

Proposed

State of California
Air Resources Board

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

Resolution 26-1

February 26, 2026

Agenda Item No.: 26-1-3

Whereas, sections 39600 and 39601 of the Health and Safety Code (HSC) authorize the California Air Resources Board (CARB or Board) to adopt standards, rules and regulations and to do such acts as may be necessary for the proper execution of the powers and duties granted to and imposed upon the Board by law;

Whereas, the Climate Corporate Data Accountability Act (Senate Bill (SB) 253, Wiener, Stats. 2023, ch. 382; codified in HSC section 38532), and the Climate-Related Financial Risk Act (SB 261, Stern, Stats. 2023, ch. 383; codified in HSC section 38533), amended in 2024 by SB 219 (Wiener, Stats. 2024, ch. 766; codified in HSC sections 38532 and 38533), aim to protect California stakeholders by mandating greenhouse gas (GHG) emissions reporting and climate-related financial risk reporting by large U.S.-based entities that do business in California;

Whereas, the Legislature has enacted the California Global Warming Solutions Act of 2006 (Assembly Bill (AB) 32, Nunez, stats. 2006, ch. 488, codified in HSC section 38500 et seq.), which declares that global warming poses a serious threat to the economic well-being, public health, natural resources, and the environment of California;

Whereas, AB 32 added Division 25.5 to the Health and Safety Code, including section 38501, which expresses the Legislature's finding that global warming poses a serious threat and the Legislature's intent that the Board coordinate with State agencies and consult with the environmental justice community, industry sectors, business groups, academic institutions, environmental organizations, and other stakeholders in implementing AB 32;

Whereas, California experiences a wider range of the effects of climate change and suffers these effects to a greater degree than other states in the nation, including extreme and prolonged drought, dwindling supplies of fresh water from loss of snowpack, more extensive and severe wildfires, and rising storm surges and sea levels;¹

¹ See, e.g., discussion of evidence in 78 Fed. Reg. 2,112, 2,129 (Jan. 9, 2013); State of California Governor's Office of Planning and Research, California Energy Commission, California Natural Resources Agency, California's Fourth Climate Change Assessment Statewide Summary Report (hereinafter "Fourth Climate Change Assessment Statewide Summary"), Report # SUM-CCCA4-2018-013, August 27, 2018, available at: https://www.energy.ca.gov/sites/default/files/2019-11/Statewide_Reports-SUM-CCCA4-2018-013_Statewide_Summary_Report_ADA.pdf.

Whereas, the increase in the size and severity of California wildfires is directly responsible for adding to the air thousands of tons of the criteria air pollutants designated under the federal Clean Air Act,² including particulate matter (PM), oxides of nitrogen (NOx), and volatile organic compounds, which threaten public health not only within but also well beyond California's borders;³

Whereas; as the United States Environmental Protection Agency (U.S. EPA) has recognized, the effects of climate change and rising temperatures from GHG emissions make it more difficult to reduce ozone air pollution that threatens public health;⁴

Whereas, section 38505 of the Health and Safety Code defines GHGs as including carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride;

Whereas, many business entities voluntarily report GHG emissions information and/or climate -related risk reports conforming to common national and international standards;

Whereas, CARB recognizes the imperative to meaningfully integrate equity and environmental justice considerations into programs and policies in partnership with affected communities;

Whereas, investors, consumers, and other stakeholders have also recognized the value of transparency for their decision-making;

Whereas, other jurisdictions, including the European Union and Great Britain, have already implemented similar reporting systems;

Whereas, community and environmental justice groups have emphasized the importance of data transparency for building accountability and protecting community health and safety;

Whereas; HSC sections 38532 and 38533 each authorize the creation of a fee to fund program administration and implementation;

Whereas, CARB's program administration includes approximately \$20.7 million setup costs funded through the Greenhouse Gas Reduction Fund (GGRF) for Fiscal Years 24/25 and 25/26;

Whereas, ongoing annual costs of implementing HSC sections 38532 and 38533 are expected to be approximately \$13.9 million, excluding, and in addition to, costs associated with GGRF loan repayment;

Whereas, HSC section 38532 directs CARB to adopt regulations to support administration and implementation of this section, including provisions related to fees. Consistent with statute:

CARB shall require that reporting entities pay an annual fee to the Board for the administration and implementation of this section;

CARB shall set the fee in an amount sufficient to cover the Board's full costs of administering and implementing this section. The total amount of fees collected shall not exceed the Board's actual and reasonable costs to administer and implement this section;

² 42 U.S.C. § 7401, et seq.

³ See Fourth Climate Change Assessment Statewide Summary.

⁴ See 74 Fed. Reg. 32,744, 32,763 (July 8, 2009).

CARB shall deposit collected fees in the Climate Accountability and Emissions Disclosure Fund created by HSC section 38532. The money in the fund is continuously appropriated to the Board and shall be expended by the Board for the Board's activities pursuant to this section and to reimburse any outstanding loans made from other funds used to finance the initial costs of the Board's activities pursuant to this section;

CARB may adjust the fee in any year to reflect changes in the California Consumer Price Index during the prior year; and

In accordance with the directive in HSC section 38532 to CARB to set a date starting in 2026 by which a reporting entity must publicly disclose to an emissions reporting organization or to the Board all of the reporting entity's Scope 1 and Scope 2 emissions for the reporting entity's prior fiscal year, CARB shall set such a date;

Whereas, HSC section 38533 directs CARB to develop a program to support administration of this section, including provisions related to fees.⁵ Consistent with statute:

Starting in 2026, and annually thereafter, covered entities shall pay a fee to the Board for the administration and implementation of this section;

CARB shall set the fee in an amount sufficient to cover the Board's full costs of administering and implementing this section. The total amount of fees collected shall not exceed the Board's actual and reasonable costs to administer and implement this section;

CARB may adjust the fee in any year to reflect changes in the California Consumer Price Index during the prior year; and

CARB shall deposit collected fees in the Climate-Related Financial Risk Disclosure Fund created by HSC section 38533. The money in the fund is continuously appropriated to the Board and shall be expended by the Board for the Board's activities pursuant to this section and to reimburse any outstanding loans made from other funds used to finance the initial costs of the state board's activities pursuant to this section;

Whereas, other CARB programs have implemented fee requirements through regulation, including the AB 32 Cost of Implementation⁶ and Clean Truck Check;⁷

Whereas, staff has proposed the California Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure Initial Regulation as set forth in Appendix A to the Initial Statement of Reasons (ISOR) released to the public on December 23, 2025, which are incorporated into this Resolution by reference;

⁵ On November 18, 2025, the Ninth Circuit Court of Appeals issued an order in *Chamber of Commerce v. Sanchez*, Case No. 25-5327 (9th Cir. 2025), granting an injunction against the enforcement of SB 261, including Health and Safety Code section 38533, during the pendency of appellate proceedings in that matter. In light of the Court's order, and as indicated in CARB's [Enforcement Order](#), CARB will not enforce HSC section 38533 against covered entities at this time.

⁶ Cal. Code Regs., tit. 17, § 95200 et seq.

⁷ Cal. Code Regs., tit. 13, § 2196.1.

Whereas, throughout 2024 and 2025, CARB staff held public outreach sessions to solicit input and conducted three public workshops to present and discuss the development of regulatory concepts;

Whereas, CARB staff held individual meetings with a wide range of interested parties, including potentially regulated business entities, regulatory partners, and environmental groups, to gather input on regulatory concepts for the proposed regulation;

Whereas, CARB staff developed and released publicly available guidance materials to aid stakeholders in understanding regulatory concepts and provided opportunities for stakeholder feedback;

Whereas, HSC sections 39515 and 39516 provide that any power, duty, purpose, function or jurisdiction of the Board may be delegated to the CARB Executive Officer or his delegate as the Board deems appropriate, and is presumed delegated unless it has been specifically reserved;

Whereas, CARB's regulatory program that involves the adoption, approval, amendment, or repeal of standards, rules, regulations, or plans has been certified by the Secretary for Natural Resources under Public Resources Code section 21080.5 of the California Environmental Quality Act (CEQA; Cal. Code Regs., tit. 14, § 15251(d)), and CARB conducts its CEQA review according to this certified program (Cal. Code Regs., tit. 17, §§ 60000-60007);

Whereas, CARB has determined that the proposed regulation is statutorily exempt from CEQA, pursuant to sections 38532(g) and 38533(g) of HSC. CARB notes that while this proposed regulation is expressly statutorily exempt, the proposed regulation is also exempt from CEQA pursuant to other applicable exemptions, including CEQA Guidelines, section 15061(b)(3) ("common sense" exemption), because it can be seen with certainty that there is no possibility that the proposed activity may result in a significant adverse impact on the environment, and CEQA Guidelines, section 15306 ("information collection"), which exempts from CEQA basic data collection, research, management and evaluation activities which do not result in a serious or major disturbance to an environmental resource, as described in Chapter VI of the Initial Statement of Reasons;

Whereas, a public hearing and other administrative proceedings have been held according to the provisions of Chapter 3.5 (commencing with section 11340), part 1, division 3, title 2 of the Government Code;

Whereas, the Board finds that:

The proposed regulation meets the statutory requirements that the state board shall set fees in an amount sufficient to cover the state board's full costs, including costs incurred to date for administering and implementing HSC sections 38532 and 38533, and that the state board shall determine a date in 2026 by which an entity covered by HSC section 38532 must disclose its Scope 1 and Scope 2 emissions as identified in HSC section 38532;

The proposed regulation was developed through a public process, in consultation with potentially affected parties, through numerous public workshops, individual meetings, and other outreach efforts;

CARB requires resources to pay initial setup costs and program administration costs, including costs already incurred related to HSC sections 38532 and 38533;

CARB must fully reimburse any loans obtained to launch the program as required by the Legislature;

CARB proposes a flat fee structure that would be applied equally to all reporting entities within the scope of HSC section 38532 and to all covered entities within the scope of HSC section 38533;

CARB considered alternatives to a flat fee structure. No alternative proposed to the fee structure considered to date, or that has been brought to the attention of CARB, was found to be less burdensome and equally effective in achieving the purposes of the regulation in a manner that ensures full compliance with the authorizing law.

The proposed regulation is consistent with CARB's environmental justice policies and does not disproportionately impact people of any race, culture, income, or national origin; and

The proposed regulation is statutorily exempt from CEQA, pursuant to sections 38532(g) and 38533(g) of the HSC. CARB notes that while this proposed regulation is expressly statutorily exempt, the proposed regulation is also exempt from CEQA pursuant to other applicable exemptions, including CEQA Guidelines, section 15061(b)(3) ("common sense" exemption) because it can be seen with certainty that there is no possibility that the proposal may result in a significant adverse impact on the environment, and section 15306 ("information collection"), which exempts from CEQA basic data collection, research, management and evaluation activities which do not result in a serious or major disturbance to an environmental resource.

Now, therefore, be it resolved that the Board hereby approves for adoption sections 96070-96077, Title 17, California Code of Regulations, as set forth in Appendix A of the Initial Statement of Reasons released to the public on December 23, 2025.

Be it further resolved that the Board directs the Executive Officer or his delegate to determine if additional conforming modifications to the regulation are appropriate. If no additional modifications are appropriate, the Executive Officer or his delegate shall take final action to adopt the regulation, as set forth in Appendix A of the ISOR released to the public on December 23, 2025. If the Executive Officer or his delegate determines that additional conforming modifications are appropriate, the modified regulatory language shall be made available for public comment, with any additional supporting documents and information. The Executive Officer or his delegate shall consider written comments submitted during the public review period and make any further modifications that are appropriate available for public comment for at least 15 days. The Executive Officer or his delegate may present the regulation to the Board for further consideration if warranted, and if not, the Executive Officer or his delegate shall take final action to adopt the regulation after addressing all appropriate conforming modifications.

Whereas, in consideration of the Notice of Proposed Rulemaking for these regulations, ISOR, the documents and evidence referenced and incorporated in these documents, and written comments and public testimony on the proposed regulation, the Board finds that:

The proposed regulation establishes a fee program as authorized by statute to recover the costs of administering and implementing the programs under HSC sections 38532 and 38533 and establishes a first-year reporting deadline for GHG emissions reporting under HSC section 38532.