California

# Fee Structure and Calculation

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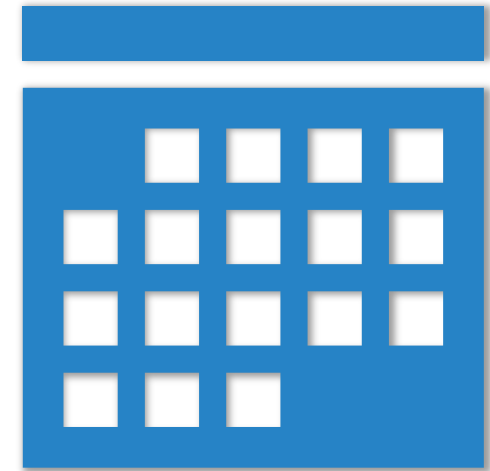
- Each entity subject to each program will be assessed a flat fee annually
  - Most streamlined option
- Fees for each program calculated as:

$$\frac{\text{Annual Program Cost (includes Debt)}}{\text{Number of Regulated Entities}}$$

# SB 253 First-Year Only Reporting Deadline

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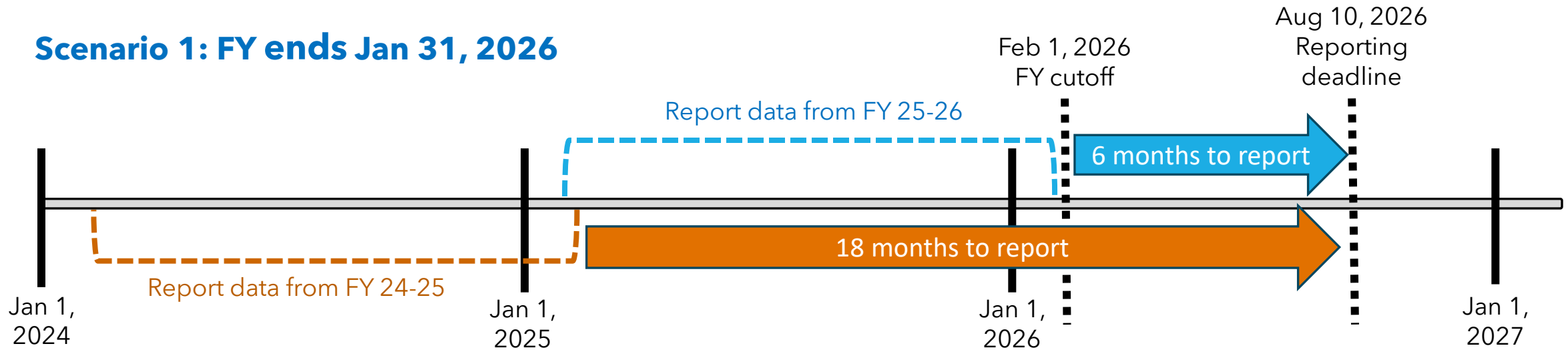
- CARB is required by SB 253 to set a reporting deadline for 2026 for Scope 1 and Scope 2 emissions data
- Staff propose a **first-year reporting deadline** of August 10, 2026
- Aligns with Mandatory Greenhouse Gas Reporting Regulation
- Each entity will have at least six months after the end of their fiscal year to compile and submit its report



# SB 253 Reporting Timeline

- Staff proposal gives 6-18 months to submit report from close of fiscal year (FY), based on timing of FY end

## Scenario 1: FY ends Jan 31, 2026



## Scenario 2: FY ends Feb 2, 2026

# Supporting SB 253 Compliance

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- CARB is focused on supporting compliance
  - In December 2024, Staff clarified in an [Enforcement Notice](#) that CARB will exercise its enforcement discretion for good-faith first-year submissions
- Staff will continue to prioritize guidance and ongoing engagement with reporting entities to ensure the successful and smooth implementation of the statutes

# Supporting SB 253 Compliance (II)

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- Comprehensive list of common questions and responses to clarify statutory requirements
  - [Frequently asked questions document](#)
- Excel templates for voluntary use that include data and information fields commonly reported under voluntary programs
  - [Draft scope 1-2 GHG emissions reporting template](#)

# Feedback Reflected in Staff Proposal

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- **Provide sufficient time for SB 253 reporting**
  - Pushed back 2026 reporting deadline
  - Alignment with Mandatory Greenhouse Gas Reporting Program
  - Flexibility based on fiscal year end (6-18 months from fiscal year end to report)
  - 2024 Enforcement Notice
- **Consider exemptions**
  - Non-profit and government entities
  - Entities in the business of insurance
  - Entities with limited economic nexus to California
- **Establish definitions that determine program applicability**
  - Aligned key definitions with Cap-and-Invest program and CA Tax Law

# Next Steps

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Approve Resolution 26-1

Respond to public comments and submit final package to Office of Administrative Law

Implement fees and first-year GHG reporting deadline for SB 253

# Future Rulemaking

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- Staff will continue to engage with the public to establish ongoing reporting requirements for SB 253, including a subsequent rulemaking
  - Scope 1, 2 and expanded GHG emissions reporting for 2027 and onward
  - Data assurance